Joint Stock Company

"Micro Finance Organization Crystal "

(Identification Code: 212896570)
Final Prospectus

IMPORTANT INFORMATION FOR THE INVESTORS:

Prospective investor must read the following disclaimer before continuing. The following disclaimer applies to the attached prospectus (the "**Prospectus**") and prospective investor is therefore advised to read this carefully before reading, accessing or making any other use of the attached Prospectus. By accessing and using the Prospectus (including for investment purposes), prospective investor agrees to be bound by the following terms and conditions (modified from time to time). If the prospective investor receives the Prospectus via electronic means, he/she acknowledges that this electronic transmission (with attached Prospectus) is confidential and intended only for him/her. Therefore the investor agrees that he/she will not forward, reproduce or publish this electronic transmission or the attached Prospectus to any other person.

THE PROSPECTUS MAY BE SUBJECT TO COMPLETION WITH ADDITIONAL INFORMATION IF AND AS REQUIRED BY THE APPLICABLE LEGISLATION.

Limitation of the liability:

Approval of this Prospectus by the National Bank of Georgia relates to its form only and may not be viewed as a conclusion on the accuracy of the content of the Prospectus or value of the investment described herein.

Further, to the fullest extent permitted by applicable law, no person (including without limitation the Placement Agents, the Bondholders' Representative, the Calculation and Paying Agent, the Registrar, other advisers to the Company, nor any of their affiliates, directors, advisers or agents), other than the Issuer, accepts any responsibility whatsoever for the contents of this Prospectus, the accuracy or completeness of the information contained in this Prospectus or for any other statement, made or purported to be made by any of them or on its/their behalf in connection with the Company or the issue and offering of the securities described herein. The Placement Agent and the advisers to the Company accordingly disclaim all and any liability they might otherwise have in respect of this Prospectus or any such statement.

The Placement Agents are acting exclusively for the Issuer and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of this Prospectus) as their client in relation to the offer. Therefore, the Placement Agents will not be responsible to anyone other than the Company for providing services or for giving advice in relation to the offer or any transaction or arrangement referred to herein.

This Prospectus does not constitute and may not be used for the purposes of an offer in any jurisdiction in which such offer is not authorized or to any person to whom it is unlawful to make such an offer. No action is being taken to permit an offering of the Bonds described in this Prospectus or the distribution of this Prospectus (or any other offering materials relating to the Bonds) in any jurisdiction (other than Georgia).

The investor's representation: The attached Prospectus is delivered to the prospective investor at his/her request and on the basis that the investor has confirmed to the "Placement Agents" (the **"Placement Agents"**) and JSC Micro Finance Organization Crystal (the "**Company**" or the "**Issuer**") that the investor (i) is located outside United States and is not a US person (as defined in Regulation S under the United States Securities Act of 1933, as amended, or (ii) is outside of the United Kingdom or European Economic Area, or (iii) is a person into whose possession this Prospectus may lawfully be delivered in accordance with the laws of the jurisdiction in which he/she is located.

If this Prospectus has been made available to the investor in an electronic form, neither the Company, nor the Placement Agents or any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to the investor in an electronic format and the hard copy version, and/or the viruses and other destructive items arising from alterations and changes caused during the process of electronic transmission of the Prospectus. By accessing the linked Prospectus, the investor consents to receiving it in electronic form.

A hard copy of the Prospectus will be made available to the investor upon request made to the Placement Agents.

Restriction: If a person has gained access to this document contrary to the foregoing restrictions, he/she will not be authorized to purchase any of the securities described therein.

Approved by the National Bank of Georgia

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Issue State Registration Number: ____________

International Securities Identification Number (ISIN): _______________

Approval of this Prospectus by the National Bank of Georgia relates to its form only and may not be viewed as a conclusion on the accuracy of the content of the Prospectus or value of the investment described herein

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Joint Stock Company

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GEL 10,000,000 (ten million) Bonds with floating interest (coupon) rate. The Bonds mature in 2 years from the date of their issue and placement. The nominal value of each Bond is GEL 100,000 (hundred thousand). Issue price: 100% of the nominal value. Interest on the Bonds is payable quarterly in arrears at the rate of 450 basis points premium over the National Bank of Georgia (the "NBG") Monetary Policy (refinancing) Rate.

General Information about the Prospect and the Offer

This Prospectus (the "**Prospectus**") is prepared by **JSC Micro Finance Organization Crystal**, incorporated in Georgia under the laws of Georgia on 23 August 2007, Identification Number: 212896570, legal address Tamar Mepe Str, №72, Kutaisi, Georgia.

This Prospectus is prepared in relation to issuance of 100 (hundred) coupon Bonds (debt securities with a floating interest rate) of the Company. The nominal value of each Bond is GEL 100,000 (hundred thousand Georgian Lari). The rate of interest shall be calculated by reference to the NBG Monetary Policy (refinancing) Rate, with the premium of 450 basis points. The interest will accrue on the Bonds from the Bond Issuance and Placement Date until the due date for redemption. The interest on the Bonds will be paid quarterly in arrears on the dates specified in the "*Overview of the Offering*". First payment of the interest will be made on 28 March, 2018. The Bonds will be redeemed at the principal amount together with the accrued and unpaid interest (if any) on 28 December 2019.

The Company may also redeem the Bonds in whole, but not in part, at their outstanding principal amount together with accrued and unpaid interest to the date of redemption in the event of occurrence of certain changes affecting taxation in Georgia (see "*Terms and Conditions of the Bonds*", Condition 7 (c) – "*Redemption for Taxation*").

The Issuer and the Placement Agents will carry out the public offering and placement of the Bonds. The Prospectus is valid until the Bonds are redeemed and respective liabilities are fulfilled.

The Bonds will constitute unsecured and unsubordinated obligations of the Company.

The Issuer will have the right to submit an application to the Georgian Stock Exchange (the "GSE") for the Bonds to be admitted to listing on the GSE's official list and to trading on the GSE. In case of such admission, the Bonds may be traded on the GSE.

An investment in bonds involves high risk. Any prospective investor, who will purchase the Bonds, should be prepared to face the economic risk of his/her investment and take into account the fact that the repayment of the principal amount of the Bonds and accrued interest will depend on the Issuer's solvency. See "*Risk Factors*" of the Prospectus regarding the types of the risk factors related to investment in the Bonds. Neither this Prospectus nor any other information supplied by the Company or the Placement Agents in connection with the Bonds is intended to provide an evaluation of the risks involved in investing in bonds. Each investor is advised to make his/her own evaluation of potential risks involved.

This Prospectus and information provided therein may be subject to alteration and addition in case of change of circumstances. The Issuer will notify the investors about such alterations and additions in accordance with the legislation. Sale or public offering of the Bonds described herein is prohibited until the Prospectus is approved by the National Bank of Georgia. Offering of the Bonds described in this

Prospectus is made within the jurisdiction of Georgia as allowed by the applicable laws of Georgia. This Prospectus does not constitute an offer of securities for sale in any jurisdiction in which such offer is unlawful. The Bonds have not been and will not be registered in any other country (other than Georgia). The Bonds have not been, and will not be registered under the United States Securities Act of 1933, as amended ("**US Securities Act**") or any US state securities laws, and except pursuant to the concrete exemptions envisaged by the US Securities Act, it is prohibited to sell, offer to sell or supply the Bonds in the United States.

This Prospectus is prepared and is available to public in accordance with the Law of Georgia on Securities Market. The final Prospectus will be published and available on the website of the Company.

The Company accepts responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company (which has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to significantly affect the accuracy and completeness of such information.

Neither the Company nor the Placement Agents make any representation to any potential or actual purchaser of the Bonds regarding the legality of an investment in the Bonds by such purchaser under appropriate investment or similar laws applicable to such purchaser.

No person is authorised to give any information or to make any representation not contained in this Prospectus and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Company or the Placement Agents. Neither the delivery of this Prospectus nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date hereof.

Investors should not construe anything in this Prospectus as legal, business or tax advice. Each investor should consult its own advisers as needed to make its investment decision and to determine whether it is legally permitted to purchase the securities under applicable legal investment or similar laws or regulations.

In making any investment decision, investors must rely on their own examination of the Company, the Bonds and the terms of this offering, including the merits and risks involved. See "*Risk Factors*". Each potential investor must determine the suitability of an investment in the Bonds in light of such investor's own circumstances. In particular, each potential investor should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained in this Prospectus or any applicable supplement;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including where the currency for principal and interest payments (Georgian Lari) is different from the potential investor's currency;

(iv) understand thoroughly the terms of the Bonds and be familiar with the behaviour of the financial markets in which they participate; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

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FORWARD-LOOKING STATEMENTS

Certain statements in this Prospectus may be deemed to be "forward-looking statements". Forward-looking statements include statements concerning the Company's plans, expectations, projections, objectives, targets, goals, strategies, future events, future revenues, capital expenditures, financing needs, plans or intentions relating to acquisitions, competitive strengths and weaknesses, plans or goals relating to the Company's financial position, future operations, development, and business strategy and the trends the Company anticipates in the Georgian economy and in the industries and the political and legal environment in which it operates and other information that is not historical information. Forward-looking statements appear in various sections of this Prospectus, including, without limitation, under the headings "*Risk Factors*," "*Use of Proceeds*", "*Description of Business*", "*Management's Discussion and Analysis of Financial Condition and Operating Results*" and "*Risk Management*".

Words such as "believe", "anticipate", "estimate", "target", "potential", "expect", "intend", "predict", "project", "could", "should", "may", "will", "plan", "aim", "seek" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. These risks, uncertainties and other factors include, among other things, those listed under "*Risk Factors*", as well as those included elsewhere in this Prospectus. Investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements.

Accordingly, investors should not place undue reliance on forward-looking statements and, when looking at forward-looking statements, should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Company operates. The forward-looking statements in this Prospectus speak only as of the date of this Prospectus. The Company does not undertake any obligation to update or revise any of them (whether as a result of new information, future events or otherwise), other than as required by applicable laws. Company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario. These cautionary statements qualify all forward-looking statements attributable to the Company or persons acting on the Company's behalf and any projections made by third parties included in this Prospectus.

PRESENTATION OF FINANCIAL AND CERTAIN OTHER INFORMATION

Financial Information

The audited financial statements of the Company as of and for the years ended, 2015 and 2016 included in this Prospectus have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board (the "**IASB**"), including all International Accounting Standards **(**the "**IAS**"**)** and Interpretations issued by the IASB and the International Financial Reporting Interpretations Committee of the IASB that are relevant to the Company's operations. The 2015 and 2016 financial statements were audited by KPMG Georgia LLC ("**the Auditor**"), in accordance with International Standards on Auditing ("**ISA**"). Unless otherwise indicated, the financial information presented herein is derived from the annual Financial Statements.

Financial statements as of and for the periods ended 30 June 2016 and 30 June 2017 are prepared by the management of the Company in accordance with IFRS issued by IASB, including all IAS and interpretations issued by the IASB and International Financial Reporting Interpretations Committee of the IASB that are relevant to the operations of the Company. Semi-annual financial statements have not been audited or reviewed by an independent auditor and are based on management accounts.

Certain amounts that appear in this Prospectus have been subject to rounding adjustments.

Market, Industry and Economic Information

The Company obtained the market data used in this Prospectus from internal surveys, industry sources and public information currently available. The main sources for market information and foreign exchange data used in this Prospectus are the National Bank of Georgia, International Finance Corporation, European Investment Bank and World Bank. The Company obtained Georgian macroeconomic data principally from the Legal Entity of Public Law National Statistics Office of Georgia (the "**Geostat**"), the Government of Georgia (the "**Government**") and Galt & Taggart Research. The Company accepts responsibility for having correctly reproduced information obtained from third parties, and, so far as the Company is aware and has been able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

General Information

Unless otherwise stated all information contained in this Prospectus, including all historical financial information, is information of the Company.

Capitalised terms have the meanings ascribed to them in the "*Definitions*" section of this Prospectus.

Currency and Exchange Rates

In this Prospectus, all references to "Lari" and "GEL " are to the lawful currency of Georgia; all references to "dollars," "US dollars", "US$" and "USD" are to the lawful currency of the United States of America; all references to "Euros", "€" and "EUR" are to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended; References to "billions" are to thousands of millions.

Solely for the convenience of the reader, this Prospectus contains translations of certain Lari amounts into US dollars at exchange rates established by the NBG and effective as of the dates, for the periods, specified herein. These exchange rates may differ from the actual rates used in the preparation of the Financial Statements and other financial information appearing in this Prospectus. The inclusion of these exchange rates is not meant to suggest that the Lari amounts actually represent such US dollar amounts or that such amounts could have been converted into US dollars at any particular rate, or at all.

The following table sets forth, for the years indicated, the high, low, average and period-end official exchange rates as reported by the NBG, in each case for the purchase of Lari, all expressed in Lari per US dollar.

	High	**Low**	**Average**	**Period End**
	(Lari per US dollar)			
2017 (31st of October)	2.7674	2.3824	2.4818	2.5873
2016	2.4985	2.1272	2.3271	2.4091
2015	2.4499	1.8780	2.2702	2.3949
2014	1.9527	1.7241	1.7659	1.8636
2013	1.7376	1.6348	1.6634	1.7363
2012	1.6751	1.6193	1.6513	1.6567
2011	1.8111	1.6388	1.6860	1.6703
2010	1.8875	1.6929	1.7826	1.7728

Source: NBG.

The following table sets forth, for the months indicated, the high, low, average and period-end official exchange rates as reported by the NBG, in each case for the purchase of Lari, all expressed in Lari per US dollar.

	High	**Low**	**Average**	**Period End**
	(Lari per US dollar)			
October 2017	2.5873	2.4687	2.4972	2.5873
Septemebr 2017	2.4926	2.4301	2.4691	2.4790
August 2017	2.4274	2.3885	2.3971	2.4274
July 2017	2.4047	2.3941	2.3995	2.4009
June 2017	2.4253	2.4062	2.4116	2.4072
May 2017	2.4416	2.4076	2.4280	2.4274
April 2017	2.4773	2.3824	2.4164	2.4416
March 2017	2.5494	2.4289	2.4689	2.4452
February 2017	2.7090	2.5837	2.6429	2.5837
January 2017	2.7674	2.6468	2.7007	2.7061

Source: NBG.

OVERVIEW OF THE OFFERING

This overview below describes the principal terms of the Bonds. This overview does not purport to be complete and terms and conditions of the Bonds are described in more detail in other sections of the Prospectus, including Terms and Conditions of the Bonds."

The Offer..	Offering of GEL 10,000,000 debt securities (Bonds) due on 28 December 2019;
Issuer..	JSC Micro Finance Organization Crystal (Identification Number: 212896570)
Security..	Coupon bond (floating rate interest bearing security)
Nominal Value	GEL 100,000 (hundred thousand Georgian Lari)
Number of Bonds...	100 (hundred)
Total Issue Price...	GEL 10,000,000 (ten million) Georgian Lari
Interest (coupon)	The Bonds will bear interest at the rate of 450 basis points premium over the NBG Monetary Policy (refinancing) Rate, as published by the NBG on the following link: https://www.nbg.gov.ge/index.php?m=554&lng=eng including applicable taxes. Interest rate is subject to international credit rating of the Company and may be altered in accordance with the rules set in Terms and Conditions of the Bonds (See *"Terms and conditions of the Bonds"*, Condition 6 *"Interest"*.
Issue Price..	100% of the principal amount (nominal value) of the Bond
Bond Issuance and Placement Date	The Bonds will be issued and placed on 28 December 2017
Maturity Date...	The Bonds will be redeemed on 28 December 2019 at the principal amount together with the accrued and unpaid interest (if any)
Placement Agents...	JSC Galt & Taggart (Identification Number: 211359206)
Bondholders' Representative	Nodia, Urumashvili and Partners LLC (Identification Code: 204484628**)**
Calculation and Paying Agent.............................	JSC Galt & Taggart (Identification Number: 211359206)
Registrar...	JSC United Securities Registrar of Georgia (Identification Number: 205156374)

Interest Accrual and Payment	The interest is accrued on the Bonds at the abovementioned rate from the Bond Issuance and Placement Date until the due date of redemption. The interest will be accrued based on a 365-day year. The accrued interest will be payable quarterly in arrears. The first payment of the interest will be made on 28 March 2019
Status and Ranking of the Bonds	The Bonds constitute unsecured and unsubordinated obligations of the Company and shall at all times rank *pari passu* and without preference amongst themselves. The Bonds shall, save for such exceptions as may be provided by applicable legislation, at all times rank at least *pari passu* in priority of payment equally with all other unsecured and unsubordinated creditors of the Company
Form of the Bonds	The Bonds will be issued in dematerialized registered form. The Ownership title over the Bonds will be shown in the Register maintained by the Registrar and in registries maintained by Nominal Holders of the Bonds (as defined in the "*Terms and Conditions of the Bonds*"), and transfers of the Bonds shall be effected only through corresponding entries in the respective registries
Cancellation / Redemption................................	Upon agreement with the Bondholder(s), the Company may cancel the Bond(s) prior to their maturity by offering to the Bondholder(s) payment of the outstanding principal amount together with accrued and unpaid interest to the date of cancellation. Also, in certain cases, the Bonds may be redeemed at the option of the Company in whole, but not in part, at any time upon giving notice to the Bondholders, at their outstanding principal amount together with accrued and unpaid interest to the date of redemption in the event of certain changes affecting taxation in Georgia (see "*Terms and Conditions of the Bonds*", Condition 7 (c) – "*Redemption for Taxation*").
Negative Pledge and Other Covenants...............	Pursuant to the Terms and Conditions of the Bonds, the Issuer is subject to restrictions on the pledge of its assets except for certain Permitted Security Interests, and to other restrictions on the conduct of its business, disposal of assets and finances (See, "*Terms and*

	Conditions of the Bonds")
Event of Default..	If an -Event of Default has occurred, the Bondholders' Representative (and in certain circumstances, Bondholders and/or Nominal Holders) may give notice that the Bonds are, and the Bonds shall immediately become, due and payable at 100% of the principal amount together with (if applicable) accrued interest. See "*Terms and Conditions of the Bonds* - Condition10 (*Events of Default*)".
Withholding Tax..	All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any applicable Georgian withholding tax.
Use of Proceeds..	The net proceeds received by the Company from the issuance of the Bonds will be used for financing Crystal's core business activities and will not be used for refinancing the Company's existing debts. See "*Use of Proceeds*".
Listing and Admission to Trading.......................	The Issuer will have the right to submit an application to the GSE for the Bonds to be admitted to listing on the GSE's official list and to trading on the GSE. In case of such admission, the Bonds may be traded on the GSE.
Selling Restrictions..	The offer of Bonds shall only be made within the jurisdiction of Georgia as allowed by the applicable laws of Georgia
Governing Law	Georgian law
Jurisdiction...	Any disputes related to the Bonds shall be resolved by submission to the courts in Georgia, pursuant to the rules set out in the Prospectus
Risk Factors	Prospective investors shall consider carefully all the information set forth in this Prospectus and, in particular, the information set forth under "*Risk Factors*" before making a decision on investment in the Bonds
Contact Information of the Issuer	JSC Micro Finance Organization Crystal (Identification Code: 212896570) Address: Tamar Mepe Str, №72 , Kutaisi, Georgia; Tel: (+ 995 0431) 25 22 44; E-mail: info@crystal.ge
Contact Information of the Placement Agent/Lead manager...	JSC Galt & Taggart (Identification Code: 211359206); Address: 79 Aghmashenebeli Ave. 0179 Tbilisi, Georgia; Tel: (995 32) 2444-132 (995 32) 24401-111; E-mail: st@gt.ge

Contact Information of the Bondholders' Representative..	Nodia, Urumashvili and Partners LLC (Identification Code: 204484628) Address: 71 Vazha-Pshavela Ave. 0186 Tbilisi, Georgia; Tel: (995 32) 220-7407; E-mail: eprem@nplaw.ge
Contact Information of the Registrar	JSC United Securities Registrar of Georgia (Identification Code: 205156374); Address: 11 Mosashvili Str. 0162 Tbilisi, Georgia; Tel: (995 32) 225-1560; E-mail: info@usr.ge
Security Codes (ISIN)..	Security code will be assigned by the National Bank of Georgia after submission of the final Prospectus

RISK FACTORS

An investment in the Bonds involves certain risks. Prior to making an investment decision, prospective purchasers of the Bonds should carefully read this entire Prospectus. In addition to the other information in this Prospectus, prospective investors should carefully consider, in light of their own financial circumstances and investment objectives, the risks described below before making an investment in the Bonds. Any of the risks described below could have a material adverse effect on the Company's business, financial condition and operating results. If any of the risks actually occurs, the market value of the Bonds may be adversely affected. In addition, factors that are material for the purpose of assessing the market risks associated with the Bonds are also described below. Although the Company believes that the risk factors described below represent the principal risks inherent in investing in the Bonds, there may be additional risks and uncertainties that the Company currently considers immaterial or of which the Company is currently unaware, and any of these risks and uncertainties could have similar effects to those set forth below. Accordingly, the Company does not claim that the statements below regarding the risks of holding any Bonds are exhaustive.

Macroeconomic Risks and Political Risks Related to Georgia

Regional tensions could have an adverse effect on the local economy and the Company's business

Georgia shares borders with Russia, Azerbaijan, Armenia and Turkey and could be adversely affected by political unrest within its borders and in surrounding countries. In particular, Georgia has had ongoing disputes in the breakaway regions of Abkhazia and the Tskhinvali Region/South Ossetia, and with Russia, since Georgian independence in 1991. These disputes have led to sporadic violence and breaches of peace-keeping operations. In August 2008, the conflict in the Tskhinvali Region/South Ossetia escalated as Georgian troops engaged with local militias and Russian forces that crossed the international border, and Georgia declared a state of war. Although Georgia and Russia signed a EU-brokered ceasefire that called for the withdrawal of Russian forces later that month, Russia recognized the independence of the breakaway regions and tensions persist as Russian troops continue to occupy Abkhazia and the Tskhinvali Region/South Ossetia. For example, in the summer of 2013, Russian border guards erected fences along portions of the demarcation line between Georgia and South Ossetia, which moved the de-facto border further into Georgian-controlled territory and similar future actions could further increase tensions. Russia is also opposed to the eastward enlargement of NATO, potentially including former Soviet republics such as Georgia. The Government has taken certain steps towards improving relations with Russia, but, as of the date of this Prospectus, these have not resulted in any formal or legal changes in the relationship between the two countries.

Geopolitical tensions between Ukraine and Russia may also have an adverse impact on the Georgian economy. The crisis in Ukraine began in late 2013 and is ongoing. The United States and EU have imposed trade sanctions on various Russian and Crimean officials and against Russia, including several Russian banks and companies. The ongoing political instability, civil disturbances and military conflict in Ukraine, and any prolongation or further escalation of the geopolitical conflict between Russia and

Ukraine, and any further decline in the Russian economy due to the impact of the trade sanctions, falling oil prices or currency depreciation, increasing levels of uncertainty, increasing levels of regional, political and economic instability and any future deterioration of Georgia's relationship with Russia, including in relation to border and territorial disputes, may have a negative effect on the political or economic stability of Georgia.

In addition, the political and economic stability of Georgia may be affected by any of the following:

- changes in Georgia's importance as a transit country for energy supplies;
- changes in the amount of aid granted to Georgia or the ability of Georgian manufacturers to access world export markets; or
- significant deterioration in relations between Azerbaijan and Armenia.

If any of these risks materialize, they could have a material adverse effect on the Company's business, financial condition and results of operations.

Disruptions in Georgia's neighbouring markets may have an adverse effect on Georgia's economy

The Georgian economy is dependent on the economies of other countries within the region, including Azerbaijan, Armenia, Russia and Turkey.

Azerbaijan and Armenia were historically the two largest markets for Georgian exports, accounting for approximately 10.9% and 8.2% of Georgia's total exports, respectively, in 2015, although their share in Georgia's total exports decreased to 7.2% and 7.1%, respectively, in 2016, and these countries accounted for 8.6% and 7.6% Georgia's total exports, respectively in 9M17, according to figures published by Geostat.

In February 2015, the Central Bank of Azerbaijan devalued the Manat by 33.6% against the US Dollar and by 33.8% against the Euro. In December 2015, the Central Bank of Azerbaijan moved to a managed floating exchange rate for the Manat, resulting in a devaluation of 47.6% against the US Dollar and 47.9% against the Euro. The Manat stabilised throughout 2016 and 2017. Between October 2014 and February 2015, the Armenian Dram depreciated against the US Dollar by approximately 16.7% and between 31 December 2015 and 31 May 2016, the Armenian Dram appreciated against the US Dollar by 1.3%. The Armenian Dram has been remaining stable in 10M17. Russia is one of the largest markets for Georgian exports and imports, accounting for approximately 7.4% and 9.8% of Georgia's total exports and approximately 8.6% and 9.3% of Georgia's total imports in 2015 and 2016, respectively, according to Geostat. Exports from Georgia to Russia significantly increased and accounted 14.1% in 9M17, while imports share in total imports has remained almost unchanged at 9.5% in 9M17. In the spring of 2013, Russia lifted its trade embargo and the Russian market was reopened to Georgian producers. The export of Georgian products to Russia increased threefold in 2013. Recently, the Russian economy has witnessed an economic slowdown due, in part, to the decline in global oil prices and US and EU sanctions imposed as a result of the on-going political tensions between Russia and Western countries arising from the conflict in Ukraine and Syria. In January 2016, the Russian Rouble declined to an all-time low against the

US Dollar. Between 31 December 2016 and 31 October 2017, the Russian Rouble appreciated against the US Dollar by 4.6%.

Turkey represents the biggest importer to Georgia, accounting for 18.2% of Georgia's total imports in 2015, according to figures published by Geostat. While the Turkish economy is estimated to grow by 5.1% in 2017, according to the International Monetary Fund (**IMF**), political uncertainty, unfavourable geopolitical developments, a sharp weakening of the Turkish Lira and rising inflation in Turkey (Annual inflation was 11.2% in September 2017) are potential obstacles to further economic growth and there can be no assurance that the positive growth trend will continue.

The economic recovery in Georgia's main trading partners have resulted better-than-expected economic growth in Georgia at 4.8% based on GeoStat rapid estimates in 9M17. Any continuing or further economic disruptions or crises in Georgia's neighbouring markets may have a material adverse effect on Georgia's economy, which, in turn, could have a material adverse effect on the Company's business, financial condition and results of operations.

Political and governmental instability in Georgia could have a material adverse effect on the local economy and the Company's business

Since its independence from the former USSR in 1991, Georgia has experienced an on-going and substantial political transformation from a constituent republic in a federal socialist state to an independent sovereign democracy.

Georgia faces several challenges, one of which is the need to implement further economic and political reforms. However, business and investor friendly reforms may not continue or may be reversed or such reforms and economic growth may be hindered as a result of any changes affecting the continuity or stability of existing reform policies or as a result of a rejection of reform policies by the president, the parliament or others.

In October 2010, the parliament of Georgia approved certain amendments to the constitution of Georgia (**the Constitution**) that were intended to enhance the primary governing authority of the parliament, to increase the powers of the prime minister of Georgia and to limit the scope of functions of the president of Georgia. Although the parliament unanimously adopted certain constitutional amendments further limiting the powers of the president of Georgia in March 2013, any further changes to Georgian parliamentary, presidential or prime ministerial powers might create political disruption or political instability or otherwise negatively affect the political climate in Georgia.

Because the Company operates primarily within Georgia, it will be affected by changes in Georgian economic conditions

The Company's operations are located in, and its revenue is sourced from, Georgia. The Company's results of operations are, and are expected to continue to be, significantly affected by financial and economic developments in or affecting Georgia and, in particular, by the level of economic activity in

Georgia. Factors such as gross domestic product (**GDP**), inflation, interest and currency exchange rates, as well as unemployment, personal income and the financial situation of companies, have a material impact on customer demand for its products and services.

Global and regional economic conditions remain volatile and there is significant economic uncertainty. Real GDP growth in Georgia slowed to 2.9% in 2015 from 4.6% in 2014, according to Geostat. This slowdown was due to a weaker external economic environment, which was reflected in weaker remittances, lower net exports from Georgia and lower foreign direct investment (**FDI**). According to the IMF's World Economic Outlook published in October 2017, GDP growth in the region is expected to be positive at 2.1% in 2017, as economic conditions have improved considerably in most economies in the Commonwealth of Independent States (CIS), primarily due to a spill-over effect from the recovery in the Russian economy. For the next couple of years, economic outlook in more favourable in the region. The IMF projects a 2.1% growth rate in CIS economies in 2018 too, and an average growth rate of 2.3% over 2019-2022. On the back of the regional upward revisions of growth in CIS economies, the IMF expects 4.3% growth in Georgia in 2017 and an average growth rate of 4.9% over 2018-2022. Although Company Management believes that real GDP growth in 2017 will be higher than forecasted by IMF or other organizations and will be further strengthened following reduced dependence on CIS economies, strong market fundamentals, new investment opportunities related to the DCFTA, strong tourism performance and government reform agenda aimed at tax and customs liberalization, there can be no assurance that these growth levels will be achieved. Georgia continues to face significant risks to its growth prospects, including risks associated with the exchange rate, financial stability, inflation, budget and capital flight. Market turmoil and economic deterioration in Georgia may cause consumer spending to decline and have a material adverse effect on the liquidity and financial condition of its customers in Georgia. Uncertain and volatile global economic conditions, such as heightened political tensions in Europe and the UK referendum in June 2016 in which the British people voted to leave the EU, could have substantial political and macroeconomic ramifications globally, which could, in turn, have a significant impact on the Georgian economy. If any of these risks materialize, they could have a material adverse effect on the Company's business, financial condition and results of operations.

The uncertainties of the judicial system in Georgia, or any arbitrary or inconsistent state action taken in Georgia in the future, may have a material adverse effect on the local economy, which could, in turn, have an adverse effect on the business

Georgia is still developing an adequate legal framework with several fundamental civil, criminal, tax, administrative and commercial laws recently becoming effective. The recent introduction of this legislation and the rapid evolution of the Georgian legal system have resulted in ambiguities and inconsistencies in their application, including their enforceability. In addition, the court system in Georgia is understaffed and has been undergoing significant reform. Judges and courts in Georgia are generally less experienced in commercial and corporate law than in certain other countries, particularly in Europe and the United States. The uncertainties of the Georgian judicial system, and any decision made by the Georgian courts, could have a negative effect on the Georgian economy, which could, in turn, have a material adverse effect on the Company.

There may be challenges associated with legislative harmonization of the Georgian regulatory environment with the EU driven by the DCFTA

On 27 June 2014, Georgia signed the EU Association Agreement and established a DCFTA with the EU, which envisages bilateral trade liberalization with the EU. The implementation of the EU Association Agreement is expected to create new business opportunities, although it may pose challenges for businesses, households and the state. The implementation of the EU Association Agreement and the DCFTA may require Georgia to conform to EU trade-related and sector-specific legislation, which is expected to be challenging, especially in the areas of environmental protection and customer safety, including product and safety information, among others.

Georgia has been gradually conforming its trade legislation to EU norms and practices since it became a member of the World Trade Organization in 2000. Some of the recent changes in regulation include the 2013 amendments to the labor code to bring Georgian labor regulations closer to commitments under the EU Association Agreement and the DCFTA. These amendments required employers to pay overtime, increased severance pay (from one to two months' salary), strengthened workers' rights to challenge employers' decisions in courts, prohibited dismissal without clear cause, and guaranteed basic working conditions. The amendments also strengthened the competition laws in Georgia, which could restrict the Company's ability to make further expansions in line with its growth strategy.

Other changes may be expected in governmental policy, including changes in the implementation or approach of previously announced government initiatives. In addition, the implementation of the EU Association Agreement may place a significant burden on regulatory bodies, divert their resources from on-going reforms and slow their efficiency.

As a result of expected regulatory amendments to achieve harmonization with EU legislation, the Company may be required to adjust its policies and procedures to comply with any resulting changes in laws and regulations.

Uncertainties in the tax system in Georgia may result in the imposition of tax adjustments or fines against the Company and there may be changes in current tax laws and policies

Tax laws have not been in force in Georgia for significant periods of time compared to more developed market economies. This creates challenges in complying with tax laws, to the extent that such tax laws are unclear or subject to differing interpretations, and subjects companies to the risk that their attempted compliance could be challenged by the authorities. Moreover, such tax laws are subject to changes and amendments, which can result in unusual complexities for businesses. A new tax code (the **Tax Code**) came into effect on 1 January 2011. In 2011, the Georgian Parliament passed the Organic Law on Economic Liberty prohibiting the introduction of new state-wide taxes or increases in the existing tax rates (other than excise) without a public referendum initiated by the Government (except in certain limited circumstances). This law has been in effect since 31 December 2013. Differing opinions regarding the interpretation of various provisions of the Tax Code exist both among and within governmental ministries and organizations, including the tax authorities, creating uncertainties, inconsistencies and areas of conflict. However, the Tax Code does provide for the Georgian tax authorities to give advance tax rulings on tax issues raised by taxpayers. While Management believes that the Company and members of the Company operating in Georgia are currently in compliance with the tax laws, it is possible that the relevant authorities could take differing positions with regard to their interpretation, which may result in tax adjustments or fines. There is also a risk that the Company could face fines or penalties as a result of regular tax audits.

In addition, tax laws and government tax policies may be subject to change in the future, including changes resulting from a change of government (see "*political and governmental instability in Georgia could have a material adverse effect on the local economy and the Company's business"*). Such changes could include the introduction of new taxes or an increase in the tax rates applicable to the Company or its customers, which may, in turn, have a material adverse effect on its business.

In May 2016, the Georgian Parliament adopted changes to the Tax Code related to corporate profit tax, whereby an enterprise will not be liable for the payment of profit tax until the enterprise distributes its profit to the shareholders or incurs such costs or makes supplies or payments that are subject to corporate profit tax. It is expected that this change will intensify the economic activity and increase the capitalization of the private sector. Most of the relevant amendments to the Tax Code are into effect from 1 January 2017. For banking and micro financing sector the amendment to the Tax Code will come into effect in January 2019.

Instability or a lack of growth in the domestic currency market may have an adverse effect on the development of Georgia's economy and, in turn, have an adverse effect on the Company

Although the Lari is a fully convertible currency, there is generally no market outside Georgia for the exchange of Lari. A market exists within Georgia for the conversion of Lari into other currencies, but it is limited in size. According to the NBG, in 2016, the total volume of trading turnover in the Lari-US Dollar and Lari-Euro markets (including the sum of sales and purchase but excluding activities of the NBG) amounted to US$28.2 billion and €10.8 billion, respectively, and according to the same source, in the first nine months ended 30 September 2017, the total volume of trading turnover in the Lari-US Dollar and Lari-Euro markets (excluding activities of the NBG) amounted to US$19.3 and €5.4 billion, respectively. According to the NBG, the NBG had US$3.03 billion in gross official reserves as of 30 September 2017. While the Government has stated that these reserves will be sufficient to sustain the domestic currency market in the short term, a lack of growth of this currency market may hamper the development of Georgia's economy, which could have a material adverse effect on the Company's business, financial condition and results of operations.

In addition, a lack of stability in the currency market may adversely affect Georgia's economy. There was significant instability in the Lari to US Dollar exchange rate following the Russian financial crisis of August 1998, following the conflict with Russia in 2008 and following the regional economic slowdown due to the fall in oil prices in 2015. In 2015, the NBG allowed the Lari to depreciate by 22.2%, in a measure aimed at alleviating the negative impact of the economic slowdown in neighbouring countries on the Georgian economy. While the Lari generally appreciated against the US Dollar and other major international currencies in the six months ended 14 June 2016, primarily driven by an increase in the number of tourists travelling to Georgia, since then, the exchange rate has depreciated gradually and reached 2.6468 at the end of December 2016. The GEL strengthened in the first eight months 24 August 2014, reflected favourable external conditions and the related uptick in the economic growth. After that, the GEL started gradual depreciation against the US Dollar despite the robust continuation of economic growth and high external foreign currency inflows. The recent depreciation of the GEL is mostly associated with negative expectations established in the last 3 years when GEL was losing its value sharply in the last quarter. The Lari/US Dollar exchange rate was 1.8636 as of 31 December 2014, 2.3949 as of 31 December 2015, 2.6468 as of 31 December 2016, and 2.5873 as of 31 October 2017. The ability of the Government and the NBG to limit any volatility of the Lari will depend on a number of political and economic factors, including the NBG's and the Government's ability to control inflation, the availability of foreign currency reserves and FDI and other currency inflows. Any failure to do so, or a major depreciation or further depreciation of the Lari, could adversely affect Georgia's economy. According to information published by Geostat, annual inflation in Georgia, as measured by the end-of-period Consumer Price Index (**CPI**), was 2.0% in 2014, 4.9% in 2015, 1.8% in 2016 and 6.4% in as of 31 October 2017. The price pressures have re-emerged in 2017 due to one-off factors related to excise tax hikes, increased world commodity prices, the lagged effect of the weaker GEL and low base effect. The high inflation is expected to decline rapidly in 2018 and close to its target level of 3.0% once the effects of the excise tax increases fade. In general inflation could lead to market instability, a financial crisis, a reduction in consumer purchasing power and erosion of consumer confidence. Any of these events could lead to a deterioration in the performance of Georgia's economy and negatively affect the Company's customers, which could, in turn, have a material adverse effect on its business.

There are additional risks associated with investing in emerging markets such as Georgia

Emerging markets may have higher volatility, more limited liquidity and a narrower export base than more mature markets and are subject to more frequent changes in the political, economic, social, legal and regulatory environment. They are subject to rapid change and are particularly vulnerable to market conditions and economic downturns elsewhere in the world.

In addition, international investors may react to events, disfavouring an entire region or class of investment, a phenomenon known as the "contagion effect". If such a contagion effect occurs, Georgia could be adversely affected by negative economic or financial developments in other emerging market countries. Georgia has been adversely affected by contagion effects in the past, including following the 1998 Russian financial crisis, the 2008-2009 global financial crisis, and recent regional turbulence due to lower oil prices, and may be affected by similar events in the future.

Increased volatility in global financial markets and lower capital flows to emerging market economies world-wide, weakness of global trade, elevated geopolitical risks, highly volatile and large and sustained declines in commodity prices, wide-ranging spill overs from Russia's recession, and the slowdown and rebalancing of China's economy may have an adverse effect on Georgia's economy. Financial or political instability in emerging markets also tends to have a material adverse effect on capital markets and the wider economy as investors generally move their money to more developed markets, which they may consider to be more stable. These risks may be compounded by incomplete, unreliable, unavailable or untimely economic and statistical data on Georgia, which may include information in this document.

Risks related to the revision of the Constitution of Georgia

The revision of the Constitution of Georgia is a major reform meant to transform the current political system into a genuine parliamentary democracy.

In June 2017, the Venice Commission issued a positive assessment of the draft revised Constitution, including the declared move towards the fully proportional system of the election of all the members of Parliament. Revised draft of the Constitution from the Georgian authorities is expected to be issued shortly this year.

There is a risk, that revised constitution will affect adversely the macro-economic and political situation in Georgia.

Risks Related to the Company's Activities

1. ***The Company's business is regulated by National Bank of Georgia (NBG). Laws and regulations within the sector are still immature and on developing stage, so the Company's ability to swiftly comply with unexpected and rapid changes in laws and regulations could have adverse effect on the Company's operations and financial performance***

The Company's business is regulated by NBG. Failure to comply with existing laws and regulations applicable to business operations, or to obtain and comply with all authorizations and permits required for business operations, or adverse findings of governmental inspections, may result in the imposition of material fines or penalties or more severe sanctions, including preventing the Company from continuing substantial parts of its business activities, suspension or revocation of registration, or in criminal penalties being imposed on working officers.

If the Company fails to comply with the laws and regulations applicable to its business, it may result in not being able to renew consumer lending activity. Introduction of caps on effective annual interest rates also might carry the risk of deterioration of financial performance of the Company.

Nevertheless NBG regulates micro finance organizations under the Light Supervision Regime (LSR), Any changes to those regulations and compliance with them imposes risk to the Company's future operations (for detailed LRS please see section "Regulatory Framework"). Also some changes to the existing regulations are anticipated as Government of Georgia initiated new draft of laws which include the topics regarding minimum amount of authorized capital and transparency issues (for detailed anticipated changes in the laws please see section "Regulatory Framework").

2. ***Compliance with existing and future licensing requirements by NBG might disrupt the Company's normal course of business or even cause the seizure of the business operations***

For operating within the sector micro financing organizations have to comply with NBG requirements regarding licensing. The main requirements for MFOs are to: 1) have minimum authorized capital of GEL 250,000, 2) issue loans under the amount of GEL 50,000, 3) conduct only credit operations and do not receive any deposits from customers, 4) charge effective annual interest rate at maximum level of 100% of principal amount and 5) receive annual penalty under the cap of 150% of principal amount of the loan. These requirements have been enforced step by step. Introduction of cap on effective annual interest rate since January 2017 made number of MFOs to seize its operations due to insufficient operating profit to support its operations. So any changes in existing requirements or introduction of new ones can force the Company to seize its operations due to incompliance or business inability to cope with severe requirements.

3. ***The Company's business operations is subject to complex and evolving laws and regulations regarding privacy, data protection, and other matters***

The law of Georgia on Personal Data Protection specifies the basis for customer information distribution to the third parties stored at MFOs. Although the Company continuously educates its employees on applicable laws and regulations in relation to privacy, data protection and other matters, it cannot guarantee that employees will comply at all times with such laws and regulations. If Crystal's employees fail to comply with such laws and regulations in the future, the Company may become subject to fines or other penalties which may have a negative impact on reputation and may have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

4. ***Failure to comply with special order regarding anti-money laundering laws and Counter Terrorist Financing Risk reinforced by NBG in 2016 could have adverse effect on the Company's reputation and business operations***

The business is subject to anti-money laundering laws and Counter Terrorist Financing Risks. Although, as a financial institution Crystal is required to comply with regulations that are generally less restrictive than those that apply to banks, it still imposes the risk of incompliance and licensing seizure by NBG. The Company has put in place anti-money laundering policies and procedures. However, these policies may not prevent all possible breaches of law. If the Company is not in compliance with relevant anti-money laundering laws, it may be subject to criminal and civil penalties and other remedial measures. Any penalties, remedial measures or investigations into any potential violations of anti-money laundering laws could harm Crystal's reputation and may have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

5. ***Failure to comply with anti-corruption laws, including anti-bribery laws, could have an adverse effect on reputation and business***

Despite the commitment of doing business in accordance with applicable anti-corruption and anti-bribery laws, the Company faces the risk that any interested party, would it be a director, an employee or a business partner may take actions or have interactions with persons that violate such anti-corruption laws, or face allegations that they have violated such laws. Corruption is one of the main risks confronting the Company since it operates in Georgia. According to the International Monetary Fund (IMF), Georgia is emerging market, thus far more exposed for corruption to evolve. According to the 2016 Transparency International Corruption Perceptions Index which evaluates data on corruption in countries throughout the world by ranking countries from 1 (least corrupt) to 176 (most corrupt), Georgia ranks 44 and for comparison its peers Armenia 113, Bulgaria 75 and Lithuania 38. The effects of corruption on the Company's business operations are difficult to predict. Under certain circumstances it may lead to regulatory changes which may have material adverse effect on business, financial condition, results of operations, prospects or cash flows.

6. ***Existing fierce competition within the banking and micro-financing sector might negatively affect the Company's current operations and its future expansion plans***

Crystal has many competitors. Part of them have less well organized business model and might face the risk of not meeting regulatory requirements, but main strong micro financing organizations like Lazika, Kartuli Crediti and even commercial banks, could be considered as strong competitors. In general, Crystal's customer base differs from commercial bank's target audience. However fierce competition within the banking sectors forced certain banks to target MFO's client base, and hence become a competitor on the market.

The Company can offer no assurance that it will be able to compete successfully against any or all of its current or future competitors. As a result, Crystal could lose market share and its revenue could decline, thereby affecting business ability to generate sufficient cash flow to service their indebtedness or fund their operations.

7. ***The inability to swiftly adapt to changing market preferences could adversely affect the Company's profitability***

The micro financing sector is relatively new and very dynamic. The Company must keep pace with rapid consumer habit changes, price equilibrium and laws and regulation changes. Crystal has a well-organized system of rules and procedures for managing its operations and credit risks. Appropriate corporate governance and risk management policies that are in place will help the Company to cope with changing environment and make smooth transition toward new trends. Also regulatory body may introduce more complex and sophisticated laws and alterations to existing regulations. The Company's inability to cope with changes within the sector could negatively affect its business operations.

8. ***The company's inability to raise sufficient funds for operations and inherent liquidity risk might adversely affect the Company's financial performance and its future operations***

As micro financing entities fall under the Light Supervision Regime of NBG, their working capital requirements are solely driven by the demand on credit products. Only the Company's ability to manage its inherent liquidity risk can be assurance of its future operations. If available cash flows from operations are not sufficient to fund on-going cash needs, the Company might be required to look to available credit facilities to satisfy those needs, as well as potential sources of additional capital. Also an economic or industry downturn could increase the level of non-performing loans. A significant deterioration in debt collection could affect cash flow and working capital position and could also negatively impact the cost or availability of financing to the Company.

If the Company's capital resources are insufficient to meet its capital requirements, Crystal will have to raise additional funds. The Company may not be able to raise sufficient additional funds on terms that are favourable to business, if at all. If the Company fail to raise money, its ability to fund on-going operations, take advantage of strategic opportunities or otherwise respond to competitive pressures could be significantly limited, which may have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

Also the Company is exposed to liquidity risks arising out of the mismatches between the maturities of its assets and liabilities, which may prevent Crystal from meeting its obligations in a timely manner. If short and long-term funding from international capital markets is unavailable or if maturity mismatches between assets and liabilities occur, this may have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

Internal financial risk management procedures and continuous practice to minimize the exposure to the exchange rate risk, by shrinking the portion of foreign currency denominated funding in total capitalization, enables the Company to manage potential liquidity issues. However the Company's inability to manage liquidity risk may have adverse effect on its operations.

Also interest rate fluctuation risk is presented within the business operations. As the Company's revenue streams, which are generated by interest income and its interest expenses, which are pays on its indebtedness are affected by market interest rates, high volatility in market interest rates will directly affect its financing costs, interest income, net interest margin, and The Company's profit margin and overall financial condition. Fluctuations in market interest rates are subject to various factors beyond Company control, such as the regulatory framework of the sectors and the economic and political environment in Georgia.

9. *The terms of existing and future financings may impose financial and operational restrictions on the Company*

The terms of existing financings of the Company, may contain a number of regular negative covenants, regarding leverage, changing of business profile, change of control, dividend pay-out policy, acquisition or disposal of assets etc. These covenants and restrictions could limit the Company's ability to fund its future operations or make capital expenditures, acquisitions or other investments in the future. Any failure to comply with any of the covenants under existing and future financings may constitute an event of default under such financings, entitling the lenders to, among other things, terminate future credit availability, increase the interest rate on outstanding debt and/or accelerate the maturity of outstanding obligations. Any such default may have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

10. *Difficulties associated with fair assessment of credit risk of potential borrowers could negatively affect quality of the credit portfolio*

Despite the fact that the Company has credit scoring system and practices even more complex loan approval procedures, loan approval committee (*for detailed approval procedures please see section "Loan Application and Approval Procedures"*), it might be unable to correctly evaluate the current financial condition of each prospective customer and measure his/her solvency. Decisions are based partly on information provided by loan applicants. Prospective customers may fraudulently provide inaccurate information which, if not alerted to the fraud, could be the base for credit scoring. Any failure to correctly assess the credit risk of potential customers, due to failure in an evaluation of the customer or incorrect information fraudulently provided by the customer, may have a material adverse effect on the business, financial condition, results of operations, prospects or cash flows and may even invoke regulatory sanctions (including imposition of fines and penalties, suspension of operations, or revocation of existing registration).

Also the portfolio diversification, by concentration per sector and per customer, is one of the most important components of credit risk management. Approximately 91% of its portfolio is comprised with loans disbursed to the businesses operating in four different sectors and 5% of the portfolio is represented by pawn shop loans, which carry higher risk, but are all collateralized with premium amount (*for detailed portfolio analysis please see section "Key Performance Indicators"*). Concentration per sector of total credit portfolio as of December 31, 2016 is as follows: agriculture – 29%; service – 27%; trade – 19%; non-business (consumer loans) – 17% and manufacturing – 4%. Highest concentration is observed in agricultural sector, which is characterized by higher inherent risk, compared to other sectors. However the Company diversifies its portfolio, issued loans are comparably short-term, denominated in local currency and are collateralized or personal guarantees are presented.

In addition, factors beyond the Company's control, such as the impact of macroeconomic trends, political events or adverse events affecting sectors key jurisdictions, or natural disasters, may result in an increase in non-performing loans. Allowances for doubtful debts may not be adequate to cover an increase in the amount of non-performing loans or any future deterioration in the overall credit quality of total loan portfolio. If the quality of total loan portfolio deteriorates, the Company may be required to increase allowances for doubtful debts, which may have a material adverse effect on the business, financial condition, results of operations, prospects or cash flows.

11. The Company is subject to impairment risk

Loan portfolio of the Company is subject to the risk of impairment (*for detailed impairment risk management analysis please see section "Loan Loss Provision Procedures"*)

Any changes in laws or regulations might increase Crystal's impairment risk followed by increased costs and this may have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

12. Collateral or guarantees securing the loans may not be sufficient to cover potential losses or may not be fully realized

For most of the financial products the Company requires collateral or guarantees to secure potential losses. In case of a breach of a loan agreement terms, the Company is entitled to enforce its security rights against such collateral and/or recover and dispose the mortgaged assets. Although the Company conducts examinations of collateral on loan pre-approval stage, its value may decrease significantly and may be materially and adversely affected by factors including damage, losses, excess supply, devaluation or a decrease in market demand. To avoid the risk of devaluation of the collateral the Company has special clause in the mortgage agreement, which enables it to request additional collateral in case of devaluation.

Similarly, material deterioration of the guarantors' financial condition or creditworthiness may significantly affect the amount the Company could recover under the respective guarantees.

If the value of the collateral or guarantees securing the loans proves to be insufficient to compensate the losses from the relevant overdue loan payments, the Company may need to obtain additional security from the borrower or other sources. However, there can be no assurance that the Company will be able to achieve that. Any decline in the value of the collateral or guarantees securing the loans, or the Company's failure to obtain additional security, may cause the Company to make additional allowance for, or write off the Company's non-performing loans, which may, in turn, materially and adversely affect Company's business operations and financial condition.

The Company also may not be able to liquidate or otherwise realize the value of the mortgaged assets upon a default, Procedures for liquidating or otherwise realizing the value of collateral may be protracted, and such collateral may not be liquid either. Therefore, it may be difficult to enforce such charges or pledges.

13. The existing insurance coverage may not adequately protect the business against losses, and successful claims that exceed their insurance coverage could harm their results of operations and diminish their financial position

The Company maintains insurance coverage of different types and in the amounts that they believe are commensurate with their operations, including the Company's movable and immovable assets insurance, directors' and officers' responsibility insurance, cash delivery and cash at desk insurance. However, insurance policies may not provide adequate coverage in certain circumstances and may be subject to certain deductibles, exclusions and limits on coverage. Also Crystal requires its clients under the credit agreement to indemnify the Company against potential losses due to non-repayment of the loan and to make insurance of all movable and/or immovable assets that are presented as loan collateral. Insurance should be maintained with the same terms and conditions through the lifetime of the loan. There can be no assurance that the existing insurance policies will be adequate and sufficient to cover all types' losses that the Company may face.

In addition, there are various types of risks and losses for which Crystal does not maintain insurance, such as credit insurance. The Company is currently working with several insurance companies to receive credit insurance. Still risk of not receiving insurance policies with acceptable for the Company terms and conditions, or not receiving adequate coverage in case of the insurance event can have adverse effect on Crystal's business operations.

14. Introduction of new products and services might not be successful and have negative affect on profitability of the business

Crystal's revenue is primarily based on micro and small size lending. Accordingly, any decrease in demand for existing products could have a significant impact on the Company's revenue. A variety of factors could influence demand for the Company's products, such as regulatory restrictions that inhibit customer access to particular financial services, increased availability or attractiveness of competing financial products, changes in consumer sentiment and spending or borrowing patterns and changes in the financial condition of existing customers of the Company that cause them to seek loans with longer maturities and/or of larger size from other lending institutions or, alternatively, to exit the lending market entirely. If the Company fails to follow new market trends and introduce new services and products emerging on financial markets, its operations might be adversely affected. Even though introduction of new services and products might not be successful and might be resisted or even reject by customers. So product diversification or change cannot give any assurance that it will have positive effect on business operations and thus may result in a loss of revenue and may have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

15. *If the Company fails to maintain effective internal control over financial reporting in the future, the accuracy and timing of Crystal's financial reporting may be adversely affected*

The Company takes steps intended to enhance internal controls commensurate to the size of their business, primarily through the formation of a designated internal audit team with additional technical accounting and financial reporting experience. However certain matters such as fraud and embezzlement cannot be eliminated entirely given the cash nature of the business. If the Company fails to enhance its internal controls on certain basis to meet the demands, it might be unable to report financial results accurately and prevent fraud. While Crystal expects to remediate any such issues, it cannot assure that they will be able to do so in a timely manner, which could impair its ability to accurately and timely report their financial position, results of operations or cash flows (*for detailed internal control mechanisms please see Decision Making, Committees and Related Procedures"*).

16. *The Company might be adversely affected by contractual claims, complaints, litigation and negative publicity*

The Company might be adversely affected by contractual claims, complaints and litigation, resulting from relationships with counterparties, customers, competitors or regulatory authorities, as well as by any adverse publicity that Crystal may attract. Any such litigation, complaints, contractual claims, or adverse publicity may have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

Defence of any lawsuit, even if successful, could require substantial time and attention of the Company's management and could require the expenditure of significant amounts for legal fees and other related costs. The business is also subject to regulatory proceedings, and could suffer losses from the interpretation of applicable laws, rules and regulations in regulatory proceedings, including regulatory proceedings in which they are not a party. Any of these events could have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

17. *Damage to the Company's reputation and brand name or deterioration in the quality of service could weaken the Company's ability to attract new customers and retail existing customers*

The Company's ability to attract new customers and retain existing customers depends in part on its brand recognition and its reputation for delivering high quality services. Crystal's reputation and brand may be harmed if it encounters difficulties in the provision of new or existing services, whether due to technical difficulties, changes to traditional product offerings, financial difficulties, regulatory sanctions, or for any other reason. Damage to the Company's reputation and brand, or deterioration in the quality of service, may have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

18. *Negative public perception of the business could lead to the decreasing demand and deterioration of the business operations*

The sector in which the Company operates is exposed to public dislikes and negative media coverage. In recent years there has been increasing interest towards the sector as it expanded almost three times by credit portfolio size (credit portfolio reached approximately GEL 1.5 billion by the end of 2016, though it was only GEL 500 million by the end of 2011). Certain advocacy groups, non-government organization and politicians have advocated governmental actions designed to protect customers from disproportionately high interest rates and penalties imposed by MFOs and place severe restrictions on MFOs activities. The negative characterization of these type of lending practices could lead to more restrictive or adverse legislative or regulatory changes, which, in turn, may have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

In addition, Crystal's ability to attract and retain customers is highly dependent upon the success of their marketing campaigns and public reputation. Negative perceptions or publicity regarding short-term lending in general could erode trust and confidence in the Company and damage Crystal's reputation among existing and potential customers, which could make it difficult to maintain or expand customer base or could reduce the demand for financial products and services, both of which may have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

19. *Business operations are highly dependent on efficient and uninterrupted information systems functioning*

IT systems are vulnerable to number of problems, including computer viruses, unauthorized access, and physical damage to server and software or hardware malfunctions. Any interruption in, or security breach of, IT systems, could have a material adverse effect on business operations, such as the ability to serve customers in a timely manner, accurately record financial data and protect business itself and customers from financial fraud or theft. If business operations are compromised, the Company's reputation and client confidence in business may deteriorate and Crystal may suffer significant financial losses, any of which may have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

In addition, there can be no assurance that the Company will be able to keep up to date with the most recent technological developments due to financial or technical limitations. Any inability to successfully develop or complete planned upgrades of the Company's IT systems and infrastructure or to adapt business operations and software may have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

20. The Company's business will suffer if it fails to attract and retain key management, employees or other qualified personnel

The success of the Company's business model depends, in part, on the continued service of its key management and employees and its ability to continue to attract, retain and motivate qualified personnel. In addition, certain of the Company's key management and other personnel have established important working relationships with regulators and have detailed knowledge of the Company and the markets in which it operates. The Company's success will depend, in part, upon its ability to retain such personnel and hire qualified personnel as required. There can be no assurance that the Company will be able to attract, recruit and retain sufficient qualified personnel. Failure to do so could have a material adverse effect on business, financial condition and results of operations.

21. Strikes and other actions could disrupt the Company's operations or make it costlier to operate the Company's facilities

As at 31 December 2016, the Company employed up to 800 full-time equivalent employees **("FTEs")**. Any reduction in headcount or pay could lead to labour disturbances. Labour disruption or failure to attract and retain operative personnel could have an adverse effect on the Company's business, financial condition and results of operations.

Till today, the company has not recorded any cases that would be classified as a strike, litigation or voluntary refusal to fulfil contractual obligations according to the Georgian Law and the 49th article of the Labour Code.

22. Business operations could be subject to natural disasters and other business disruptions, which could adversely impact the Company's future revenue and financial condition and increase costs and expenses

Crystal's services and operations are vulnerable to damage or interruption from tornadoes, earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors and similar events. A significant natural disaster, such as a tornado, earthquake, fire or flood, could have a material adverse impact on The Company's ability to conduct business, and their insurance coverage may be insufficient to compensate for losses that may occur. Any of these events could cause consumer confidence to decrease, which could decrease the number of loans they issue to customers. Any of these occurrences may have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

23. Downgrading of the credit rating would increase Crystal's cost of borrowing funds and make their ability to raise new funds in the future or renew maturing debt more difficult

Downgrading of the Company's credit rating would increase the cost of raising funds. In addition, Crystal's ability to renew maturing debt may be more difficult and expensive. A downgrade in credit ratings and an inability to renew maturing debt may also adversely affect perception of the Company's financial stability.

Risks Relating to the Bonds

The market price of the Bonds may be volatile

The market price of the Bonds could be subject to significant fluctuations in response to actual or anticipated variations in the Company's operating results, actual or anticipated variations in the operating results of the Company's competitors, adverse business developments, changes to the regulatory environment in which the Company operates, changes in financial estimates by securities analysts and actual or expected sales of a large number of Bonds, as well as any other factors affecting the Company, including economic and market conditions in Georgia. In addition, in recent years, the global financial markets have experienced significant price and volume fluctuations, which, if repeated in the future, could adversely affect the market price of the Bonds without regard to the Company's business, financial condition and results of operations. If an active trading market for the Bonds develops, there can be no assurance that events in Georgia or elsewhere will not cause market volatility or that such volatility will not adversely affect the liquidity or the price of the Bonds or that economic and market conditions will not have any other adverse effect. If the Bonds are traded after their initial issuance, they may trade at a discount to their offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions, and the financial condition of the Company or other factors, some of which may be beyond the control of the Company.

The Bonds constitute unsecured obligations of the Company

The Company's obligations under the Bonds will constitute unsecured obligations of the Company. Accordingly, any claims against the Company under the Bonds would be unsecured claims that would be satisfied after the claims of secured creditors. The ability of the Company to pay such claims will depend upon, among other factors, its liquidity, overall financial strength and ability to generate asset flows.

Any change of law in Georgia in the future may have a material adverse effect on the Bonds, including their GSE listing

The terms and conditions of the Bonds are based on the laws of Georgia in effect as of the date of this Prospectus. There can be no assurance in terms of the impact of judicial decisions or changes in law or administrative practice in Georgia after the date of this Prospectus.

The Company will have the right to submit an application to the GSE for the Bonds to be admitted to listing on the GSE's official list and to trading on the GSE. The Parliament of Georgia was considering certain changes to securities legislation in 2013 that could negatively affect listing of the Bonds and their admission to trading on the GSE as well as maintaining such listing and admission in the future. Although these draft amendments were widely criticized and were not adopted, any future changes to the securities legislation could have a negative effect on the listing and admission to trading of the Bonds and the trading market for the Bonds.

An investment in the Bonds involves certain legal investment considerations

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation, by certain authorities. Each potential investor should consult their legal advisers to determine whether and to what extent (i) the Bonds are legal investments for them; (ii) the Bonds can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of the Bonds. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Bonds under any applicable risk-based capital or similar rules.

Transfer of the Bonds will be subject to certain restrictions

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (**US Securities Act**) or any US state securities laws. Prospective investors may not offer or sell the Bonds, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws. It is the obligation of prospective investors to ensure that their offers and sales of the Bonds within the United States and other countries comply with any applicable securities laws.

Investors in the Bonds must rely on procedures of the Registrar, the Bondholders' Representative and in corresponding cases - Nominal Holders of the Bonds

The Company will discharge its payment obligation under the Bonds by making payments to Bondholders and Nominal Holders of the Bonds registered in the primary Register maintained by the Registrar (as such terms are defined in the Terms and Conditions of the Bonds). A Bondholder must rely on the procedures of the Registrar and of the Nominal Holders (where applicable) to receive payments under the Bonds. The Company has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in any Bonds.

The Terms and Conditions of the Bonds provide that the Bondholders' Representative will be required to take action on behalf of the Bondholders in certain circumstances, but only if the Bondholders' Representative is indemnified and/or pre-funded and/or secured to its satisfaction. It may not be possible for the Bondholders' Representative to take certain actions and accordingly in such circumstances, the Bondholders' Representative will be unable to take such actions, notwithstanding the provision of an indemnity and/or prefunding and/or security to it, and it will be for Bondholders and nominal holders to take such actions directly.

The terms and conditions of the Bonds may be modified or waivers for breaches of the terms and conditions may be issued in the future

The terms and conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Bondholders, including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority. (see *"Terms and Conditions of the Bonds"*, condition 11 "*Meeting of Bondholders, Modification and Waiver*")

There may not be an active trading market for the Bonds

There can be no assurance that an active trading market for the Bonds will develop, or, if one does develop, that it will be maintained. If an active trading market for the Bonds does not develop or is not maintained, the market or trading price and liquidity of the Bonds may be adversely affected by a number of factors, some of which may be beyond the control of the Company. If the Bonds are traded after their initial issuance, they may trade at a discount to their initial offering price, depending upon prevailing interest rates, the market for similar securities, general economic conditions and the financial condition of the Company.

Risk of Early Redemption (see *"Terms and Conditions of the Bonds"*, condition 7 *"Redemption and Purchase"*)

In certain events specified in this Prospectus the Bonds may be redeemed prior to their Maturity Date. If the Bonds are redeemed prior to their Maturity Date, the Bondholder is exposed to the risk of a lower yield than expected due to such early redemption. Moreover, such redemption may be done at the moment when the yield of comparable bonds on the capital markets is reduced, which means that the investor may be able to reinvest the redeemed yields only in bonds with a lower yield.

Other Regulatory Risks

Following public offering of the Bonds the Company will become a Reporting Company and be subject to additional regulations and reporting requirements

Following public offering of the Bonds, the Company has become a Reporting Company within the meaning of the Law of Georgia on Securities Market (the "**Securities Law**"). The Securities Law sets certain approval and transparency requirements for transactions in which the members of the governing bodies of a Reporting Company and direct or indirect owners of 20% or more of its shares are regarded as "**Interested Parties**" (such cases are defined in the Securities Law). According to the Securities Law, a transaction involving Interested Parties shall be approved by the supervisory board or the general meeting of shareholders. For transactions involving Interested Parties and exceeding 10% of the value of the assets of the Company, such transactions shall be approved by the general meeting of shareholders. Transactions with 100% subsidiaries and 100% shareholders are exempted from these requirements. Consequently, the Company's Meeting of Partners has to approve transactions involving Interested Parties.

Furthermore, the Securities Law imposes specific reporting obligations on a Reporting Company. A Reporting Company is obliged to submit to the NBG, publish or provide to the registered owners of its securities annual, semi-annual and current reports. If the Bonds are traded on the GSE, such information must be also provided to the GSE. The NBG is entitled to request additional information from the Reporting Companies.

Requirement of approval of transactions with Interested Parties and reporting requirements poses additional regulatory burden on the Company and may affect the efficiency of its operations. In addition, the failure to obtain required approvals may cause invalidation of the relevant transactions in certain cases.

USE OF PROCEEDS

Net proceeds from the bonds will be used to finance the Company's core business operations and will not be used for refinancing the Company's existing debts.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the Company's capitalization as of 31 December 2015 and as of 31 December 2016, also as of 30 June 2017 and 30 June 2016. This table should be read in conjunction with the sections entitled "*Selected Consolidated Financial and Operating Information*" and "*Management Discussion and Analysis of the Company's Financial Condition and Operating Results*", as well as the first half of 2017 and 2016 financial statements (which are unaudited figures), together with the related notes, all of which are reproduced elsewhere in this Prospectus.

	30-Jun-17*	**30-Jun-17**	**30-Jun-16**	**31-Dec-16**	**31-Dec-15**
	(GEL thnds)	*(GEL thnds)*	*(GEL thnds)*	*(GEL thnds)*	*(GEL thnds)*
Indebtedness:					
Loans and borrowings (principal and interest accrued)	139,275	139,275	111,017	132,142	97,966
GEL Bonds	10,000				
Total indebtedness	**149,275**	**139,275**	**111,017**	**132,142**	**97,966**
Equity:					
Share capital	3,024	3,024	2,979	3,024	2,208
Share premium	12,492	12,492	11,949	12,130	2,631
Share based payment reserve	0	0	0	362	488
Retained earnings	27,486	27,486	19,371	23,510	16,334
Total equity	**43,001**	**43,001**	**34,299**	**39,026**	**21,661**
Total capitalization	**192,276**	**182,276**	**145,316**	**171,168**	**119,627**

* Assumption that as of 30th of June 2017, the company has already issued the GEL 10 million bonds and other financials have remained unchanged.

SELECTED CONSOLIDATED FINANCIAL AND OPERATING INFORMATION

The financial information of the Company set forth below as of and for the periods ended 30 June 2017, 30 June 2016, 31 December 2016 and 31 December 2015 has been extracted from, should be read in conjunction with, and is qualified in its entirety by the consolidated financial statements, including the related notes, contained elsewhere in this Prospectus.

Investors should be aware that the financial data for the Company set out in "Management Discussion and Analysis of the Company's Financial Condition and Operating Results —Results of Operations for the Year ended 31 December 2016 and 31 December 2015" is taken from the 2016 and 2015 financial statements. Results of Operations for the period ended 30 June 2017 and 30 June 2016 is taken from the 2017 and 2016 half year management report that was in accordance with IFRS but are unaudited figures.

Prospective investors should read the selected financial and other information in conjunction with the information contained in the following sections of this Prospectus: "Risk factors", "Capitalization and Indebtedness", "Management Discussion and Analysis of the Company's Financial Condition and Operating Results", "Description of Business" and the consolidated financial statements, including the related notes and other financial data appearing elsewhere in this Prospectus.

Statement of Financial Position (GEL '000)

	1H17	1H16	2016	2015	2015 (IFRS9 effect)
ASSETS					
Cash and cash equivalents	12,500	12,384	10,355	4,654	4,654
Term Deposit	-	-	-	100	100
Financial instruments at fair value through profit or loss held by the Company	1,760	403	7,657	4,238	4,238
Loans to customers:	*162,485*	*125,276*	*145,510*	*105,123*	*105,334*
Principal	157,807	121,887	142,490	103,032	103,243
Interest accrued	4,678	3,389	3,020	2,091	2,091
Property and equipment	4,885	4,283	4,562	3,538	3,538
Intangible assets	1,086	1,189	1,190	1,199	1,199
Deferred tax assets	1,457	1,049	1,457	1,049	1,049
Other assets	2,775	3,495	2,268	1,285	1,285
Total assets	**186,948**	**148,079**	**172,999**	**121,186**	**121,397**
LIABILITIES					0
Financial instruments at fair value through profit or loss held by the Company					0
Loans and Borrowings:	*141,980*	*113,133*	*132,142*	*97,966*	*97,966*
Principal	139,275	111,017	129,787	96,289	96,289
Interest accrued	2,705	2,116	2,355	1,677	1,677
Current tax liability	383	311	830	512	512
Other liabilities	1,584	335	1,001	1,047	1,047
Total liabilities	**143,947**	**113,780**	**133,973**	**99,525**	**99,525**
					0
EQUITY					0
Share capital	3,024	2,979	3,024	2,208	2,208
Share premium	12,492	11,949	12,130	2,631	2,631
Share based payment reserve	-	-	362	488	488
Retained earnings	27,485	19,371	23,510	16,334	16,545
Total equity	**43,001**	**34,299**	**39,026**	**21,661**	**21,872**
Total liabilities and equity	**186,948**	**148,079**	**172,999**	**121,186**	**121,397**

Note: As of January 1, 2016, the Company has implemented early adoption of IFRS9 "Financial Instruments". The Company applied exemption provided by the IFRS 9 "Financial Instruments" not to restate the comparative periods as a result of the IFRS 9 adoption.

Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings as at 1 January 2016. Accordingly, the information presented for 2015 does not reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2016 under IFRS9.

The effect of IFRS9 affects the following accounts of Financial Statements: Loans to customers (+211 KGEL) impairment loss (-211 KGEL) and retained earnings (+211 KGEL).

For more accuracy and clarity of the financial statements analyses of the company, in the financial statements review paragraph of the prospectus is not used the data from Audited FS Report of 2015, but the data from the 2015 audited report with IFRS 9 effect.

Statement of Profit and loss and Comprehensive Income (GEL '000)

	1H17	1H16	2016	2015	2015 (IFRS9 effect)
Interest income	24,894	19,607	42,201	30,143	30,143
Interest expense	(7,735)	(6,711)	(10,132)	(7,718)	(7,718)
Net interest income	**17,160**	**12,896**	**32,069**	**22,425**	**22,425**
Loan impairment recovery / (charge), net	(1,636)	(1,413)	(2,935)	(1,729)	(1,518)
Net interest income after provision for loan impairment	**15,524**	**11,483**	**29,134**	**20,696**	**20,907**
Fee and commission income	887	731	2,334	1,118	1,118
Net gain (loss) on financial instruments at fair value through profit or loss	-	-	2,186	6,772	6,772
Net foreign exchange loss	-	-	(5,238)	(7,934)	(7,934)
Other income	560	407	1,119	712	712
Personnel expenses	(5,818)	(4,426)	(11,779)	(8,444)	(8,444)
Depreciation and amortization expenses	(904)	(779)	(1,617)	(1,311)	(1,311)
Other operating and general administrative expenses	(4,396)	(3,295)	(6,929)	(5,350)	(5,350)
Profit before income tax	**5,852**	**4,121**	**9,210**	**6,259**	**6,470**
Income tax expense	(878)	(712)	(1,872)	(1,048)	(1,048)
Profit and total comprehensive income for the year	**4,974**	**3,410**	**7,338**	**5,211**	**5,422**

Note: Same note as for previous table

Cash Flow Statement (GEL '000)

	1H17	1H16	2016	2015	2015 (IFRS9 effect)
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax	5,852	4,121	9,210	6,259	6,470
Adjustments for:	-	-			
Net gain on financial instruments at fair value through profit or loss	(4,321)	904	(2,186)	-6,772	-6,772
Depreciation and amortization	904	779	1,617	1,311	1,311
Interest income	(24,776)	(19,334)	(42,201)	-30,143	-30,143
Interest expenses	6,228	4,522	10,132	7,718	7,718
Loan impairment Charge	1,636	1,413	2,935	1,729	1,518
Loss / (Gain) from exchange rate difference	(5,515)	(1,072)	5,238	7,934	7,934
Loss / (Gain) on disposal of Property and Equipment	(4)	(4)	10	9	9
Equity settled share-based payments	-	-	588	488	488
Cash outflows from operating activities before changes in operating assets and liabilities	**(19,996)**	**(8,672)**	**(14,657)**	**-11,467**	**-11,467**
(Increase) / decrease in financial instruments at fair value through profit or loss	10,218	2,931	(1,233)	4,276	4,276
Increase in loans to customers	(20,165)	(20,662)	(38,095)	-28,228	-28,228
Increase in other assets	(515)	(2,210)	(977)	-417	-417
Increase in other liabilities	(415)	(704)	62	147	147
Change in deposit	-	100	100	-100	-100
Cash used in operating activities	**(30,873)**	**(29,217)**	**(54,800)**	**-35,789**	**-35,789**
Interest received	23,054	18,029	41,339	29,605	29,605
Interest paid	(5,447)	(3,894)	(9,335)	-7,187	-7,187
Income tax paid	(1,325)	(941)	(1,962)	-1,403	-1,403
Cash used in operations	**(14,591)**	**(16,023)**	**(24,758)**	**-14,774**	**-14,774**
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property and equipment	(1,082)	(1,394)	(2,420)	-1,412	-1,412
Purchases of intangible assets	(30)	(108)	(237)	-482	-482
Cash used in investing activities	**(1,112)**	**(1,502)**	**(2,657)**	**-1,894**	**-1,894**
CASH FLOWS FROM FINANCING ACTIVITIES					
Receipts from loans and borrowings	131,637	36,345	64,658	61,268	61,268
Repayment of loans and borrowings	(112,916)	(19,944)	(41,058)	-48,401	-48,401
Proceeds from share issue	-	9,601	9,601	-	-
Dividends paid	-	(373)	(475)	-	-
Cash flows from financing activities	**18,721**	**25,629**	**32,726**	**12,867**	**12,867**
Net increase (decrease) in cash and cash equivalents	**3,018**	**8,104**	**5,311**	**-3,801**	**-3,801**
Effect of changes in exchange rates on cash and cash equivalents	(873)	(375)	389	2,135	2,135
Cash and cash equivalents as at the beginning of the year	10,355	4,654	4,654	6,320	6,320
Cash and cash equivalents as at the end of the year	**12,500**	**12,384**	**10,354**	**4,654**	**4,654**

Note: Same note as for previous table

MANAGEMENT DISCUSSION AND ANALYSIS OF THE COMPANY'S FINANCIAL CONDITION AND OPERATING RESULTS

The following discussion and analysis of the Company's financial condition and operating results principally covers the years 2016 and 2015 and the first half of 2017 and 2016 (figures of first half of 2017 and 2016 are unaudited). Unless otherwise specified, the financial information for the periods presented in this document has been extracted and/or derived from the financial statements. This section should be read in conjunction with the financial statements and the other financial information included elsewhere in the Prospectus.

Certain information contained in the discussion and analysis set forth below and elsewhere in this prospectus includes forward-looking statements. These forward-looking statements are subject to risks, uncertainties and other factors which could cause actual results to differ materially from those expressed or implied by the forward-looking statements. See "Risk Factors" and "Forward-Looking Statements."

Factors Affecting the Company's Financial Statements

The key factors affecting the Company's financial statements are discussed below:

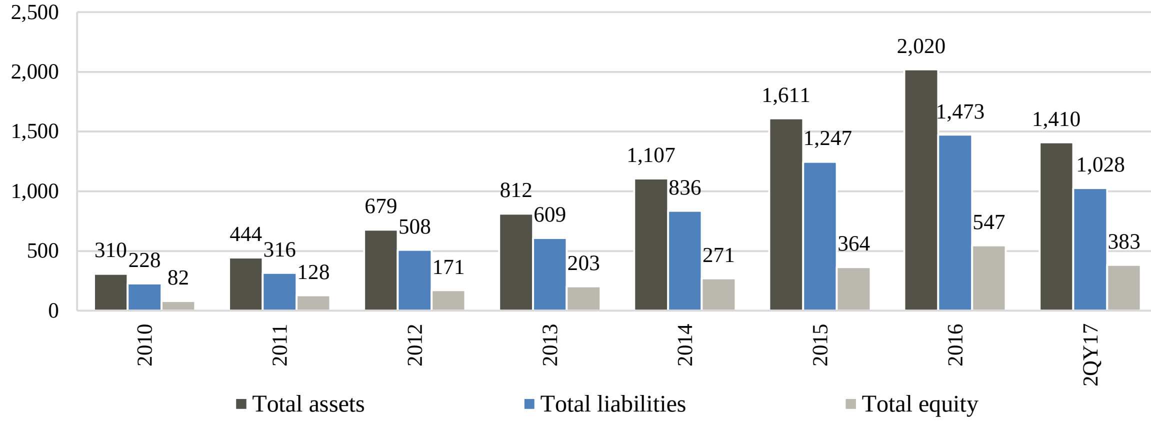
Macroeconomic Conditions

Real GDP growth rebounded to 4.7% in the first nine months of 2017 from 2.7% in 2016, as compared to 2.9% in 2015, according to the National Statistics Office of Georgia (Geostat), due to stabilizing external demand and the government initiatives strengthened consumer demand and business confidence. Since the second half of 2014, the Georgian economy has been affected by falling world commodity prices and negative spillovers of the recession in Russia, as well as by currency depreciations among Georgia's main trading partners. As a result of these factors, in 2015, Georgia's exports decreased significantly and migrant remittances were reduced, particularly from Russia and Greece (which are the largest sources of remittances to Georgia). Exports fell further in 2016, though remittances have recovered from low base in the second half of 2016. The resulting shortfall in foreign earnings, combined with the worldwide strengthening of the US Dollar and slowly adjusting imports, caused the Lari to depreciate by more than 20% against the US Dollar in 2015 and by a further 10% in 2016. In order to mitigate the impact of depreciation related increases in inflation expectations, the NBG gradually tightened its monetary policy in 2015. NBG relaxed the monetary policy stance in 2016 as weak aggregate demand and falling world commodity prices eased price pressures and inflation came in at 1.8% at end 2016. Despite the regional economic slowdown, tourism increased during the periods under review, and tourism revenues increased 11.9% to US Dollar 2.2bn in 2016, accounting for 15.1% of GDP.

Market overview

The microfinance sector accelerated significantly since 2010 and maintained an upward trend last year as well. In 2016, total assets of MFOs amounted to GEL 2,020mn (up 25% y/y), while total liabilities and total equity reached GEL 1,473mn (up 18% y/y) and GEL 547mn (up 50% y/y), respectively. It should be noted that online loan companies registered as MFOs in December 2016 and they also contributed to the growth of the aggregated indicators of microfinance sector.

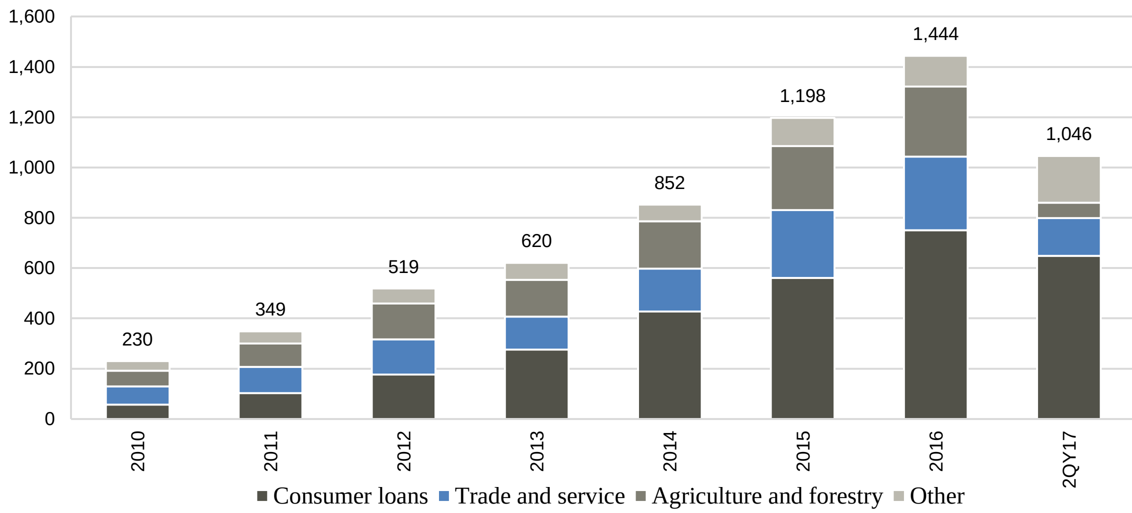
'**Figure 1: Microfinance sector in Georgia, GEL mn**



Source: National Bank of Georgia

Net loan portfolio of the sector recorded GEL 1,400mn (up 20% y/y) in 2016. Gross loan portfolio was led by consumer loans (GEL 750mn), trade and services (GEL 292mn) and agriculture (GEL 280mn). Share of consumer loans in total loan portfolio increased from 25% to 52%, while trade and services share declined from 31% to 20% over 2010-2016 years.

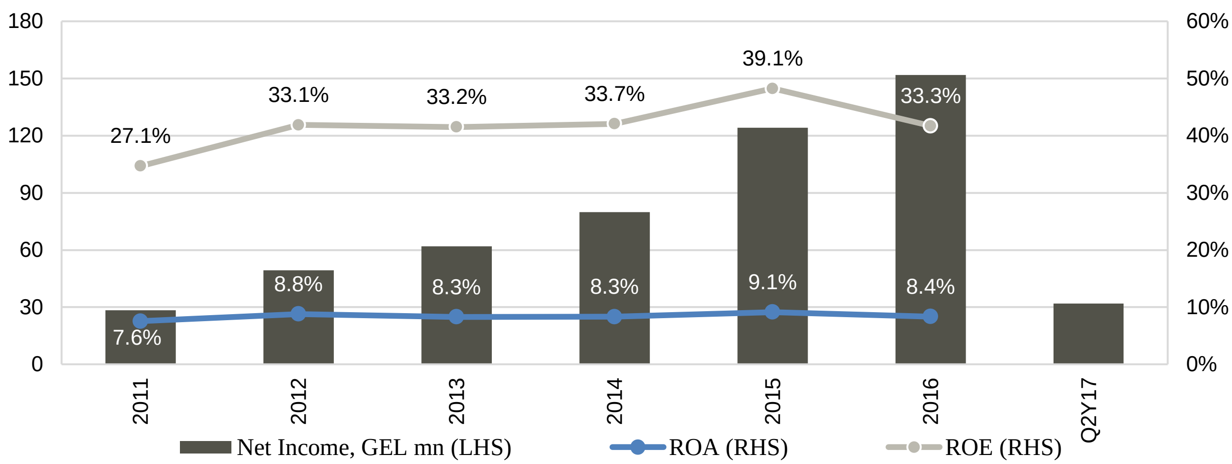
'Figure 2: Gross loan portfolio, GEL mn



Source: National Bank of Georgia

Microfinance sector has high profitability due to higher margins compared to banking. In 2016, currency exchange and a decrease of interest rates and margins had negative effect on the profitability indicators, which was partially compensated by online loan companies registered as MFOs in December 2016. Net profit of the sector amounted to GEL 152mn in 2016, while ROA and ROE dropped to 8.4% and 33.3%, respectively.

'Figure 3: Net profit and profitability ratios

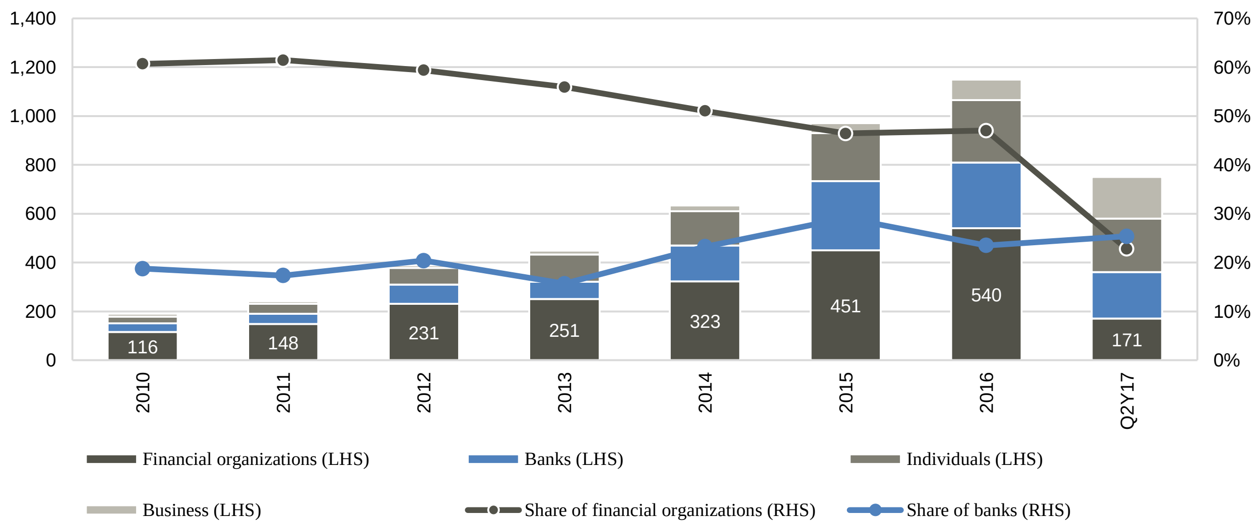


Note: Q2Y17 ROE and ROA data is not meaningful, as they represent half year return over total assets and total equity and final figures are distorting compared to the full year figures

Source: National Bank of Georgia

Total borrowings of microfinance organizations reached GEL 1,149mn in 2016, of which 47% (GEL 540mn) was loans from financial organizations. National Bank of Georgia requires from MFOs to design action plan in order to shift gradually from individuals to more qualified investors. That will reflect in a decrease of small borrowings share from individuals in future. In 2016, 22% of total borrowings were sourced from individuals.

Figure 4: Total borrowings according to sources, GEL mn



Source: National Bank of Georgia

As of Q2Y17, microfinance sector is represented by 82 companies, 425 service offices and 4,909 employees. MFO companies offer fast/online loans, consumer loans, mortgage loans, auto loans, business loans and pawn loans, while several of them are specialized in only one of them. Most of the companies registered as MFOs in December 2016 were online credit companies. They offer only small consumer loans and charge up to 100% annual interest rate. Crystal is the largest employer in MFO sector and has the biggest coverage in terms of total branches around Georgia. Furthermore, taking into account total assets and loan portfolio size, the company is one of the leading players in the sector.

Table 3: Statistics of selected MFOs

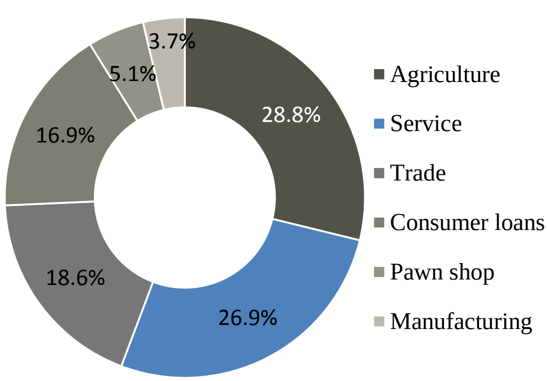
MFO	Number of employees	Number of branches	Total assets, GEL mn	Net loan portfolio, GEL mn
Crystal	793	42	173.0	145.5
Rico Express	336	27	325.5	229.0
Credit Service +	314	32	38.9	28.1
Lazika Capital	220	15	28.5	19.6
BIG	206	10	37.3	31.8
Georgian Credit	186	15	36.2	30.2

Note: number of employees and branches are as of Q2Y17. Total assets and net loans are presented according to 2016 annual reports.

Source: National Bank of Georgia, company data

Gross loan portfolio of Crystal reached GEL 149mn in 2016 (up 38% y/y). The largest share of total loans issued by Crystal is in agriculture sector, followed by service and trade sectors. Taking into account the microfinance sector consolidated data as of end of 2016, 23% total loan portfolio in trade and services sector is issued by Crystal, while the company holds 15% share of MFOs' total loan portfolio in agriculture. Overall, 10% of MFO sector loan portfolio was held by Crystal at the end of 2016 year.

Figure 5: Loan portfolio distribution of Crystal, 2016



Source: Company data

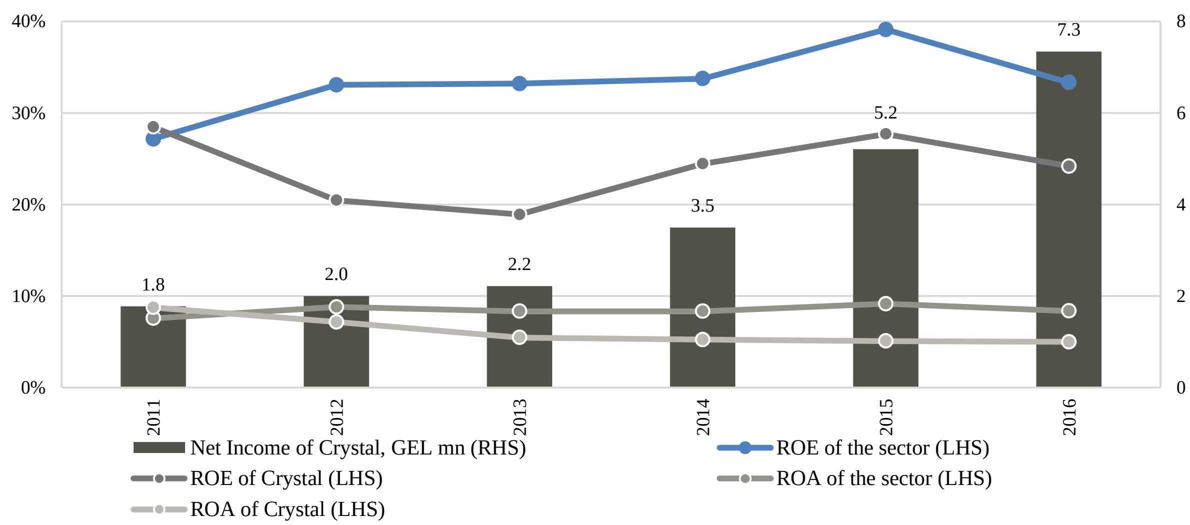
Table 4: Loan portfolio distribution of Crystal, GEL mn

Sector	2015	2016	Y/Y growth
Agriculture	29.9	42.9	43.8%
Service	26.2	40.1	52.9%
Trade	20.7	27.7	33.6%
Consumer loans	19.6	25.1	28.4%
Pawn shop	7.0	7.6	8.9%
Manufacturing	4.3	5.6	29.8%
Total	**107.6**	**149.0**	**38.4%**

Source: Company data

Net profit of Crystal increased in 2016 and amounted to GEL 7.3mn, while ROA and ROE decreased slightly in line with sector performance. Compared to MFO sector averages, these indices of Crystal are a bit lower, while online credit and high risk loan portfolio MFOs have larger performance indicators.

Figure 6: Crystal performance indicators



Source: company data

Comparison of several large MFOs shows that performance indicators are volatile and different from each other. While Crystal loan portfolio is more diversified, Rico Credit issued more than 50% of loans in pawn during last 2 years. Some other MFOs had net loss during the same period. These circumstances caused some significant outliers while calculating last 4 years average indicators.

Table 4: Average performance indicators of selected MFOs

	Crystal	Rico Express	Creditservice+	Lazika Capital	Georgian Credit	BIG
ROA	5.2%	10.9%	10.3%	3.3%	3.7%	7.0%
ROE	23.8%	44.0%	140.9%	10.8%	24.2%	30.7%

Note: indicators are last 4 years average. These MFOs are taken from top 15 microfinance companies sorted according to employment and number of branches as of Q2Y17. Online loan and sector-specific companies are not taken into account. Creditservice+ had net loss in 2016, while Lazika Capital and Georgian Credit had net loss in 2015.

Source: company data

Company Overview

JSC Microfinance Organization Crystal (Crystal) was formed on the platform of Crystal Fund under the Georgian “Law on Microfinance Organization” in 2007. Until that time Crystal Fund was engaged in financing activities and was practicing micro lending. As the Georgian “Law on Microfinance Organization” was enforced in 2007 it became necessary to establish JSC Microfinance Organization Crystal (Crystal). The formation of platform of Crystal Fund is dated back to 2004, when Charity Humanitarian center “Abkhazeti” made spinoff and registered independent entity of Crystal Fund.

In 2011 a US emerging and frontier investment manager “Developing World Markets” (DWM) became first institutional investor of Crystal.

Crystal supports development of micro and small size enterprises and farmers locally, by offering them: micro, SME and agro loans. The company also offers financial services and products to average and low income individuals.

The Company’s headquarter is located in western part of Georgia, Kutaisi. It operates across the country and is represented by 56 branches and service points with total number of more than 800 employees.

Crystal has several prestigious international awards related to transparency and social responsibility:

Also the Company has received International Credit Rating of BBB from Micro Finanza Rating Agency in 2012, G.I.R.A.F.E. rating from Planet Rating Agency of B- in 2010 and International Credit Rating of B from Fitch Rating in August 2017.

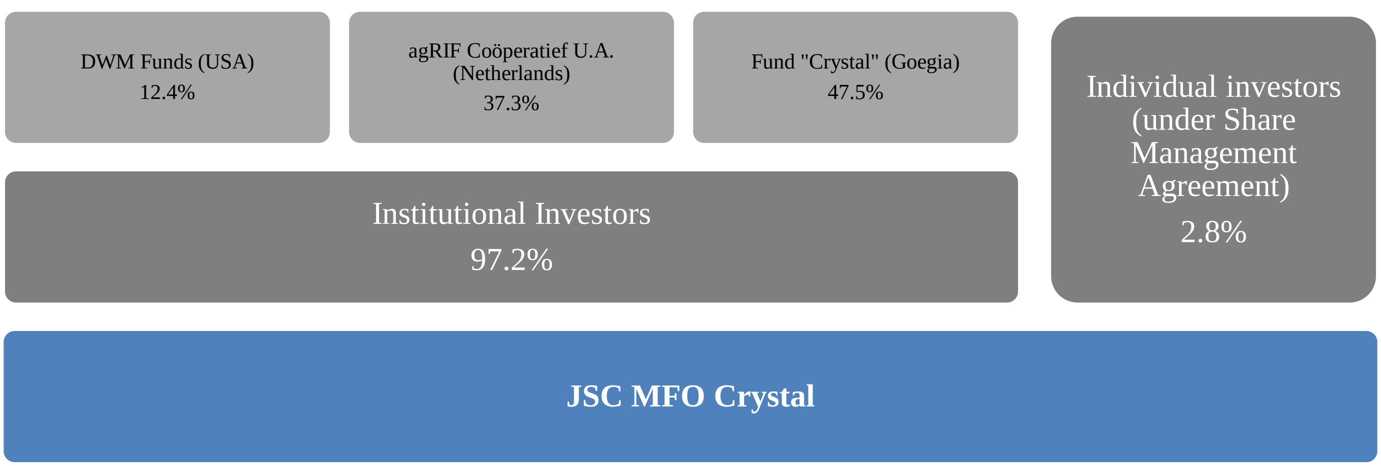
The Company is actively engaged in international and local consumer protection initiatives. Since 2014 Crystal participates in global financial education program “Borrow Wisely”. The international campaign is managed by the Microfinance Center-Poland and aims to inform and give consultation on how to borrow wisely: what questions to ask before deciding to lend money, what are the critical topics to be addressed while negotiating with potential lender, what is the optimal size of borrowings, how to measure risks etc.

- **Shareholding structure**

As of 30 June 2017 the Company has 3,023,993 outstanding ordinary shares.

Major shareholders of the Company are institutional investors, only 2.8% of shares are held by Company's key managers, regulated by Share Management Agreement. 47.5% of MFO Crystal is owned by Georgian non-commercial legal entity Fund "Crystal" and 49.7% - by international financial organizations (USA/Luxembourg and Belgium/Netherlands). Chairman of the Fund "Crystal" and majority of the Board members are local individuals.

From the 1,450,192 shares owned by Crystal Fund, 1,371,287 shares are currently disputed by founding shareholders and the group of ESOP (Employee Stock Option Plan) holders. The dispute arises from the wrongful actions against the Company in the first half of 2012 by Georgia's Main Prosecutor Office, which among various legal consequences resulted in a forceful transfer of shares from individual shareholders to Crystal Fund. In May 2015, a specially created department within Prosecutor General launched an investigation concerning the mentioned wrongdoings by state representatives. Risks arising from the unresolved dispute may have a spill-over effect on the company's reputation, willingness of debt-providers or equity investors to continue refinancing of the Company. The legal remedy resulting in return of shares to founding shareholders as well as transfer of shares to ESOP holders will eliminate the dispute leading to a better alignment of economic incentives of founders and key managers to those of investors and Bondholders.



- **Financial services and products**

Crystal offers a wide range of financial services and products, which include:

Products:
- Micro and small business loan;
- Agro loans;
- Consumer loans;
- Housing loans;

Services:
- Currency exchange services;
- Money transfers;
- Utility payment services.

- Installments;
- Pawn shop loans.

Each product is designed to finance certain customer need. Purpose of loan is determined on pre-approval stage and monitored after the loan disbursement. The Company accepts movable and immovable assets (real estate) for financial products above 20,000 GEL, precious metals and stones for pawnshop loans only and third party guarantees for loans above 10,000 GEL.

Micro and small loans are disbursed to micro and small size businesses for the purpose to expand its business operations or improve it via acquiring fixed assets or investing in working capital. Unlike micro business loans, small business loans pre-approval stage is more complex, more thorough analysis is carried out. Also small business loans are offered with minimum amount of 10,000 US Dollars (equivalent in GEL) and only to registered legal entities with relatively organized accounting policies and procedures. Under this category the Company has introduces **Tourism Loan**. The purpose of the loan can only be acquisition of fixed assets by micro and small size enterprises operating in hospitality sector.

Agro loans are disbursed to smallholder farmers or agro-enterprises whose revenue streams are mainly generated from agriculture. Purpose of loan can be fixed assets acquisition or investment in working capital. For the same purpose and business profile of the potential borrower the Company offers **agro credit card**, which is approved on the basis of automated scoring.

Household loans are disbursed to average and low income individuals which income sources can be fixed salary, remittances, pension or other fixed and permanent cash inflows. Purpose of loan is to finance a household needs related to education, health-care or a cash-flow gap.

Housing Loans are disbursed to individuals with low and average income for acquisition or renovation of real estate.

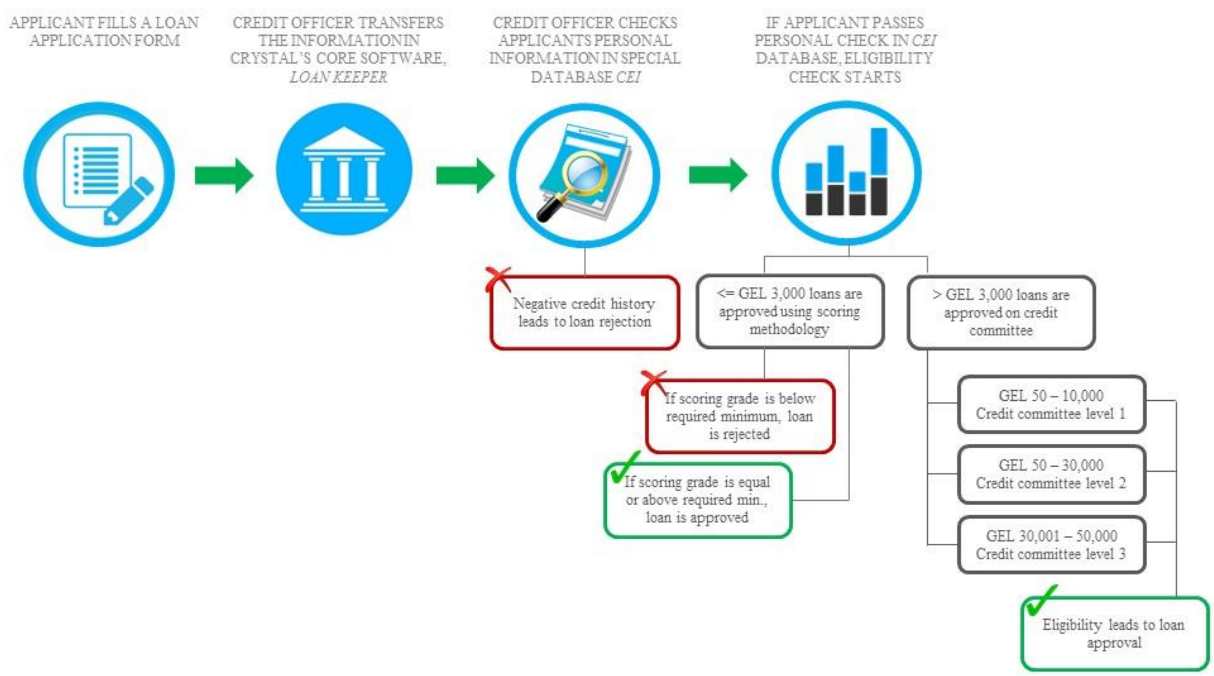
Installment loans are special purpose financial product available only at certain goods or service providers, with whom Crystal has pre-agreed vendor agreement. Such loans are approved through automatic underwriting. Following the approval, funds are transferred to service providers directly. The Company uses the online platform akido.ge, which provides customers with opportunity to secure an installment loan to acquire the wide range of products from certified vendors .

Pawn shop loans are solely disbursed against a collateral of precious metals or stones.

Product characteristic matrix:

Product name	Finance range (GEL)	Cost of finance range	Maximum finance period	Up-front fees	Prepayment fees	Collateral required	Product type (fast/core)
Micro and small business loan	70 - 50,000	18% - 48%	60 months	2.5% - 4%	2%	Contingent	Fast/core
Tourism loan	70 - 50,000	14% - 44%	60 months	2% - 4%	2%	Contingent	Fast/core
Agro loan	50 - 50,000	18% - 48%	60 months	2.5% - 4%	2%	Contingent	Fast/core
Agro credit card	50 - 3,000	0% - 36%	12 months	0% - 5%	2%	Not applicable	Fast
Household loan	70 - 20,000	32% - 48%	30 months	2.5% - 4%	2%	Not applicable	Fast/core
Housing loan	1,000 - 50,000	23% - 48%	60 months	2.5% - 4%	2%	Contingent	Core
Installment loan	50 - 5,000	28% - 48%	24 months	3%	2%	Not applicable	Fast
Pawn shop loan	50 - 50,000	18% - 36%	36 months	0%	0%	Required	Fast

- **Loan Application and Approval process**



Crystal is a micro finance organization specialized on in-store loans only. Potential customer applies for loan either by visiting one of Crystal's branches or service centers or its partner companies, may it be real store or online shopping platform (providers of different types of goods and services, with whom Crystal has pre-agreed vendor terms, which provide installment loans to customers, are referred as a partner companies). After client fills out the application form, where it specifies the type of loan, amount and tenor, Crystal's employee, greeter or credit officer, enters this information in the Company's core software, *Loan Keeper*. After the information is loaded into the core software, employee in charge checks the applicant's personal information in other supporting software called CEI (Customer External Information). In the supporting software CEI, two main data bases are integrated, credit info and creditors registry. Permission to access these data bases are purchased from private and state providers. Credit Info is the country's only Credit Reference Agency, a privately held company, which provides financial institutions with historic credit data on individuals or legal entities. Creditor's registry is ran by the National Bureau of Enforcement and represents electronic database on individuals, legal entities or other organizational forms which have been under enforcement.

After these steps are completed - application is filled out, applicant information is transferred into the core software and applicant is checked in CEI – credit officer either approves the loan or transfers a loan file to the members of Credit Committee for further review and final decision-making.

If loan amount does not exceed GEL 3,000, credit officer uses an automated scoring system for loan underwriting. Credit scoring system enables an assessment of customer solvency through assigning separate grades to each of the underwriting criteria and then generating an aggregate grade for each loan application. The following criteria are deployed in credit underwriting: financial position of the client, repayment capacity, quality of collateral if any and client's credit history. For each type of a loan the Company has defined corresponding approval threshold underpinned by Crystal's Credit Risk Policy.

All loans above GEL 3,000 should be approved by Credit Committee. There are three levels of Credit Committee:

- Credit Committee level 1 – approves loans with amount from GEL 50 up to GEL 10,000;
- Credit Committee level 2 – approves loans with amount from GEL 50 up to GEL 30,000 (in certain cases, depending on project complexity, loan within the range of GEL 50-10,000 might need to be approved on credit committee level 2);
- Credit Committee level 3 – approves loans with amount from GEL 30,001 up to GEL 50,000.

GEL 50,000 is a maximum cumulative amount of loan per one lender microfinance organizations can disburse according to the National Bank of Georgia regulation regarding Microfinance Institutions.

Credit Committee members differ according to decision-making levels. Level 1 is represented by the branch or service center representatives. Level 2 brings in a representative of the Risk Department, and on Level 3 regional manager acts as a committee member.

After loan is approved Loan Officer prepares all needed legal documentations. If loan is collateralized than an in-branch Lawyer is engaged in drafting documentation . After the execution of a loan agreement and registration of a mortgage, if relevant, a loan is disbursed to personalized account in tranches or in whole. This personalized loan account can only be used for loan disbursements and repayments. Crystal, on client's request, can transfer the loan amount to the client's bank account.

- **Pricing Policy of Financial Products**

Pricing policy of financial products involve determination of interest rates, disbursement and prepayment fees and imposition of penalties. All decisions are made by Management Team.

Interest rate determination comprises from two parts: base rate and premium. Often base rate reflects inherent high operational and funding costs associated with micro financing format. Determination of base rate is conducted on monthly basis. Credit department approaches Management Team with proposal and recommendation on revision of product pricing. Final approval is made by the members of Management Team.

Determination of premium for each loan involves complex analysis of borrower's financial position and solvency level. The Company uses 30/360 days method for interest expense calculation. Interest expense accrual starts on the date of disbursement and ends on the day of full repayment of the loan. NBG regulates the maximum effective interest rate (100% APR) and the amount of financial cost that Crystal can charge for any type of loan which is limited by 150% of principal amount.

Up-front and prepayment fees are determined on case-by-case basis representing fixed percentages of disbursed or prepaid amounts. Disbursement fee is intended to cover administrative expenses associated with loan application processing. Amount of prepayment fee is capped by the regulatory body to protect customers from disproportionately high switching costs. Prepayment fee is intended to partly cover unrealized interest income of the lender. Amount of prepayment fee is capped by 2% of a prepaid principal amount.

Penalties are imposed in case of overdue on outstanding amount of loan and is accrued from the following business day after the missed payment. If overdue exceeds 90 days, the accrual of penalty is suspended and Company starts the enforcement.

- **Financial Risk Management**

Financial risk management is one of the crucial parts of business operations. The Company divides financial risk into several subsections:

- **FX risk,**
- **Capital adequacy risk,**
- **Liquidity risk and**
- **Interest rate risk**

The company has elaborated different management policies for each type of risk.

In general the first step towards any risk management is to identify the Company's risk appetite, which is defined by the Supervisory Board of the Company.

Currency swaps are utilized to manage short-term **FX risk**, which is used to convert foreign currency funding into local currency on a pre-agreed terms. Crystal utilizes back-to-back loans which are relatively longer-term FX risk hedging mechanism. Three leading Georgian banks are main providers of FX hedging instruments. Company follows its internal policy regarding acceptable level of foreign currency concentration in total funding.

For **capital adequacy risk** management the Company uses two main ratios: leverage ratio, which measures the mixture of capital and borrowed funds, and capital adequacy ratio, which measures the portion of its assets financed by the capital.

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The Company maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the Management Team and Supervisory Board.

The Company seeks to actively support a diversified and stable funding base comprising long-term and short-term loans from other banks and other financial institutions, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management policy requires:

- projecting cash flows by major currencies and taking into account the level of liquid assets necessary in relation thereto
- maintaining a diverse range of funding sources
- managing the concentration and profile of debts
- maintaining debt financing plans
- maintaining liquidity and funding contingency plans

Liquidity position is monitored by the Finance Department and the ALCO – Assets and Liabilities Committee comprised on members of Supervisory Board and the Management Team. Under the normal market conditions, information on the liquidity position is presented to the Management's Risk Committee on a weekly basis. Decisions on liquidity management are made by ALCO and implemented by the Finance Department.

Interest rate risk is associated with potential changes in fair value or future cash flows from a financial instrument due to changes in market conditions. The Company is exposed to the effects of interest rate fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest rate risk is managed principally through monitoring interest rate gaps. The management of interest rate risk, based on an interest rate gap analysis, is supplemented by monitoring of the sensitivity of financial assets and liabilities.

- **Decision Making, Committees and Related Procedures**

The supreme decision-making body is the Supervisory Board of the Company. It subordinates Internal Audit, Remuneration, Strategy and Innovation, Risk, Social and ALCO Committees. Supervisory Board directs and oversees the Management Team, which represents the main management decision-making body and executes the Company's core business activity.

Internal Audit Committee manages the internal auditing activities designed to add value and improve organizational processes through independent, objective opinions and consulting activities. Internal audit aims to facilitate:

- Compliance of the Company's operations with existing laws, regulations and third party agreements;
- Efficient and effective functioning of control mechanisms and corporate governance processes;
- Compliance of business operations with existing internal regulations;
- Operational and financial reporting authenticity and punctuality;
- Proper and efficient employment of intellectual and physical assets of the Company;
- Evaluation of level of fraud within and outside the Company;
- Swift identification and management of internal and external risks of the Company. This activity is carried out in close cooperation with Risk Management Department and Risk Committee.

To ensure implementation of its objectives internal audit department 1) studies all documents regarding organizational activities, procedures, processes etc. (charter, agreements with third parties, policies and procedures for all departments, minutes and orders of internal regulatory body etc.); 2) conducts planned, ad hoc and special purpose inspections. Inspections are made on departmental levels as well as at the branches and service centers in order to gain a good understanding of ongoing business processes and application of control mechanisms locally. Planned inspections are made on monthly basis, while ad hoc inspections are made randomly and unexpectedly, or on the bases of well-grounded suspension for increased risk level or fraud. Special purpose inspections are made on behalf of Supervisory Board or Audit Committee request and can be conducted on any business unit level; 3) surveys and 4) interviews with employees and clients.

Internal audit controls activities across all business operations, through certain audit units:

- **Credit audit** aims to inspect disbursed loans and all corresponding documentations. Inspection process encompasses collection of all related documentation from loan registry, extraction of information from the Company's software (*Loan Keeper*) and interview with credit committee members. By analyzing all these data credit audit members evaluates level of compliance with all related procedures, reveals fraud cases, measures effectiveness of existing procedures and makes conclusion on overall work execution quality.

- **Procurement audit** evaluates efficiency of conducted acquisitions of goods and services and their compliance with budgeted figures.
- **Cash desk audit** inspects all documentation related to cash operations and safety standards at cash desk.
- **MIS (management information system) audit** goal is to reveal any existing discrepancy between the information on disbursed loans existent in online version (*Loan Keeper*) and in hardcopies. Also it aims to check information safety level and evaluate information system's efficient operations.
- **Administrative audit** monitors functional parallelism of different departments and stuff members and reveals any existing functional gaps. It also aims to eliminate any excessive bureaucracy of business operations. Beside that administrative audit monitors: 1) information flow and quality of communication among structural units; 2) equipment of branches and services centers with all needed facilities; 3) policy adherence and rule following of accessibility to online and hard copied information, filling and storage of information.
- **Fraud suppression** unit studies: 1) professional relations among employees and reveals any existing or possible conflict of interest; 2) partners of the Company, third parties and defines risk involved in such business relations. On a quarterly basis unit prepares special dedicated to the findings section in internal audit report.

Internal audit activities are planned by the end of current year for the upcoming fiscal year and are approved by Internal Audit Committee. Planned activities should encompass examination procedures on departmental level as well as on branches and service centers level. Prior to each inspection activity audit unit elaborates brief plan of action, which is a toolkit for executing and monitoring parties.

HR and Remuneration Committee is supervising HR policies and practices, manages nominations and approves decisions related to senior management remuneration. The Committee meets on the quarterly basis.

Strategy and Innovation Committee is in charge of overseeing the implementation of strategy, annual milestones pursued by Management Team as well as strategic innovative initiatives and projects.

Risk committee is an advisory body of the Company. It does not produce any resolutions, but provides a space for regular review and identification of internal and external risks. The Committee issues recommendations to be undertaken by the Company to manage or mitigate those risks. The Committee meets on the quarterly basis.

ALCO committee is a supervisory group the Company employs to manage its assets and liabilities, with ultimate goal to receive adequate returns. Main goal of the committee is ensure adequate liquidity while managing existing spread. The frequency of holding ALCO committees is on monthly basis with Supervisory Board members and solely on weekly basis.

Social Committee is in charge of overseeing the Company's social and environmental impact. It recommends the CSR policy, sets social and environmental objectives and monitors the results.

- **Loan Loss Provisioning Procedures**

Loan loss provisioning (LLP) is on the most important aspects of credit risk management for any financial institutions and especially for microfinance organizations which bear higher risk due to the nature of financial products they offer. It is crucial to have an appropriate provisioning system which complies with international standards so that it reflects all existing and potential portfolio related risks of the Company.

Crystal has adopted LLP procedures that reflect IFRS 9 requirements. The requirements of IFRS 9 represent a significant change from IAS 39 *Financial Instruments: Recognition and Measurement.* The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. In 2018 IFRS 9 requirements will became effective and obligatory for all industry players. Crystal has adopted the standard since 1st of January 2016.

In the first place the Company gathers the loans with same characteristics into one pool and for that purpose it assigns specific grade to each loan upon disbursement. Grading is based on certain criteria, which are loan amount, loan type, level of security, borrowers' profile etc. During the loan lifetime grade can deteriorate due to bad repayment history, overdue, restructuring or any other negative changes in the loan or borrower's profile and vice versa.

Afterwards LLC rate is calculated, which is an aggregate figure of the following rates: Probability of Default rate (PD), Exposure at Default rate (EAD) and Loss Given Default rate (LCD).

- PD is calculated by applying migration matrix to the loan portfolio of last two years. Macroeconomic conditions are one of the factors that are considered for PD calculation;
- For calculating EAD figure the Company uses its own risk management default model which reflects their expertise in the field and past experience;
- LCD, which represents portion of loss per defaulted loan, is also calculated based on the Company past experience. The Company uses last 5 years statistics to generate the figure. Macroeconomic conditions are one of the factors that are considered for LCD calculation.

The Company has elaborated special formula for LLC rate calculation, which is linked to the Company's core software *Loan Keeper*. Formula derives all needed information about the loans outstanding from the software, assigns respective grades to the loans, allocates provision rate to each loan pool and generates final LLC rate, which is then sent back to the software. Reserve amount, which is LLC rate multiplied by the outstanding loan amount, is generated in the *Loan Keeper*.

- **Collateral appraisal procedures**

To appraise proposed collateral, credit officer fills out special appraisal form (SAF). SAF requires following information: Borrower's identification information, owner's or authorized person's identification information, collateral cadastral code and main characteristics. Filled out SAF is signed by the branch or service center representative and sent to the credit committee members (depending on the amount of loan). Credit committee members analyze the SAF and make comparative analysis with analogies using movable and immovable assets brokerage web sites. Ultimately market price of the collateral is determined. All collateral are subject to haircut, which is different for different types of collateral:

- Real estate – 40%;
- Movable assets – 60%;
- Precious metals and stones – 6%.

Value of the collateral after haircut should be at least 100% of the loan amount. Reappraisal of the collateral is conducted only if the borrower applies for additional credit product.

As of 30 June 2017 the average market value of the collateralized real estate is c. GEK 58k.

Approximately 68% of collateralized real estates are located in the regions and the rest is diversifies as follows: Tbilisi – 8%; Batumi – 4% and Kutaisi – 21%. The main reason for such allocation is that Crystal is mainly represented in the regions and almost forth of its credit portfolio is comprised from borrowers operating in agricultural sector.

- **Loan Recovery Procedures**

Loan, if in arrears, can migrate to two different stages during its lifetime. First stage is a recovery stage, when credit officer - who initially worked on the loan application, approved and disbursed it and managed subsequent payments and monitored the loan – transfers the loan to the recovery and lawyers group, if overdue is more than 35 days. Starting from that point up until the overdue days reach 90, recovery and lawyers group manages communication with the client on loan repayment. If Agreement between the client and the Company is not reached, after 90 days of overdue loan enforcement starts.

If loan enforcement is not completed or loan is un-enforceable by the 179th day of overdue, it is written-off and reflected in corresponding financial statement as a loan impairment charge.

Recently the Company has launched a trial version of recovery call center. Loans with 3 days overdue will be transferred to recovery call center for soft collection.

- **Key Performance Indicators**

Brief summary of profitability and portfolio quality.

	Half year ended June 30		Year ended December 31	
	1H17	1H16	2016	2015
	In thousands of GEL, except percentages			
Profit before tax	5,852	4,121	9,210	6,470
Net loan portfolio	157,807	121,887	145,510	105,334
Average interest rate on loans	27.6%	29.7%	28.2%	29.4%
Loss given default	66,2%	64,6%	57.3%	51.0%

As the Company expanded its operations on regional scale, the credit portfolio increased by 38% year on year, 2016 and 2015 and by 29% in the first half of 2017 compared to 2016 same period. In total Crystal opened 5 branches and 9 service centres in 2016 and 9 service centres in 1H17.

Average interest rate on loans decreased due to the general decreasing trends in pricing of financial products on the market.

1. **Return on average total assets and average equity**

The following table presents selected financial data and ratios for the periods indicated. This is good illustration of the profitability of the Company and how it relates to its equity capitalization.

	Half year ended June 30		Year ended December 31	
	1H17	1H16	2016	2015
	In thousands of GEL, except percentages			
Profit for the period	4,974	3,410	7,338	5,422
Total assets	186,948	148,079	172,999	121,397
Total equity	43,001	34,299	39,026	21,872
ROA	*2.7%*	*2.3%*	*4.2%*	*4.5%*
ROE	*11.6%*	*9.9%*	*18.8%*	*24.8%*

Profit for the period did not increase with the same pace as credit portfolio and the reasons for that are: higher operating expenses due to expansion and not normalized operations in new branches and service centres.

ROA and ROE decreased in both comparable periods, 2016 and 1H17 as the Company made significant capital expenditures to support its expansion strategy and also issued new shares. Effect of these changes was not year reflected in the financial performance of the Company. Also interest rates have fallen within the sector for the period.

2. Loan portfolio quality

Below table presents gross and net loans to customers

	Half year ended June 30		Year ended December 31	
	1H17	1H16	2016	2015
	In thousands of GEL			
Gross loans to customers	171,810	131,771	149,016	107632
Impairment allowance	(4,270)	(2,942)	(3,506)	(2,298)
Net loans to customers	**167,540**	**128,829**	**145,510**	**105,334**

The following table shows loan portfolio diversification by the sectors

	Half year ended June 30		Year ended December 31	
	1H17	1H16	2016	2015
	In thousands of GEL			
Agriculture	56,518	41,821	42,940	29,857
Service	45,821	32,712	39,917	26,234
Trade	28,397	23,286	27,664	20,710
Consumer	28,149	22,159	25,139	19,579
Pawn shop	7,598	7,278	7,786	6,961
Manufacture	5,327	4,515	5,570	4,291
Total gross loans to customers	171,810	131,771	149,016	107,632
Impairment allowance	(4,270)	(2,942)	(3,506)	(2,298)
Net loans to customers	**167,540**	**128,829**	**145,510**	**105,334**

The following table presents loan portfolio analysis by overdue

Year ended December 31, 2016

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
	In thousands of GEL			
Not overdue	143,015	(1,893)	141,122	1.3%
Overdue less than 30 days	1,507	(197)	1,310	13.1%
Overdue 30-89 days	874	(288)	586	33.0%
Overdue 90-179 days	582	(294)	288	50.5%
Restructured	3,038	(834)	2,204	27.5%
Total loans to customers	**149,016**	**(3,506)**	**145,510**	**2.4%**

Year ended December 31, 2015	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
	In thousands of GEL			
Not overdue	103,361	(1,250)	102,111	1.2%
Overdue less than 30 days	1,093	(120)	973	11.0%
Overdue 30-89 days	849	(236)	613	27.8%
Overdue 90-179 days	557	(255)	302	45.8%
Restructured	1,772	(437)	1,335	24.7%
Total loans to customers	**107,632**	**(2,298)**	**105,334**	**2.1%**

In 2016 compared to 2015 amount of restructured loans increased by c. 72%. Significant portion of restructured loans is comprised by the loans issued to clients operating in agricultural sector. Sheep-farmers dislocated in Kakheti region faced downturn in the sales in 2015, as export of sheep were banned by local authorities. So the effect of financial difficulties that took place in 2015 were reflected in financial figures of 2016, as most of the impaired loans were restructure in 2016. Also agricultural sector experienced bad harvest in 2016, certainly in Marneuli, Gori and Qareli regions and farmers incurred profit losses. Those loans were restructured in 2016 as well.

Half year ended June 30, 2017

	Gross loans	Impairment allowance	Net loans	Impairment allowance to gross loans
	In thousands of GEL			
Not overdue	164,766	(2,099)	162,667	1.3%
Overdue less than 30 days	1,720	(208)	1,512	12.1%
Overdue 30-89 days	860	(251)	609	29.2%
Overdue 90-179 days	850	(455)	395	53.5%
Restructured	3,614	(1,257)	2,357	34.8%
Total loans to customers	**171,810**	**(4,270)**	**167,540**	**2.5%**

Half year ended June 30, 2016

	Gross loans	Impairment allowance	Net loans	Impairment allowance

	In thousands of GEL			to gross loans
Not overdue	126,335	(1,082)	125,253	0.9%
Overdue less than 30 days	2,071	(294)	1,777	14.2%
Overdue 30-89 days	696	(283)	413	40.7%
Overdue 90-179 days	560	(320)	240	57.1%
Restructured	2,109	(963)	1,146	45,7%
Total loans to customers	**131,771**	**(2,942)**	**128,829**	**2.2%**

In first half of 2017 compared to the same period of 2016 amount of restructured loans increased. Main reason to that is that the Company launched recovery call centre, which has facilitated the growth of recovery rate thus, has increased the amount of the loans restructured.

3. Portfolio breakdown according to collateralization

	Half year ended June 30				Year ended December 31			
	1H17	**% of LP**	**1H16**	**% of LP**	**2016**	**% of LP**	**2015**	**% of LP**
	In thousands of GEL, except percentages							
Loans with no collateral	105,733	63.1%	83,211	64.6%	93,004	63.9%	69,946	66.4%
Loans with collateral	61,807	36.9%	45,618	35.4%	52,506	36.1%	35,388	33.6%
Total loan portfolio, net	**167,540**	**100.0%**	**128,829**	**100.0%**	**145,510**	**100.0%**	**105,334**	**100.0%**

4. Portfolio breakdown by collateral types

	Half year ended June 30		Year ended December 31	
	1H17	**1H16**	**2016**	**2015**
	In thousands of GEL, except percentages			
Real estate	52,902	37,012	45,988	29,070
Precious metals and stones	8,031	8,006	7,711	7,064
Transpiration vehicle	739	429	496	344
Collateralized	**61,672**	**45,447**	**54,195**	**36,478**
Personal guarantees	90,440	69,834	84,445	60,994
Non-collateralized	15,021	13,101	11,429	10,606
Non-collateralized (incl. personal guarantees)	**105,461**	**82,935**	**95,874**	**71,599**
Total	**167,132**	**128,382**	**150,068**	**108,077**
Collateralized	**36.90%**	**35.40%**	**36.10%**	**33.80%**
Non-collateralized	**63.10%**	**64.60%**	**63.90%**	**66.20%**
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Impairment reserve	(4,270)	(2,942)	(3,507)	(2,509)
Interest rate receivables	4,678	3,389	3,020	2,091
Loan disbursement fees	(5,055)	(3,553)	(4,071)	(2,536)
Credit portfolio (IFRS)	**162,485**	**125,276**	**145,510**	**105,123**

5. Market value of the collaterals

	Half year ended June 30		Year ended December 31	
	1H17	1H16	2016	2015
	In thousands of GEL			
Real estate	167,016	116,447	154,088	95,022
Precious metals and stones	14,128	14,335	15,439	13,937
Transpiration vehicle	2,499	1,755	2,510	1,982
Total market value	**183,643**	**132,537**	**172,037**	**110,940**

6. Portfolio breakdown by performing and non-performing loans

	Half year ended June 30				Year ended December 31			
	1H17	% of LP	1H16	% of LP	2016	% of LP	2015	% of LP
	In thousands of GEL, except percentages							
Performing loans, net	164,179	98.0%	127,030	98,6%	142,432	97.9%	103,084	97.9%
Non-performing loans, net	3,361	2.0%	1,799	1.4%	3,078	2.1%	2,250	2.1%
Total loan portfolio, net	**167,540**	**100.0%**	**128,829**	**100.0%**	**145,510**	**100.0%**	**105,334**	**100.0%**

7. Maturity analysis of assets and liabilities

	Half year ended June 30		
	1H17		
	Up to 180 days	Up to 270 days	Up to 1 year
Assets	82,469,141	101,165,856	115,955,384
Liabilities	39,314,852	43,555,031	65,462,213
Coverage	**2.1**	**2.3**	**1.8**

- **Analysis of Financial Statements of the Company**

1. Interest income and interest expense

	Half year ended June 30		Year ended December 31	
	1H17	**1H16**	**2016**	**2015**
	In thousands of GEL			
Interest income	24,894	19,607	42,201	30,143
Interest expense	(7,735)	(6,711)	(10,132)	(7,718)
Net interest income	**17,160**	**12,896**	**32,069**	**22,425**
Loan impairment recovery / (charge), net	(1,636)	(1,413)	(2,935)	(1,729)
Net interest income after provision for loan impairment	**15,524**	**11,483**	**29,134**	**20,696**

Year on year increase of interest income in 2015 and 2016 is mainly attributable to the Company's expansion strategy. In 2016 Crystal expanded regional presence and opened several branches and service point in eastern part of Georgia, mainly in Kakheti region. In total the Company opened 5 branches and 9 service centres.

Half year increase is attributable to the very same reason. Number of new service centres opened in 2017 counted for 9.

Impairment charges increased more than proportionally in 2016 compared to 2015 (from 7% to 9% as a percentage of net interest income) and decreased in 1H17 compared to 1H16. Year on year increase of impairment charges was mainly attributable to the new regional markets entry and was normalized within the first half of 2017.

2. Expenses

	Half year ended June 30		Year ended December 31	
	1H17	**1H16**	**2016**	**2015**
	In thousands of GEL			
Fee and commission income	887	731	2,334	1,118
Net gain (loss) on financial instruments at fair value through profit or loss	-	-	2,186	6,772
Net foreign exchange loss	-	-	(5,238)	(7,934)
Other income	560	407	1,119	712
Personnel expenses	(5,818)	(4,426)	(11,779)	(8,444)
Depreciation and amortization expenses	(904)	(779)	(1,617)	(1,311)
Other operating and general administrative expenses	(4,396)	(3,295)	(6,929)	(5,350)
Total expenses	**(9,672)**	**(7,362)**	**(19,924)**	**(14,437)**

Operating expenses were maintained on the same level more or less. Fees and commission income increased year on year due to increased demand on money transfer services and cash conversion services. Net gain (loss) on financial instruments at fair value through profit or loss decreased as the Company increased local currency denominated funding portion in total funding and also due to the stabilization of local currency exchange rate. This last item is not presented in the half year figures, as is calculated per annum.

Other income is mainly comprised of penalty income and is in line with portfolio growth. Increase in other operating and general administrative expenses is mainly attributable to Crystal expansion and corresponding new lease agreements. Operating lease portion in total other and GA expenses is more than 35%.

3. Comprehensive income of the year

	Half year ended June 30		Year ended December 31	
	1H17	1H16	2016	2015
	In thousands of GEL			
Profit before income tax	**5,852**	**4,121**	**9,210**	**6,259**
Income tax expense	(878)	(712)	(1,872)	(1,048)
Profit and total comprehensive income for the year	**4,974**	**3,410**	**7,338**	**5,211**

4. Current assets

	Half year ended June 30		Year ended December 31	
	1H17	1H16	2016	2015
	In thousands of GEL			
Cash and cash equivalents	12,500	12,384	10,355	4,654
Financial instruments at fair value through profit or loss held by the Company	1,760	403	7,657	4,238

To maintain liquidity requirements elaborated within the Company based on the past experience, solid amount of cash should be present in the branches and service centres. As Crystal plans to develop its own cash collection service, which will bring flexibility of delivering cash at the certain branch or service centre when needed, amount of cash available at the cash desk will decrease. So the Company will be able to reinvest its excess cash.

Financial instruments at fair value through profit or loss held by the Company is difference between raised funds in foreign currency and by the means of back to back transactions received local currency funding. As GEL continuous to depreciate amount of financial instruments at fair value through profit or loss held by the Company is positive (reflected on assets side, while it is a liability if local currency appreciates) and increases compared to the previous period.

5. Long-term assets

	Half year ended June 30		Year ended December 31	
	1H17	1H16	2016	2015
	In thousands of GEL			
Loans to customers:	**162,485**	**125,276**	**145,510**	**105,334**
Principal	157,807	121,887	142,490	103,243
Interest accrued	4,678	3,389	3,020	2,091
Property and equipment	4,885	4,283	4,562	3,538

Loan portfolio increases due to the fact that the Company has implemented its expansion strategy. Increase is apparent in 2016 compared to the previous year and on half year figures as well (for more information on loan portfolio please see section *"Key Performance Indicators").*

6. Long-term liabilities

	Half year ended June 30		Year ended December 31	
	1H17	1H16	2016	2015
	In thousands of GEL			
Loans and Borrowings	**141,980**	**113,133**	**132,142**	**97,966**
Principal	139,275	111,017	129,787	96,289
Interest accrued	2,705	2,116	2,355	1,677

Borrowing increased at the same pace as the loan portfolio increased.

	Year ended December 31 In thousands of GEL, except percentages						
	Currency	Maturity	Interest rate	2016	Share in total	2016	Share in total
Unsecured loans from financial institutions	USD	2017-2019	7%-8.26%	100,780	76%	83,083	85%
Unsecured loans from financial institutions	GEL	2017-2019	9%-14%	28,451	22%	12,039	12%
Unsecured loans from financial institutions	EUR	2017	6.5%-8%	2,911	2%	2,581	3%
Unsecured loan from Ministry of Finance	GEL	2019	2%+inflation	-	-	243	0%
Unsecured loan from Ministry of Finance	USD	2019	2%+6m LIBOR	-	-	20	0%
Total interest bearing liabilities				**132,142**	**100.00%**	**97,966**	**100.00%**

	Half year ended June 30 In thousands of GEL, except percentages				
	Currency	Maturity	Interest rate	2017	Share in total
Unsecured loans from financial institutions	GEL	2017	10%	10,043	7%
Unsecured loans from financial institutions	USD	2017	7.5%-8.5%	19,661	14%
Unsecured loans from financial institutions	EUR	2017	6.5%-7%	1,381	1%
Unsecured loans from financial institutions	GEL	2018	12.5%-14.5%	12,269	9%
Unsecured loans from financial institutions	USD	2018	7%-8%	32,091	23%
Unsecured loans from financial institutions	EUR	2018	7%	1,332	1%
Unsecured loans from financial institutions	GEL	2019	11%	4,606	3%
Unsecured loans from financial institutions	USD	2019	7%-8.43%	21,748	15%
Unsecured loans from financial institutions	GEL	2020	13.63%	12,536	9%
Unsecured loans from financial institutions	USD	2020	6.2%-7.25%	14,447	10%
Unsecured loans from financial institutions	GEL	2024	11.62%	11,864	8%
Total interest bearing liabilities				**141,980**	**100.00%**

The Company almost doubled the portion of funds raised in local currency in 2016 compared to 2015.

7. Main covenants of the lenders

Covenant	Limits
Debt to Equity/Leverage	*<=5*
Capital Adequacy	*>=17%*
Risk Coverage/Provisioning	*>75%*
Portfolio Quality/PAR	*<6%*
Liquidity Ratio	*>=10%*

In the above table are presented main and most strict covenants for Crystal imposed by the lenders.

8. Shareholders' equity

	Half year ended June 30		Year ended December 31	
	1H17	**1H16**	**2016**	**2015**
	In thousands of GEL			
Share capital	3,024	2,979	3,024	2,208
Share premium	12,492	11,949	12,130	2,631
Share based payment reserve	-	-	362	488
Retained earnings	27,486	19,371	23,510	16,545
Total equity	**43,001**	**34,299**	**39,026**	**21,872**

In 2016 the Company issued new shares which were acquired by the Netherlands institutional investor agRIF Coöperatief U.A.

- **Key ratios**

	Half year ended June 30		Year ended December 31	
	1H17	**1H16**	**2016**	**2015**
	In thousands of GEL, except percentages			
Loan portfolio, net	**162,485**	**125,276**	**145,510**	**105,334**
Capital/assets ratio	23.00%	23.20%	22.60%	18.00%
Capital/net loan portfolio	26.50%	27.40%	26.80%	20.80%
Profit before tax margin	34.10%	32.00%	28.70%	28.90%
Return on equity	11.60%	9.90%	18.80%	24.80%
Operating expenses/interest income ratio	56.40%	57.10%	62.10%	64.40%
Net impairment to revenue ratio	3.56%	5.12%	4.95%	3.67%
Non-performing loans as a share of value of loans issued	2.91%	3.15%	3.80%	3.45%
EBITDA	14,491	11,611	20,959	15,288
EBITDA / interest rate (ICR)	1.873	1.730	2.069	1.981
Total liabilities to Equity	3.35	3.32	3.43	4.59
Current ratio	1.8	2.0	1.5	2.4

REGULATORY FRAMEWORK

Legal environment

The Microfinance Sector is regulated by the following laws and legal acts:

Name of the law/regulation	Date	Last change
Organic Law of Georgia on the National Bank of Georgia	09/2009	05/2017
Law of Georgia on Microfinance Organizations	07/2006	03/2017
Order of the President of the National Bank of Georgia on Approval of the Rule of Supervisory Reporting on Microfinance Organizations' AML and Counter Terrorist Financing Risk	05/2016	
Order of the President of the National Bank of Georgia on the Approval of the Rules and Conditions of the Registration of Microfinance Organization	02/2012	10/2016
On approval of the Rules of Determining, Imposing and Enforcing the Amount of Monetary Penalty for Microfinance Organizations, Currency Exchange Bureaus and Money Remittance Units	02/2012	06/2017
On Approval of the Chart of Accounts of the Microfinance Organizations and the Approval of the Instruction of Usage of The Chart of Accounts	02/2007	
On Definition of the Financial Reporting Format for Microfinance Organizations and the Timeframe for its Submission to the National Bank of Georgia	10/2006	01/2008

The Law of Georgia on Microfinance Organizations entered into force in 2006. According to the Law, MFO can be registered by National Bank of Georgia as a limited liability or a joint-stock company with the minimum authorized capital GEL 250,000. MFOs are entitled to issue micro loans to business and private entities with a maximum amount of GEL 50,000. On the other hand, MFOs cannot receive deposits from any kind of source.

MFOs can issue and get loans from private and legal entities, invest in securities, provide an insurance agent function, perform currency exchange and money remittance services and provide other financial services. Microfinance institutions can also issue, sell and make redemption of bonds and bills of exchange. MFOs can hold shares of other business entities, which should not exceed 15% of MFO's authorized capital.

According to the regulation, director of MFO cannot be a person, who do not have sufficient knowledge and/or working experience, previously was convicted for economic crimes or has record of important damage / bankruptcy of bank and other financial institutions under his/her management. Director of MFO cannot be involved in management or hold shares of other banks, microfinance institutions or credit unions.

A person cannot buy 10% or more share of MFO, if he/she was convicted for terrorism financing, legalization of illicit income and other economic crimes. Potential buyer of MFO shares (>10%) should submit application and required documents to National Bank of Georgia. NBG will receive decision about allowing the transaction of shares within 15 working days.

National Bank of Georgia is authorized to register, cancel registration, monitor and give penalties to microfinance organization according to the new order entered into force in 2012. MFO can operate after successful registration in National Bank of Georgia. National Bank of Georgia issues decision about registration within 45 working days regarding registration of microfinance organization. Additionally, 30 days can be given to the applicant for required adjustments. MFOs are obliged to have video surveillance system in headquarters and all branches.

MFOs are obliged to submit financial statements to National Bank of Georgia quarterly according to the predefined format, which was last changed in 2008.

In 2016, special order regarding AML and Counter Terrorist Financing Risk entered into force, which requires all MFOs to submit their semi-annual report of AML and Counter Terrorist Financing Risk from January 2017. The report should summarize information about clients' citizenship, deals, high risk loans and clients, MFO ownership, branches/ affiliates abroad and etc.

If microfinance organization fails to submit above-mentioned reports or cannot meet other regulations, National Bank of Georgia can issue fine or cancel MFO's registration.

Starting from January 2017, all credit institutions are required to have an annual maximum effective interest rate no more than 100% and no more than annual 150% of loan for financial costs. National Bank of Georgia monitors MFOs if they meet this requirement.

The amendment of civil code of Georgia approved on January 2017 specifies if legal entity attracts fund from more than 20 individuals, money attracted from each individual should not be less than GEL 100,000.

Another regulation entered into force on January 2017 was regarding loan "Larization". Any loan given to resident individual up to GEL 100,000 should be issued in a local currency.

Recent regulatory changes

Description	Date
AML and Counter Terrorist Financing Risk reporting to be prepared and submitted to NBG semi-annually from 2017	2016
Effective interest rate ceiling to 100% for loans and no more than annual 150% rate of loan for penalties	2017
IF legal entity attracts money from over 20 individuals, amount of finances attracted from each should be more than GEL 100,000	2017
All loans amounted up to GEL 100,000 should be issued in GEL only	2017

Expected Legal Changes

Government of Georgia initiated a draft law created by National Bank of Georgia, which implies an authorized capital of MFOs to be at least GEL 1,000,000, which is fourfold increase compared to current regulation. This minimum amount of authorized capital should be fulfilled until January 1st 2019, if the draft law will be approved by the parliament. It is expected that all major players can easily meet this requirement.

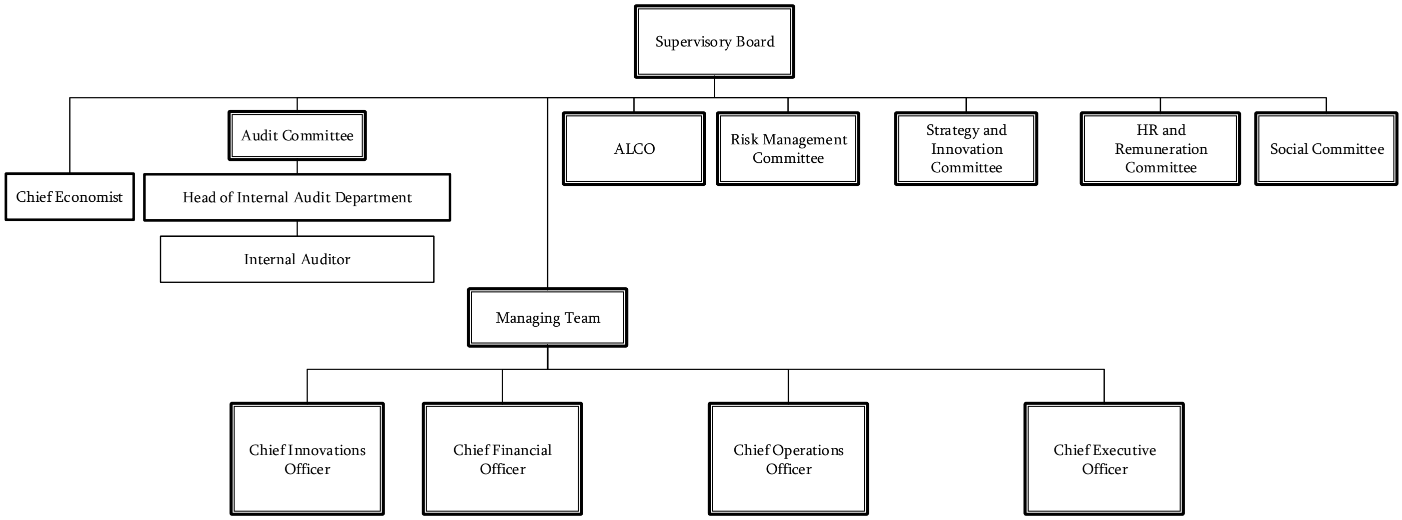
The draft law also covers transparency issues and all MFOs will be obliged to publish their audited annual financial statements on their web-pages no later than 15 May of next year. Financial statements should be prepared according to IFRS.

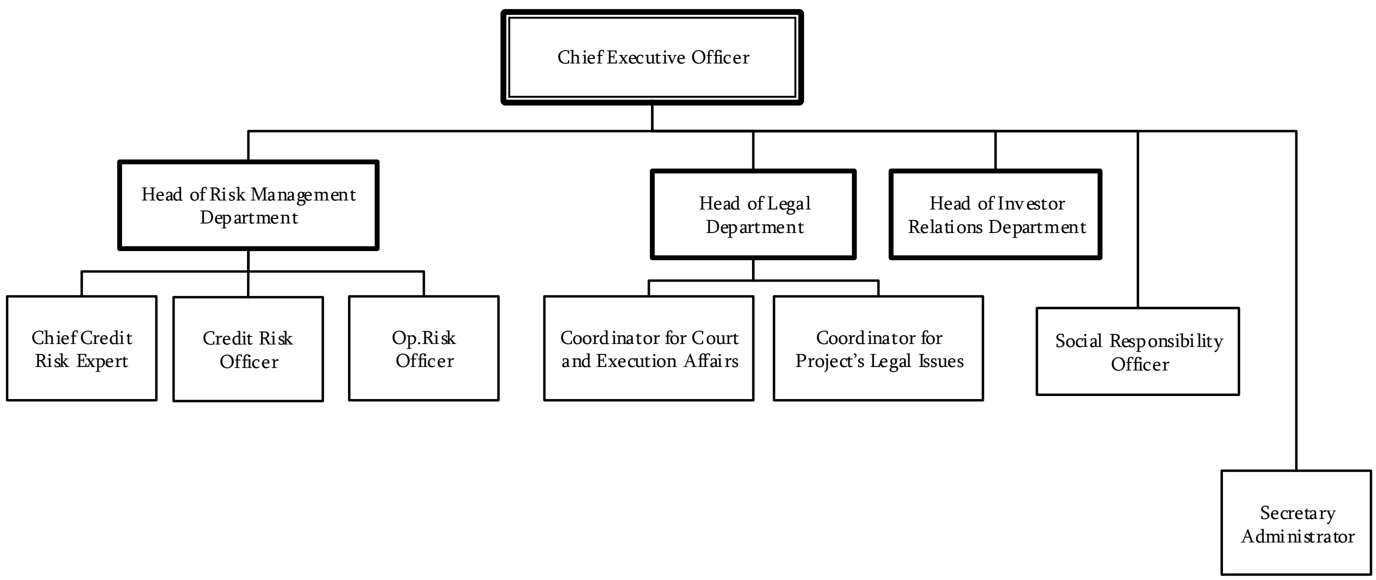
Starting from January 1st 2018, government also intends to prohibit an issuance of loan in foreign currency, if the loan amounts up to GEL 200,000.

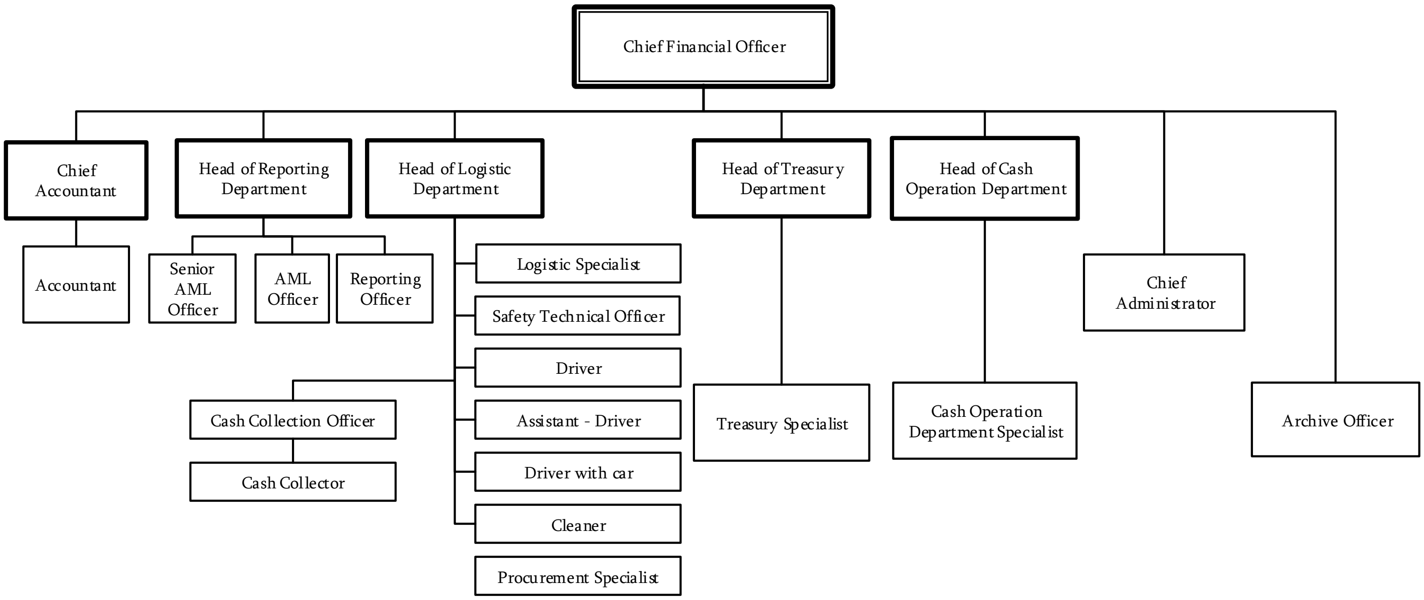
According to Georgian Microfinance Association, National Bank of Georgia also plans to set a requirement regarding minimum amount of cash reserves for MFOs, but this change is not yet initiated officially.

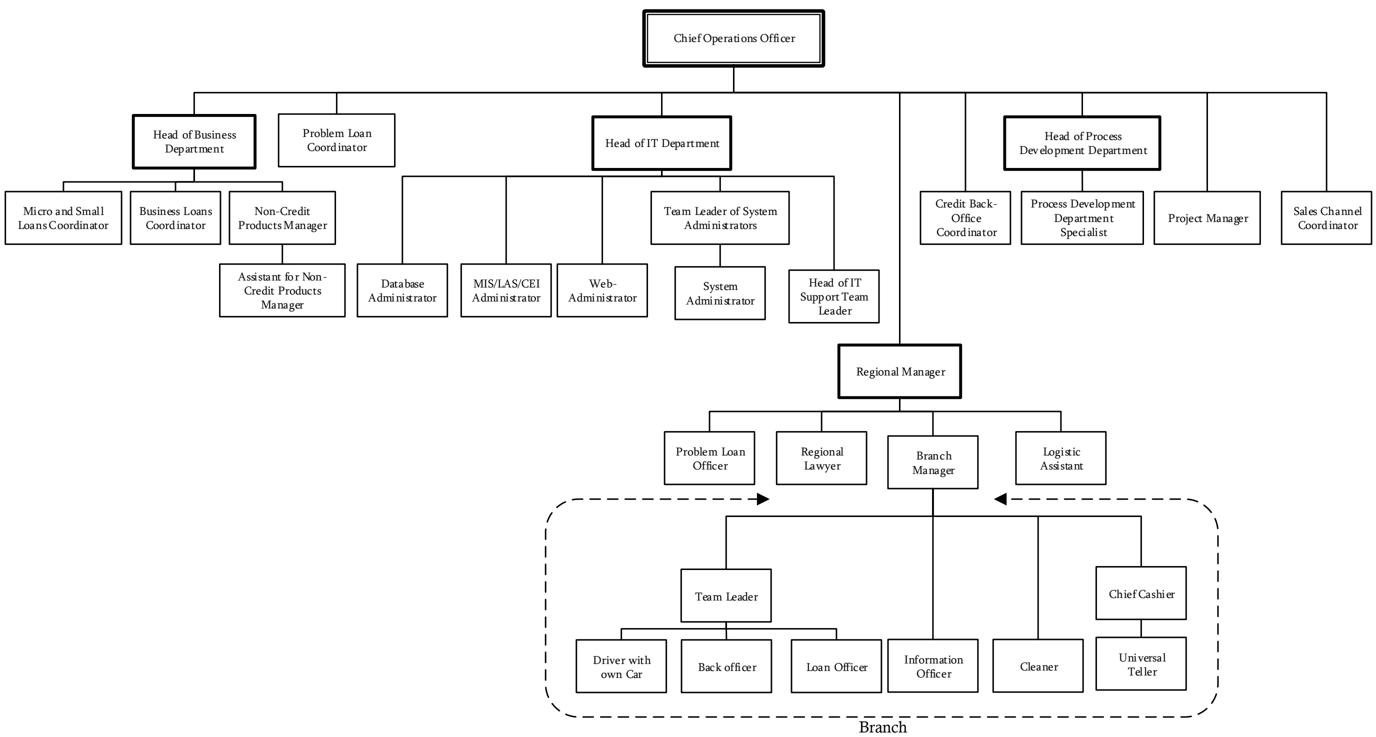
Additionally, National Bank of Georgia intends to improve MFOs regulation regarding consumer protection.

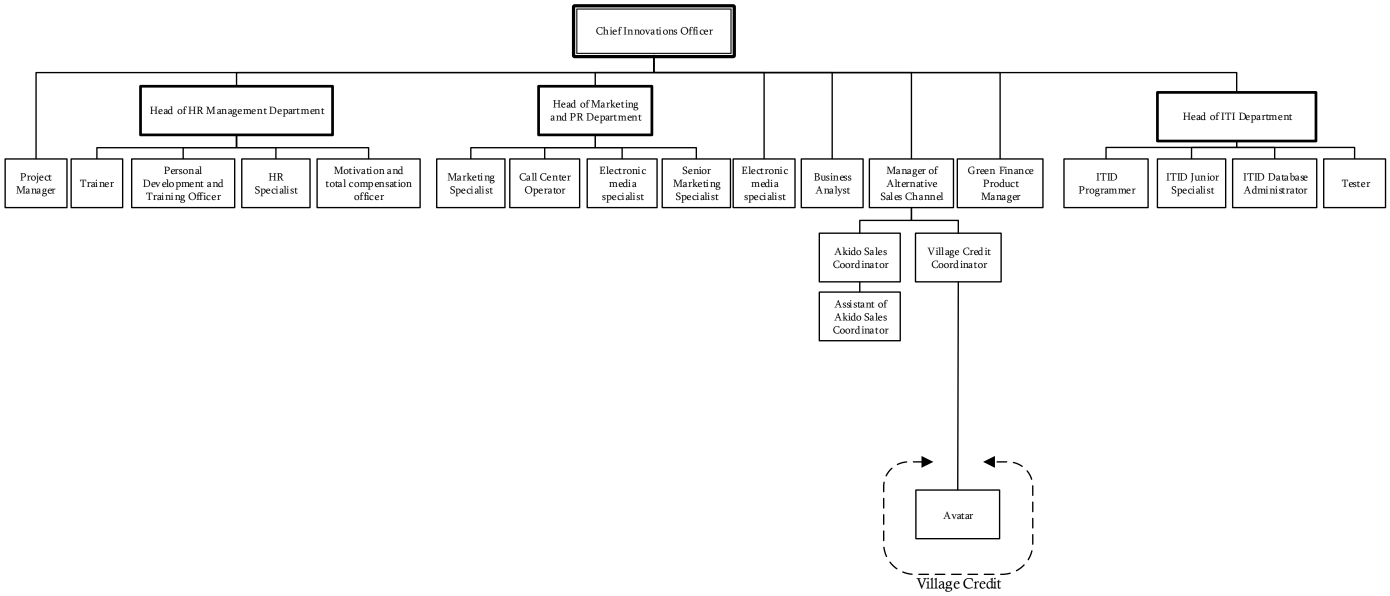
MANAGEMENT AND EMPLOYEES






Chief Financial Officer
Chief Accountant
Accountant
Head of Reporting Department
Senior AML Officer
AML Officer
Reporting Officer
Head of Logistic Department
Logistic Specialist
Safety Technical Officer
Driver
Assistant - Driver
Driver with car
Cleaner
Procurement Specialist
Cash Collection Officer
Cash Collector
Head of Treasury Department
Treasury Specialist
Head of Cash Operation Department
Cash Operation Department Specialist
Chief Administrator
Archive Officer


Chief Operations Officer
Head of Business Department
Micro and Small Loans Coordinator
Business Loans Coordinator
Non-Credit Products Manager
Assistant for Non-Credit Products Manager
Problem Loan Coordinator
Head of IT Department
Database Administrator
MIS/LAS/CEI Administrator
Web-Administrator
Team Leader of System Administrators
System Administrator
Head of IT Support Team Leader
Credit Back-Office Coordinator
Head of Process Development Department
Process Development Department Specialist
Project Manager
Sales Channel Coordinator
Regional Manager
Problem Loan Officer
Regional Lawyer
Branch Manager
Logistic Assistant
Team Leader
Chief Cashier
Driver with own Car
Back officer
Loan Officer
Information Officer
Cleaner
Universal Teller
Branch


Chief Innovations Officer
Head of HR Management Department
Head of Marketing and PR Department
Head of ITI Department
Project Manager
Trainer
Personal Development and Training Officer
HR Specialist
Motivation and total compensation officer
Marketing Specialist
Call Center Operator
Electronic media specialist
Senior Marketing Specialist
Electronic media specialist
Business Analyst
Manager of Alternative Sales Channel
Green Finance Product Manager
ITID Programmer
ITID Junior Specialist
ITID Database Administrator
Tester
Akido Sales Coordinator
Village Credit Coordinator
Assistant of Akido Sales Coordinator
Avatar
Village Credit

MANAGEMENT AND EMPLOYEES

Shareholder's Resolutions

The shareholders of the Company are the persons that duly hold shares of the Company and are registered in the share registry of the Company. The shareholders of the Company may be legal entities registered in Georgia and/or abroad as well as the citizens of Georgia and/or any other country.

The shareholders shall have the following rights:

1. Dispose their own shares in the manner provided by the effective laws, Crystal's charter and the shareholders' agreement, if any. Unless otherwise provided by the shareholders' agreement, if any, in the event of transfer of ownership title to its shares by a shareholder, the other shareholders shall have right of first refusal to purchase such shares in proportion to their respective shareholding in the total number of the Company shares. A shareholder shall give the other shareholders a notice of its intention to transfer ownership title to its shares by sending the relevant notice to them. The shareholders wishing to exercise the right of first refusal shall purchase the shares within 20 days from the date of receipt of the notice. If the shareholders do not purchase the shares, after expiry of such term the right of first refusal shall be deemed cancelled;
2. Attend personally or through a representative the general meetings of shareholders and in case of common shares - take part in voting (in either case through physical attendance or by means of direct electronic means) and exercise their voting rights pursuant to this charter and shareholders' agreement, if any;
3. Take part in distribution of profits and receive dividends pro-rata with the number of shares held by them, taking into account provisions of the shareholders' agreement, the rate determined in respect of preferred shares, as calculated in Article 3.4 of Crystal's charter, and further taking into account that profit shall be distributed and dividends shall be issued in respect of common shares only from the profit remaining after distribution of profit in respect of preferred shares at the determined rate;
4. In the event of liquidation of the Company, receive share or equivalent value of the Company properties remaining after settlements have been made with creditors, in proportion with their shares, provided that properties of the liquidated Company which remaining after payment of debts shall be primarily distributed in respect of the preferred shares and in the manner, as provided in Article 3.4 herein;
5. Any shareholder shall have the right to meet with the Company auditors and to discuss with them the issues of business operations and audit;
6. The holders of 5% or more of all shares may request a special inspection of business transactions or of the entire balance sheet if they believe that there have been violations;
7. The holders of 5% or more of all shares may request that a special general meeting of shareholders is convened in accordance with the effective laws;

8. Any shareholder may request clarifications from the Director and the supervisory board concerning each particular item of the agenda of the general meeting of shareholders. Such request, if submitted in writing at least 10 days prior to the date of the general meeting of shareholders, shall either be fulfilled or considered as one of the items of the agenda;
9. Holders of 5% of voting shares shall have right to demand copies of the transaction documents entered into on behalf of the Company and/or information on the to-be-entered transactions;
10. The holders of voting shares may exercise their votes for their own interests except where the decision concerns conclusion of a transaction with them or approval of their report in which cases such shareholder(s) shall be required to abstain from voting.

Shareholders' agreement, if any, may envisage additional rights of the shareholders and/or determine different regulations applicable to shareholders rights.

The shareholders of the Company shall be obligated to observe and comply with the obligations and other conditions envisaged by this charter, shareholders' agreement, if any, and the effective laws.

General Director

Day-to-day management and representation of the Company is vested upon the General Director in accordance with the Company's charter.

The General Director shall lead the Company business diligently and faithfully, observing the provision of the charter, requirements of applicable laws and of a respective employment (service) contract.

General Director (CEO) – Mr. Malkhaz Dzadzua

Mr. Malkhaz Dzadzua joined Crystal in April 2004. Since then up to date Founder Member and General Director (CEO) at JSC MFO Crystal.

Previously worked as a Income Generation Program Coordinator at CHCA (1999-2004) - local NGO.

From 1995 to 1999 held different positions at CHCA: Volunteer-intern (1995-1997); Trainer-Consultant (1997-1998); loan Officer (1998-1999); Branch Manager (1999).

CFO – Mr. David Bendeliani

Mr. David Bendeliani was designated as a Chief Financial Officer in October 2012. From 2011 to 2012 was JSC MFO Crystal Financial Director.

Previously from August 2004 up to 2011 held the position of Financial Manager at Fund Crystal. From April 1997 to July 2004 was working as a Financial Manager at Charity Humanitarian Center 'Abkhazeti".

COO – Mr. Kakha Gabeskiria

COO – Mr. Kakha Gabeskiria joined Crystal in 2009. Since then is Chief Operation Officer of the Company.

Previously, from 2001 to 2009 worked on different middle and top managerial positions at JSC ProCredit Bank Georgia, Poti and Zugdili Branches.

From 2000 to 2001 was Loan Officer at Charity Humanitarian Centre of "Abkhazia".

Chief Innovative Officer (CINO)– Mr. Manuchar Chitaishvili

Mr. Manuchar Chitaishvili joined Crystal in 2006 as a Risk Manager and was designated as a CINO in 2014.

Previously in 2005 was a Head of Department at Kutaisi self-governed department. Starting from 2001 worked on different positions in private and public sector.

Members and the chairman of the Supervisory Board

Chairman of the Supervisory Board of the Company is Archil Bakuradze

Archil Bakuradze has been involved in Crystal's management and governance since founding it in 1998. He is a Founder of JSC "Mobile Finance Eurasia", mobile finance company. As part of his commitment to civil society, Archil holds non-executive positions in the Business and Economic Centre in the Parliament of Georgia, Charity Humanitarian Center "Abkhazeti" and Queen Ketevan Foundation. For his contribution to the Internally Displaced People, in 2003 he received the international award from the Dutch Refugee Foundation (Stichting Vluchteling). Archil Bakuradze holds a BA in Economics from the Georgian Institute of Sub-tropic Agriculture and MBA degree from the Lancaster University. He is UK FCO Chevening scholar and a fellow of the John Smith Memorial Trust.

Keith Young MBE is the Member of the Board of Crystal Fund. He has extensive experience in the internet, communications and publishing sectors. He is a co-founder and deputy chairman of NetBenefit plc, a quoted internet domain name and services provider. He was also a founder shareholder in Easynet plc, a leading UK-based internet service provider. Mr. Young holds a degree in Economics from the London School of Economics. He has been a longstanding supporter and investor in Georgia's financial and technology sector companies.

Nikoloz Loladze He is a social entrepreneur and development consultant with more than 10 years of experience in economic development work. Mr. Loladze is a founder and board member of a number of prominent business and not-for-profit organizations in Georgia. In his capacity as a governance expert, Mr. Loladze is an advisor and board member of a number of business and not-for-profit organizations, including Georgian Stock Exchange, JSC Brokerage Company Caucasus Capital Group, JSC Mobile

Finance Eurasia, UK-Georgia Professional Network, Anchor Consulting LLC, etc. In recent years he has been actively involved in civil society and government capacity-building initiatives focused on better - more transparent and accountable - Public Financial Management in Georgia. Mr. Loladze also frequently works as a business development consultant (corporate governance, business planning, financial modeling, market research) to various commercial enterprises in Georgia. Mr. Loladze holds postgraduate qualifications in Management (Warwick, UK), and Physics (Tbilisi, Georgia), as well as certificates in Project Management, Policy Analysis, and Public Administration.

Aleem Remtula has been on the Board of Crystal since DWM's equity investment in 2011 and leads the Company's Strategy Committee . Mr. Remtula started his career in Investment Banking at JPMorgan and has over a decade of impact investing experience with socially responsible, double and triple bottom line venture capital and private equity funds in the U.S. and Europe. Mr. Remtula is a Director on DWM's private equity team covering Central and South Asia and the Caucasus. Mr. Remtula received Master's Degree in Business Administration from Harvard Business School and BA in Economics and Finance from Princeton University.

Jan Dewijngaert is a member of Supervisory Board of Crystal since [date].

Since 2015 Mr. Dewijngaert is a Director at Private Equity Fund Incofin IM.

Previously he was a Partner at Gimv (2012-2015); Managing Director at Eagle Venture Partners (2001-2015); Analyst, Investment Manager, Senior Investment Manager, Executive Senior Investment Manager and Director at Gimv (1989-2011); Advisor at KBC Bank (1983-1989).

Mr. Dewijngaert graduated as a Civil Engineer in Construction (1977-1982) and in Industrial Policy (1983) at the Catholic University of Leuven (Belgium), Corporate Financial Strategy at Insead, France in 1995.

Clare Titcomb is a member of Supervisory Board of Crystal and chair of the company's Risk Committee since 2012. Ms. Titcom is an English solicitor and currently works as a senior associate lawyer for DLA Piper in Ukraine. Previously Ms. Titcom worked for DLA Piper in Georgia where she advised on some of the leading private equity, project finance and capital markets deals in the region, including Georgia's debut sovereign bond issue and first corporate IPO on an international stock exchange. Before joining DLA Piper, Clare spent 4 years with CMS Cameron McKenna LLP, working both in the London office and with its corporate and banking departments in Central and Eastern Europe, including a 6 month client secondment to the corporate banking division of Lloyds TSB in the City of London.

Management Incentive Plan, share based payments

In 2014, Shareholders approved the framework for Management Incentive Plan (MIP). The purpose of the MIP mechanism is to increase motivation and incentivize the Company's management executive team in order to deliver the equity growth strategy, foster and safeguard the interest of the Company, its shareholders and a wider group of stakeholders.

The remuneration package of the MIP is approved on the annual basis by the Supervisory Board and formed by fulfillment of: a) Company-wide targets-60% of MIP, b) Individual targets – 30% of MIP and c) Discretionary – 10% MIP. The remuneration package of the MIP includes performance-based incentive pool divided into the cash payments (50% of the incentive pool) and equity settled share-based payment (50% of the incentive pool).

Main conditions determined in the MIP is to meet the Company's wide targets for the ratios such as the Gross Loan Portfolio, Non-Performing Loans and return on assets (ROA).

A similar incentive plan was used in 2015 and it is shown in the audit report of that year. The share based payments for 2014 were approved and made by the end of 2015. However, the amount calculated under management's incentive plan in 2014 (hereinafter referred to as "MIP") was considered immaterial, so its adjustment did not occur in the 2014 audit report and is reflected in the 2015 financial statements.

In 2016, management of the company requested to clearly show MIP amount and for this purpose the breakdown of 2014 and 2015 amounts was necessary. That is why the table below shows both the 2016 and its comparative 2015 data, as well as the data of 2014.

According to the rules of MIP, the amount of incentive per year is determined by 60% of group results and 40% based on individual results (management's individual results, evaluation, etc.). Therefore, the audited financial statements of 2015 included only the amount calculated based on group results (41,480 shares; 13,902 shares for 2014 and 27,578 shares for 2015), and the final decision about individual results was made in 2016 and is reflected in the 2016 audited report as 17,446 shares for 2015. This is the same approach every year.

The timeline of the MIP's is summarized in the table below:

MIP year	Status	Basis of transaction	Supervisory board authorization date	Number of ordinary shares
2014	Shares issued and registered	Based on fulfillment of Company wide targets	December 4, 2015	13,902
2015	Shares issued and registered	Based on fulfillment of Company wide targets	May 20, 2016	27,578

		Based on fulfillment individual and discretionary targets	May 20, 2016	17,446
2016	Shares to be settled	Based on fulfillment of Company wide targets	N/A	22,322

- **Litigation Statement**

As of the date of this Prospectus, no senior manager of the Company, for at least the previous five years, has:

- any convictions in relation to fraudulent offences;
- held an executive function as a senior manager or a member of the administrative management or supervisory bodies of any company at the time of or preceding bankruptcy, receivership or liquidation;
- been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of a company.

SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

1. Transactions with members of the Supervisory and Executive Boards

Total remuneration and consulting fees included in personnel expenses for the years ended 31 December 2016 and 2015 is as follows:

	Year ended December 31	
	2016	**2015**
	In thousands of GEL	
Salaries and bonuses	442	529
Share based payment transaction	719	488
Profit sharing plan	233	332
Consulting fees	327	291
Total	**11,779**	**8,444**

2. Other related party transactions

	Transaction value for the year ended 31 December		Outstanding balance as at 31 December	
	2016	**2015**	**2016**	**2015**
	In thousands of GEL			
JSC Mobile Finance Services - Georgia	84	-	84	-

JSC Mobile Finance Services – Georgia is owned by three members of Supervisory Board of the Company

Currently the Company is not engaged in any material legal disputes, other than discussed in the section of “shareholding structure”, which does not imply any kind of financial or operational risk. Other than that the judicial disputes that might arise from time to time related to operational issues are not significant in financial terms.

TERMS AND CONDITIONS OF THE BONDS

The issue of GEL 10,000,000 bonds with coupon rate of 450 basis points premium over the NBG Monetary Policy (refinancing) Rate. Bonds were authorised by a resolution of the Supervisory Board of the Company passed on 20 November 2017. The Bonds and the Bondholders' rights are governed by the Prospectus, including without limitation these Terms and Conditions and by the Agreement on Terms and Conditions of the Bonds between the Issuer and Nodia, Urumashvili and Partners LLC, as the Bondholders' Representative dated 26 December, 2017 (the "Agreement"). In addition to the specific terms and conditions outlined in other sections of the Prospectus (including without limitation "Overview of the Offering") these Terms and Conditions include certain additional representations, covenants and other conditions which are also outlined in the Agreement. Copies of the Agreement are available for inspection during usual business hours at the principal office of the Bondholders' Representative: at Nodia, Urumashvili and Partners LLC, Office No. 28, 4th Floor, 71 Vaja-Pshavela Ave., Tbilisi 0186, Georgia and at the offices of the Issuer: 33 M.Kostava 1st Lane, Tbilisi 0179, Georgia. In addition to the Prospectus, including these Terms and Conditions, the Bondholders (as defined below), and in certain cases (envisaged by the Prospectus, including these Terms and Conditions), the Nominal Holder of the Bonds, are entitled to the benefit of, are bound by, and are deemed to be subject to the relevant terms of the provisions of the Agreement and such terms apply to them. In Particular, by acquiring the Bond(s) a Bondholder consents and agrees that it is entitled to the benefit of the covenants set forth in Condition 5 of these Terms and Conditions and in Clause 6 of the Agreement (the "**Covenants**") and it will enjoy the rights and obligations deriving from performance, partial performance and/or non-performance of such Covenants only on the condition that it authorizes the Bondholders' Representative to act on its behalf in respect of such Covenants pursuant to Condition 4(a) of these Terms and Conditions. Accordingly, neither a Bondholder nor a Nominal Holder has the right to act directly against the Issuer for breach of any of these Covenants and only the Bondholders' Representative may take action against the Issuer in respect of breach of such Covenants, except as provided in Condition 12 of these Terms and Conditions.

1. FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued as dematerialized book-entry bonds, in registered form, in denomination of GEL100,000 each.

Title to the Bonds shall be evidenced by registration of ownership rights in (i) the register of securities (the "**Register**") that the Issuer shall procure to be kept by the registrar indicated in "Overview of the Offering" (the "**Registrar**") in accordance with the provisions of the agreement between the Issuer, on the one hand, and the Registrar, on the other hand; and/or (ii) such other registries/records as shall be maintained by any Nominal Holder of the Bonds. The Register and such other registries/records as referred to in the foregoing clause (ii) are hereinafter a "**Registry**."

2. OFFERING AND PLACEMENT OF BONDS, CHANGES TO THE OFFERING AND DISPOSAL OF BONDS

(a) Bond Offering Process

The Placement Agents cares out the offering of the Bonds on behalf of the Issuer and on the basis of the agreement concluded with the Issuer. Before commencement of the public offering, in order to procure interest in the Bonds, the Placement Agents and/or their authorized intermediary/intermediaries are entitled to send the approved Prospectus to potential investors.

Following approval of the Prospectus by the National Bank of Georgia, the Issuer carries out the public offering of the Bonds in accordance with Georgian law. The Issuer will publish a notice on offering of Bonds on its web-site. The Issuer, the Placement Agents and/or a financial intermediary(ies) involved in the placement process will provide to potential investors, in accordance with their preference, electronic link to the Prospectus, its scanned or printed version. The final Prospectus will be provided to potential investors (including by way of uploading it to the Issuer's website) before or right after commencement of the sale of publicly offered Bonds or in the process of such sale.

Potential investors may express interest of purchasing Bonds by submitting an application/notice to any of the Placement Agents. It is possible to express such interest via electronic means of communication or any other means accepted by the Placement Agents. The deadline for accepting the application(s) for the Bonds is determined unilaterally by the Placement Agents. If such deadline is not a Business Day, the preceding Business Day will be deemed as the final day for accepting the application(s).

Final interest (coupon) rate to be accrued on the Bonds is fixed in the process of offering of the Bonds to potential investors (book-building). Such final interest rate falls within the range of interest rate included in the approved preliminary Prospectus and is reflected in the final Prospectus. Fixing the final interest (coupon) rate within the range of interest rate described in the preliminary Prospectus is not considered a material (significant) change and only requires being reflected in the final Prospectus.

If in the process of book-building the potential investors express interest for purchase of more Bonds than are being offered based on this Prospectus, such demand will be satisfied partially, in proportion to the numbers indicated in the relevant applications from the investors or otherwise, as determined by the Issuer at its discretion. Furthermore, if the application of a potential investor has been only partially satisfied, such potential investor is entitled to refuse or continue to participate in the process of purchasing the Bonds. The Placement Agents must be notified of such decision immediately (no later than 2 pm Tbilisi time of the Business Day following the day when the investor was informed of correction of its application (with respect to the number of the Bonds). Failure to notify the Placement Agents of such decision entitles the Placement Agents, at their discretion, to continue to consider the initial application of the investor (with respect to full number of Bonds requested), or refuse the application.

Following completion of the book-building process, the Placement Agents will make an announcement on determination of the final size of the Offer and will notify those investors (individually or as a group) whose applications (including those with corrected numbers) have been satisfied. Such notification must contain the number of the Bonds in relation to which the purchase orders of potential investors have been satisfied. Upon announcement of final size of the Offer, the applications of the potential investors that have been satisfied will be irrevocable and binding upon such investors ("**Subscribing Investors**").

Following placement of Bonds, the Bondholders are entitled to hold the Bonds in the form of entry on account(s) open with other Nominal Holders or Registrar.

The Issuer will not issue the Bonds pursuant to the Offer described in this Prospectus, or to the extent issued, will revoke any Bonds and return the payments made by the Bondholder(s) for the purchase of the Bond(s), if the Minimum Placement Amount is not subscribed for and placed by the Bond Issuance and Placement Date.

If the total Number of the Bonds issued pursuant to the final Prospectus is not placed by the Offering Completion Date, the Bonds that remain unplaced shall be deemed cancelled and the Issuer shall submit to the National Bank of Georgia information on the number of the issued and placed Bonds and make the announcement to the public pursuant to the requirements of Georgian law.

(b) Changes during Public Offering

If the Issuer decides to change material information about the Bonds, such as the number of securities to be issued pursuant to the final Prospectus, Minimum Placement Amount, price, period of offering, etc., during public offering (period between the commencement of offering until the Offering Completion Date) the Issuer shall take the following steps:

(i) submit to the National Bank of Georgia an amendment to the Prospectus explaining all changes made to the Prospectus;

(ii) publish an announcement on the Issuer's web-site or other means determined by applicable Georgian law, indicating all such changes made or proposed; announce cancellation of the offering in the existing form and make an offer on cancellation of all agreements on the sale of the Bonds up to that date;

(iii) set time limit of no less than 10 calendar days for investors to respond whether they agree to cancellation of the offering in the existing form. After this period has passed, the Issuer is entitled to carry out amended public offering.

If the information in relation to any material event is changed in the Prospectus, the investors who have purchased the Bonds are entitled to revoke the purchase and request redemption of the Bonds at their principal amount together with any accrued interest. In such event the Issuer shall redeem such Bonds within 10 days of revocation by the investors. The Investors (Bondholders) who have not revoked the purchase of the Bonds will be subject to new terms of offering.

If non-material information is changed during public offering, the Issuer must submit to the National Bank of Georgia the document reflecting such new information (change) before incorporating such change in the Prospectus in accordance with the procedure established by the National Bank.

(c) Disposal of the Bonds

The Bonds may be disposed of in accordance with Georgian legislation (including Securities Law) within the jurisdiction of Georgia. Disposal of and transfer of title to the Bonds shall be valid only if the title change is registered in the relevant Registry. After placement of the Bonds, the Issuer will have the right to submit an application to the Georgian Stock Exchange for the Bonds to be admitted to listing on the GSE's official list and to trading on the GSE. In case of such admission, the Bonds may be traded on the GSE pursuant to the GSE rules and applicable securities laws for securities admitted for trading on the GSE.

3. STATUS

The Bonds constitute unsecured obligations of the Issuer and shall at all times rank pari passu and without any preference among themselves. At all times the claims against the Issuer under the Bonds and the Agreement shall rank at least pari passu in right of payment with the claims of all other unsubordinated creditors of the Issuer (subject to Condition 5(a) below), save for those claims that are preferred by mandatory provisions of applicable law.

4. APPOINTMENT OF BONDHOLDERS' REPRESENTATIVE

(a) By purchasing the Bonds (whether as an initial Bondholder, or as an acquirer (transferee) from an initial Bondholder), each Bondholder and/or Nominal Holder appoints the Bondholders' Representative to act as its agent in all matters relating to the Bonds and in particular those regulated by Condition 5 below and Article 6 of the Agreement, and authorises the Bondholders' Representative to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions, the Agreement and/or applicable laws) in any legal proceedings relating to the Bonds held by such Bondholder and/or such Nominal Holder.

(b) Each Bondholder and/or Nominal Holder shall immediately upon request provide the Bondholders' Representative with any such documents, including a written power of attorney (in form and substance satisfactory to the Bondholders' Representative), that the Bondholders' Representative deems necessary for the purpose of exercising its rights and/or carrying out its duties under, and protecting the Bondholders' interest pursuant to these Terms and Conditions and the Agreement. The Bondholders' Representative is under no obligation to represent a Bondholder which does not, or whose Nominal Holder does not, comply with such request.

(c) A Bondholder (or a Nominal Holder on behalf of a Bondholder) may act directly against the Issuer for breach of its obligation to pay the principal amount of the Bond under

Condition 7(a) and Clause 2.2 of the Agreement, and/or breach of its obligation to make any interest payment when due under Condition 6 and Clause 2.2 of the Agreement, or as provided in Condition 12.

5. COVENANTS

(a) **Negative Pledge:** So long as any Bond remains outstanding, the Issuer shall not, and shall not permit any of its Material Subsidiaries to, directly or indirectly, create, incur or suffer to exist any Security Interests (or other legal limitation), other than Permitted Security Interests, on or over any of its or their assets, now owned or hereafter acquired, securing any Indebtedness, unless, at the same time or prior thereto, the Issuer's obligations under the Bonds and the Agreement are secured equally and rateably with such other Indebtedness or have the benefit of such security or other arrangements, as the case may be, as are satisfactory to the Bondholders' Representative, or are approved by an Extraordinary Resolution of the Bondholders.

(b) Continuance of Business, Maintenance of Authorisations and Legal Validity:

(i) The Issuer shall, and shall procure that each of its Material Subsidiaries shall, take all necessary action to obtain and do or cause to be done all things necessary to ensure the continuance of its corporate existence (except as otherwise permitted by Condition 5(c) (Mergers)), and its business and the use of all material intellectual property relating to its business as well as all consents, licences, approvals and authorisations necessary in that regard.

(ii) The Issuer shall do all that is necessary to maintain in full force and effect all authorisations, approvals, licences and consents and take or cause to be taken all measures required by the laws and regulations of Georgia to enable it lawfully to perform its obligations under the Bonds and the Agreement and ensure the legality, validity, enforceability or admissibility in evidence in Georgia of the Bonds and the Agreement.

(c) **Mergers:** The Issuer shall not, without the prior written consent of the Bondholders' Representative, (x) enter into any reorganisation (whether by way of a merger, division, or transformation to another legal form) or undergo any other type of corporate reconstruction or (y) in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge, or sell, convey, transfer, lease or otherwise dispose of, all or substantially all of the Issuer's properties or assets (determined on a consolidated basis), unless, in any case:

(i) immediately after the transaction referred to in (x) or (y) above:

(A) the resulting or surviving person or the transferee (the "**Successor Entity**") shall be the Issuer or, if not the Issuer, the Successor Entity shall expressly assume in form and substance satisfactory to the Bondholders' Representative, executed and delivered to the Bondholders' Representative, all the rights and obligations of the Issuer under the Bonds and the Agreement; and

(B) the Successor Entity (if not the Issuer) shall retain or succeed to all of the rights and obligations of the Issuer under all of its material governmental permits, licences, consents and authorisations and shall be in compliance with all material regulatory requirements in each of the jurisdictions in which it operates;

(ii) no Event of Default or Potential Event of Default shall have occurred and be continuing or result therefrom.

(iii) the relevant transaction referred to in (x) or (y) above does not result in a material adverse effect.

(d) **Disposals:** Except as otherwise permitted by these Conditions and without prejudice to the provisions of Condition 5(c) (*Mergers*) and Condition 5(e) (*Transactions with Affiliates*), the Issuer shall not, and shall ensure that none of its Material Subsidiaries will, sell, convey, transfer, lease or otherwise dispose of, to a Person other than the Issuer or a Subsidiary of the Issuer, as the case may be, by one or more transactions or series of transactions (whether related or not), the whole or any part of its revenues or assets, unless (i) each such transaction is on arm's-length terms for Fair Market Value; and (ii) with respect to any such transaction providing for a disposal of assets constituting more than 25% per cent of the total consolidated assets of the Issuer determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period, the Issuer shall, prior to the disposal, provide the Bondholders' Representative with a written opinion from an Independent Appraiser to the effect that the transaction is at Fair Market Value.

This Condition 5(d) shall not apply to (i) any transaction between the Issuer and any of its wholly-owned Subsidiaries, (ii) any sale, lease, transfer or other disposal of any assets or property (including cash and securities) constituting a Permitted Security Interest; (iii) the leasing, sale and disposal of assets from its inventory in the ordinary course of conducting its business and operations, or (iv) any present or future assets or revenues or any part thereof that are the subject of any securitisation or any receivables, asset-backed financing or similar financing structure and whereby all payment obligations are to be discharged solely from such assets or revenues, provided that the value of such assets or revenues, which are the subject of the relevant financing structure when aggregated with the value of all assets or revenues subject to a Security Interest permitted under paragraph (g) of the definition of "Permitted Security Interests", does not, at any time, exceed 25% per cent of the Issuer's assets, determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period.

(e) Transactions with Affiliates:

(i) The Issuer shall not, and shall ensure that none of its Material Subsidiaries will, directly or indirectly, conduct any business, enter into or permit to exist any transaction (including the purchase, sale, transfer, assignment, lease, conveyance or exchange of any property or the rendering of any service) with, or for the benefit of, any Affiliate (an "Affiliate Transaction"), including inter-company loans, unless the terms of such Affiliate Transaction are (taking into account the standing of the relevant Affiliate) no less favourable to the Issuer or such Material Subsidiary, as the case may be, than those that could be obtained in a comparable arm's-length transaction for Fair Market Value with a Person that is not an Affiliate of the Issuer or any of its Material Subsidiaries.

(ii) With respect to an Affiliate Transaction or a series of related Affiliate Transactions involving aggregate payments or value in excess of 5%per cent of the total consolidated assets of the Group determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period, the Issuer shall, prior to the relevant Affiliate Transaction, deliver to the Bondholders' Representative a written opinion from an Independent Appraiser to the effect that such Affiliate Transaction (or series of Affiliate Transactions) is at Fair Market Value and is fair from a financial point of view to the Issuer or the relevant Material Subsidiary, as the case may be.

(iii) The following items shall not be deemed to be Affiliate Transactions and therefore shall not be subject to the provisions of (i) and (ii) above:

(A) any employment agreement entered into by a member of the Group in the ordinary course of business and consistent with the past practice of such member of the Group;

(B) transactions between or among the Issuer and its wholly-owned Subsidiaries;

(C) payment of reasonable directors fees to Persons who are not otherwise Affiliates of the Issuer;

(D) any loans or other form of financing from any direct or indirect shareholder(s) of the Issuer made available on the arm’s length basis for the purpose of financing operations; and

(E) any insurance contracts with Affiliates made available on the arm’s length basis for the purpose of insuring the operations/assets/liabilities of the Issuer.

(f) **Payment of Taxes and Other Claims:** The Issuer shall, and shall ensure that its Material Subsidiaries will, pay or cause to be paid, before the same shall become overdue all Tax levied or imposed upon, or upon the income, profits or property of, the Issuer and/or its Material Subsidiaries, provided that for the purposes of this Prospectus neither the Issuer nor any Material Subsidiary shall be required to pay or cause to be paid any such Tax or similar claims (a) the amount, applicability or validity of which is being contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS or other appropriate provision has been made or (b) the amount of which, together with all such other unpaid Tax or similar claims, does not in the aggregate exceed USD 1,000,000 (one million US dollars) (or equivalent).

(g) **Restricted Payments:** The Issuer shall not, and shall procure and ensure that each of its Subsidiaries will not, (a) declare or pay any dividend in cash or otherwise or make any other distribution (whether by way of redemption, acquisition or otherwise) in respect of its share capital, other than dividends or distributions payable to the Issuer or any of its Subsidiaries (and, if a Subsidiary is not a wholly-owned Subsidiary of the Issuer, to the other holders of its share capital on a pro rata basis); or (b) directly or indirectly voluntarily purchase, redeem or otherwise retire for value any shares or share capital of the Issuer or, prior to scheduled maturity or scheduled repayment, subordinated debt (except for the repayment of inter-company debt owed by any Subsidiary of the Issuer to the Issuer or to any other Subsidiary of the Issuer from time to time) (any such action in (a) or (b) being, a "**Restricted Payment**"), if**:**

(i) at the time of such payment an Event of Default or Potential Event of Default has occurred and is continuing or would result therefrom;

(ii) such Restricted Payment, when aggregated with all other Restricted Payments previously made since 31 December 2016, exceeds the sum of:

(a) 100% per cent of the Issuer's consolidated net profit (calculated in accordance with IFRS) aggregated on a cumulative basis during the period beginning on 31 December 2016 and ending on the last day of the immediately preceding fiscal year or semi-annual financial period; and

(b) 100% per cent of the aggregate net cash proceeds received by the Issuer subsequent to 31 December 2016 from the issuance or sale of its share capital and the conversion or exchange subsequent to 31 December 2016 of any Indebtedness of the Issuer into or for share capital of the Issuer.

(h) **Indebtedness:**

(i) The Issuer shall not and shall not permit any of its Material Subsidiaries to create, incur, assume or otherwise become liable in respect of any Indebtedness, if

(A) Event of Default would occur as a result of such incurrence of financial indebtedness; or

(B) the ratio of Net Financial Indebtedness of the Issuer and its Subsidiaries as of the date of such incurrence, after giving effect to such incurrence, to the amount of total equity for the most recent annual financial period exceeds 5 to 1 until the maturity of bonds

(ii) Permitted indebtedness: part (i) above does not apply to following indebtedness:

(A) Inter-company indebtedness: between the Issuer and any Subsidiary and between the Subsidiaries.

(k) Financial Information:

(iii) The Issuer hereby undertakes that it will deliver to the Bondholders' Representative, and also publish on the Issuer's web-site, within 120 days after the end of each of its financial years, copies of the Issuer's audited consolidated financial statements for such financial year, prepared in accordance with IFRS consistently applied for the reporting period and together with the report of the Auditor thereon.

(iv) The Issuer hereby undertakes that it will deliver to the Bondholders' Representative, and also publish on the Issuer's web-site, within 60 days after the end of the second quarter of each of its financial years, copies of the Issuer's unaudited consolidated financial statements for six months, prepared in accordance with IFRS consistently applied for the reporting period.

(v) If the Bondholders' Representative, acting reasonably, has cause to believe that an Event of Default or Potential Event of Default has occurred, then the Bondholders' Representative may request, and the Issuer shall provide to the Bondholders' Representative without delay, information that is directly relevant to the purported Event of Default or Potential Event of Default. Such information regarding an Event of Default or Potential Event of Default may also be requested by a written request of Bondholders (whether directly or through Nominal Holders) owning more than 25% of the outstanding Bonds, and in such event the Issuer shall provide the requested information without delay to the Bondholders' Representative and the Bondholders and Nominal Holders who have submitted the above written request. Such a request in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders and/or Nominal Holders. Such a request may also be adopted as an ordinary resolution at a meeting of bondholders.

(l) **Maintenance of Insurance:** The Issuer shall, and shall procure that its Material Subsidiaries will, keep those of their properties which are of an insurable nature insured with insurers, believed by the Issuer or such Material Subsidiary to be of good standing, against loss or damage to the extent that property of similar character is usually so insured by companies in Georgia similarly situated and owning like properties.

(m) Compliance with Applicable Laws: The Issuer will at all times comply, and shall procure that each of its Material Subsidiaries complies at all times, in all material respects with all provisions of applicable laws, including directives of governmental authorities and regulations.

(n) Change of Business: The Issuer shall procure that no material change is made to the general nature of the business of the Group, taken as a whole, from that carried on at the Issue Date.

6. INTEREST

Unless cancelled or redeemed prior to the Maturity Date pursuant to the terms of this Prospectus, each Bond shall bear the interest payable quarterly in arrears on 28 March, 2018, 28 June, 2018, 28 September, 2018, 28 December, 2018, 28 March, 2019, 28 June, 2019, 28 September, 2019, 28 December, 2019, with the first interest payment to be made on 28 March, 2018. Each date set for payment of interest in this Condition 6 is hereinafter referred to as an "**Interest Payment Date**". Each Bond will bear an interest until the due date for redemption unless payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at the same rate until the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder.

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day–count fraction will be determined on the basis of a 365-day year. The period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

The Bonds shall bear interest at a floating rate to be fixed by the Calculation and Paying Agent for each Interest Period. The rate of interest for each Interest Period shall be calculated by reference to the most recent NBG Monetary Policy (refinancing) Rate on the Interest Determination Date, with the premium in the scope of 450 basis points, as published by the NBG on the following link: https://www.nbg.gov.ge/index.php?m=554&lng=eng on its website or such other link or page as designated by the NBG for the purpose of displaying the relevant rate, or if such service ceases to be available or the relevant rate ceases to be available on such service, the page that displays the relevant rates on another service as specified by the Calculation and Paying Agent.

If it is not possible to determine the rate of interest in accordance with the above paragraph, the rate for the next Interest Period shall be determined by the Calculation and Paying Agent in its sole discretion, acting in good faith and in a commercially reasonable manner.

"**Interest Determination Date**" means for any Interest Period, the day one Business Day before the first day of such Interest Period.

Change of credit rating

The coupon rate payable on the Bonds will not be changing if the Company rating is B (Fitch Ratings) or its equivalent by Moody's or S&P (the "Basic Rating"). However, the coupon rate payable on the Bonds will be subject to increase, from time to time, if any of the Rating Agency downgrades the Company's rating in the manner described below. In particular, downgrading by any of the Rating Agency the Company's rating below the Basic Rating will cause the coupon rate on the Bonds to increase by 25 bps per each notch of ratings downgrade, provided that the adjustment of the coupon rate will be made according to the lowest rating's number of notches difference from the Basic Rating.

If the rating of the Company from Fitch, S&P or Moody's is decreased to a rating set forth in the immediately following table, the coupon rate on the Bonds will increase from the coupon rate payable on the Bonds on the date of their issuance by the percentage set forth opposite to that rating:

Rating	Percentage
B	+0% p.a. (remains un-changed)
B-	+0.25% p.a.
Below B-/no rating	Bonds shall immediately become due and payable at 100 per cent of their principal amount together (if applicable) with accrued interest

For avoidance of any doubt, in case the Company has rating obtained from two or more Rating Agencies listed herein above, the highest rating granted to the Company by either of them shall be taken into account for the purposes of calculating the increase of the coupon rate.

7. REDEMPTION AND PURCHASE

(a) **Final Redemption:** The Issuer may redeem the Bond(s) prior to their maturity for cancellation by offering to the Bondholder(s) payment of the outstanding principal amount together with accrued and unpaid interest to the date of redemption. Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 28 December, 2019. The Bonds may not be redeemed at the option of the Issuer other than as described in the Prospectus (including this Condition).

(b) **Redemption for Taxation:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders and Nominal Holders who are registered at the Register (which notice shall be irrevocable), at their principal amount, (together with interest accrued to the date fixed for redemption), if (i) the Issuer satisfies the Bondholders' Representative immediately prior to the giving of such notice that it has or will become obliged to pay additional amounts of Tax related to the Bonds as a result of any change in, or amendment to, the laws or regulations of Georgia, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it.

(c) **Purchase:** The Issuer and its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Condition 11(a).

8. PAYMENTS

(a) Method of Payment:

(i) The calculation of Principal and interest on each Bond shall be carried out 3 Business Days before (the "Calculation Date") the due date for payment thereof (the "Record Date"). Payments shall be made by bank transfer in Georgian Lari to the bank account for such Bondholders and Nominal Holders as recorded in the Register on the Record Date. The Bondholders and Nominal Holders recorded in the Register shall procure that the Registrar has updated, complete and correct information regarding their respective bank account details where any payments pertaining to the Bonds shall be made. None of the Issuer, the Registrar nor the Calculation and Paying Agent shall be responsible for non-payment of any amount due if the Bondholder or Nominal Holder (as the case may be) has failed to provide its bank account details to the Registrar, or to update its bank account details as of the Record Date, as requested by the Issuer or the Registrar for its receipt of payments.

If NBG refinance rate changes during the period from Interest Determination Date to Interest Payment Date, the Issuer and the Calculation and Paying Agent shall have the right to recalculate interest amount 1 Business Day prior to the Record Date.

(ii) If the bank account of a Bondholder or Nominal Holder referred to in the previous paragraph is at any bank other than the Calculation and Paying Agent, then any bank transaction fees assessed on the payment (transfer) may be deducted from the payment. If the bank account of the Bondholder or Nominal

Holder referred to in the previous paragraph is in any currency other than Georgian Lari, then the payment may be made to the Bondholder or Nominal Holder (as the case may be) net of currency conversion fees.

(iii) Without prejudice to the Bondholders' rights under these Terms and Conditions to receive full payments of interest and principal when due, if the amount of interest or principal being paid on any due date is less than the amount then due, then the Issuer shall pay or cause to be paid to all Bondholders their respective pro rata shares of the funds available for payment on such date.

(iv) At the request of the Issuer and/or the Registrar trading of the Bonds on the secondary market may be prohibited or restricted for the period starting from the Record Date and ending on the date when the relevant payment becomes due and payable.

(b) **Appointment of Agents:** The Calculation and Paying Agent, Placement Agents and the Registrar and their respective specified offices are listed in "*Overview of the Offering*" as well as at the end of the Prospectus. The Calculation and Paying Agent, the Placement Agents, and the Registrar act solely as agents of the Issuer and for the purposes of this Prospectus and offering do not assume any obligation or relationship of agency or trust for or with any Bondholder or Nominal Holder. The Issuer reserves the right at any time with the approval of the Bondholders' Representative to vary or terminate the appointment of Calculation and Paying Agent, Placement Agents or the Registrar and to appoint additional or other Calculation and Paying Agent, Placement Agents or the Registrar, provided that the Issuer shall at all times maintain (i) a Calculation and Paying Agent, and (ii) a Registrar, in each case, as approved by the Bondholders' Representative.

Notice of any such change or any change of any specified office shall promptly be given to the Bondholders by announcement on the Issuer's web-site.

(c) **Calculation and Payment:** any payment to be made in relation to the Bonds (including interest) shall be calculated and paid in accordance with the terms of this Prospectus and Georgian law by the Calculation and Paying Agent. Furthermore, the amount(s) due as calculated by the Calculation and Paying Agent, except for manifest error, shall be binding on the Issuer. The Calculation and Paying Agent shall calculate the amounts at least 3 Business Days before the relevant payment date and notify the Issuer. At least 1 Business Day before the relevant payment date, the Issuer must place relevant funds in Georgian Lari on its bank account maintained with the Calculation and Paying Agent and instruct the latter to transfer such funds. If there are sufficient funds on the Issuer's account, the Calculation and Paying Agent is entitled, but not obliged, to transfer payments due on the Bonds without relevant instructions from the Issuer and in case the funds on the Issuer's account are not sufficient - notify the Issuer and Bondholders' Representative accordingly.

(d) **Payments subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives of Georgia.

(e) **Delay in Payment / Non-Business Days:** The Bondholders will not be entitled to any interest, penalty or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Business Day. The due payment will be made on the following Business Day.

9. TAXATION

All payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made after deduction of any applicable Georgian withholding tax. If the Issuer determines, in its sole discretion, that any payment of interest qualifies for an exemption from withholding tax under the law, then the Issuer shall not withhold the relevant tax and the Bondholders entitled to the benefit of such exemption shall receive the gross amount of such payments, without withholding.

10. EVENTS OF DEFAULT

If any of the following events ("**Events of Default**") occurs and is continuing the Bondholders' Representative at its discretion may, and if so directed by an Extraordinary Resolution shall (provided that the Bondholders' Representative shall have been indemnified to its satisfaction), give written notice to the Issuer that the Bonds are, and they shall immediately become due and payable at 100 per cent of their principal amount together (if applicable) with accrued interest:

(a) **Non-Payment**: the Issuer fails to pay the principal of, any interest or any other sum due on any of the Bonds or due pursuant to the Agreement when due and such failure to pay is not remedied within five Business Days of the due date for payment; or

(b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its other obligations (other than those in Condition 10(a)) in the Prospectus or the Agreement which default is, in the opinion of the Bondholders' Representative (i) incapable of remedy and is material or repeated; or, (ii) is capable of remedy and it is not remedied within 30 calendar days after notice of such default shall have been given to the Issuer by the Bondholders' Representative; or

(c) **Cross-Default:** (i) any other present or future Indebtedness of the Issuer or any Material Subsidiary for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any event of default (howsoever described), or (ii) any such Indebtedness is not paid when due, or (iii) the Issuer or any Material Subsidiary fails to pay when due any amount payable by it under any other present or future Indebtedness, provided that the aggregate amount of the relevant Indebtedness in respect of which one or more of the events mentioned above in this Condition 10(c) have occurred equals or exceeds US$ 500,000 or its equivalent in any other currency (as reasonably determined by the Bondholders' Representative); or

(d) **Insolvency:**

(i) the occurrence of any of the following events: (i) the Issuer or any Material Subsidiary initiating liquidation or insolvency proceedings; or (ii) the filing of a claim by any Person in respect of the Issuer or any Material Subsidiary to initiate insolvency proceedings, where such claim is not dismissed within 60 days from the date of filing; or (iii) entry into negotiations between the Issuer and its creditors for an out of court settlement of all or substantially all of the Issuer's debts; or (iv) commencement of liquidation proceedings in respect of the Issuer or any Material Subsidiary based on a decision of a court in a criminal case;

(ii) the Issuer or any Material Subsidiary fails or is unable to pay its debts generally as they become due; or

(iii) the shareholders of the Issuer approve any plan for the liquidation or dissolution of the Issuer;

(e) **Unsatisfied Judgments, Governmental or Court Actions:** the aggregate amount of unsatisfied final judgments, decrees or orders of courts or other appropriate law enforcement bodies for the payment of money against the Issuer or any Material Subsidiary exceeds US$ 500,000 or the equivalent thereof in any other currency or currencies, or any such unsatisfied final judgment, decree or order results in (a) the management of the Issuer or any Material Subsidiary being wholly or partially displaced or the authority of the Issuer or any Material Subsidiary in the conduct of its business being wholly or partially curtailed, (b) all or a majority of the share capital of the Issuer or any Material Subsidiary or the whole or any part (the book value of which is 20 per cent. or more of the book value of the whole) of its revenues or assets being seized, nationalised, expropriated or compulsorily acquired; or

(f) **Execution:** any execution is levied against, or an encumbrancer takes possession of or sells, the whole or any material part of, the property, revenues or assets of the Issuer or any Material Subsidiary; or

(g) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, decree, approval, authorisation, exemption, filing, licence, order, recording, registration or other authority) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its material rights and perform and comply with its payment obligations under the Bonds and the Agreement, its obligations under Condition 5 (*Covenants*) and its other material obligations under the Bonds and the Agreement, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds Prospectus, and the Agreement admissible in evidence in the courts of Georgia is not taken, fulfilled or done; or

(h) **Validity and Illegality:** the validity of the Bonds, Prospectus or the Agreement is contested by the Issuer or the Issuer denies any of its obligations under the Bonds, Prospectus or the Agreement or it is, or will become, unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds, Prospectus or the Agreement or any of such obligations becomes unenforceable or ceases to be legal, valid and binding.

The Issuer has undertaken in the Agreement that it will promptly upon becoming aware of the same inform the Bondholders' Representative of the occurrence of any Event of Default or event or circumstance that would, with the giving of notice, lapse of time and/or issue of a certificate, become an Event of Default (a "**Potential Event of Default**").

The Issuer has also undertaken in the Agreement that it shall within 14 days after the issuance of its annual audited financial statements, within 14 days after each Interest Payment Date and also within 14 days of any request by the Bondholders' Representative, send to the Bondholders' Representative a certificate of the Issuer signed by its General director (CEO) and its chief financial officer certifying that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as of the date of signing the certificate (the "**Certification Date**") no Event of Default or Potential Event of Default had occurred since the Certification Date of the last such certificate or (if none) the date of the Agreement or, if such an event had occurred, giving details of it.

11. MEETING OF BONDHOLDERS, MODIFICATION AND WAIVER

(a) **Meeting of Bondholders:** The Agreement contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by the resolution passed at a meeting duly convened and held in accordance with this Prospectus and the Agreement by a majority of at least 75 per cent of the votes cast ("**Extraordinary Resolution**") of a modification of any of these Conditions or any provisions of the Agreement. Such a meeting may be convened by Bondholders (and/or Nominal Holders acting on their behalf) holding not less than 10 per cent in principal amount of the Bonds for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than half of the aggregate principal amount of the Bonds for the time being outstanding, or at any Adjourned Meeting two or more persons being or representing more than 25% of the aggregate principal amount of the Bonds for the time being outstanding, or at any subsequent Adjourned Meeting, two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes, inter alia, consideration of the following proposals: (i) to change any date fixed for payment of principal or interest in respect of the Bonds; (ii) to alter the method of calculating the amount of any payment in respect of the Bonds; (iii) to change the amount of principal and interest payable in respect of the Bonds; (iv) to sanction the exchange or substitution for the Bonds of, or the conversion of the Bonds into, shares, bonds or other obligations or securities of the Issuer or any other entity; (v) to change the currency of payments under the Bonds (other than such change as may be required by applicable law); (vi) to change the quorum requirements relating to the Bondholders' meetings or the majority required to pass an Extraordinary Resolution; (vii) to alter the governing law of the Agreement; or, (viii) without prejudice to the rights under Condition 12(b) (Modification and Waiver) below, change the definition of "Events of Default" under these Conditions, in which case the necessary quorum will be two or more persons holding or representing not less than two-thirds, or at any Adjourned Meeting not less than one-third, in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on the Bondholders (whether or not they were present at the meeting at which such resolution was passed).

A resolution in writing signed by or on behalf of the Bondholders who for the time being hold 75% or more of the outstanding Bonds will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) **Modification of the Agreement and Waiver:** The Bondholders' Representative may agree with the Issuer, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Agreement, that is of a formal, minor or technical nature or is made to correct a manifest error, and (ii) any other modification (except as mentioned in the Prospectus and the Agreement or not being capable of modification under the applicable laws), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the these Conditions that is in the opinion of the Bondholders' Representative not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, if the Bondholders' Representative so requires, such modification shall be notified to the Bondholders as soon as practicable pursuant to Condition 14.

(c) **Entitlement of the Bondholders' Representative:** In connection with the exercise of its functions the Bondholders' Representative shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Bondholders' Representative shall not be entitled to require, nor shall any Bondholder or Nominal Holder be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

12. ENFORCEMENT

At any time after the Bonds become due and payable, the Bondholders' Representative may, at its discretion and without further notice, institute such proceedings against the Issuer as it may think fit to enforce the terms of the Agreement and the Bonds, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders and/or Nominal Holders holding at least one-quarter in principal amount of the Bonds outstanding, and (b) it shall have been indemnified and/or pre-funded and/or secured to its satisfaction. No Bondholder or Nominal Holder may proceed directly against the Issuer unless the Bondholders' Representative, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing. For the avoidance of any doubt, any Bondholder and/or Nominal Holder may institute proceedings at the court (whether individually, or together with other Bondholders and/or Nominal Holders), if (i) at least 3 (three) months have passed since the date when payments on the Bonds became due and payable, (ii) the amount payable has not been paid by the Issuer in full, and (iii) no action has been taken by the Bondholders' Representative for any reason whatsoever.

13. INDEMNIFICATION OF THE BONDHOLDERS' REPRESENTATIVE

The Agreement contains provisions for the indemnification of the Bondholders' Representative and for its relief from responsibility.

The Bondholders' Representative may rely without liability to Bondholders or Nominal Holders on a report, confirmation or certificate or any advice of any accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Bondholders' Representative or in any other manner) by reference to a monetary cap, methodology or otherwise.

14. NOTICES

Notices to the Bondholders from the Bondholders' Representative shall be made by publication in a widely-circulated Georgian newspaper (such newspaper to be chosen at the sole discretion of the Bondholder's Representative) and sent to the Issuer, Placement Agents and the Registrar. Notices to the Bondholders by the Issuer shall be made by publication in a widely-circulated newspaper approved by the Bondholders' Representative and/or on the Issuer's web-site, and sent to the Bondholders' Representative and the Registrar. The Issuer and/or the Bondholders' Representative may, if they consider it justified in the exercise of their sole discretion, mail notices to all Bondholders and Nominal Holders at their respective addresses in the Register, except that notice of any Adjourned Meeting shall be mailed in such manner to all Bondholders and/or Nominal Holders. In case of a published notice (including without limitation on the Issuer's web-site), any such notice shall be deemed to have been given on the date of publication or, if published more than once, on the first date on which publication is made.

15. DEFINITIONS

Unless the context shall require otherwise, and in addition to the terms defined in elsewhere in this Prospectus, the expressions used in these Conditions shall have the following meanings:

"**Adjourned Meeting**" means a meeting of the Bondholders which continues a prior meeting at which a quorum was not present for the conduct of business.

"**Affiliate**" of any specified Person means (a) any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person or (b) any other Person who is a director or officer of such specified Person, of any Subsidiary of such specified Person or of any other Person described in (a);

"**Bondholder**" means the registered owner ("რეგისტრირებული მესაკუთრე") (as such term is defined in the Securities Law) of a Bond.

"**Business Day**" means any day (other than a Saturday or Sunday) on which commercial banks settle payments and are open for general business (including in foreign exchange) in Tbilisi;

"Fair Market Value" of a transaction means the value that would be obtained in an arm's-length commercial transaction between an informed and willing seller (under no undue pressure or compulsion to sell) and an informed and willing buyer (under no undue pressure or compulsion to buy). A report of the Independent Appraiser of the Fair Market Value of a transaction may be relied upon by the Bondholders' Representative without further enquiry or evidence;

"**Group**" means the Issuer and its Subsidiaries, from time to time, taken as a whole;

"**Control**", as used in this definition, means the power to direct the management and the policies of the Issuer, whether through the ownership of share capital, by contract or otherwise;

"**IFRS**" means International Financial Reporting Standards (formerly International Accounting Standards), issued by the International Accounting Standards Board ("**IASB**") and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB (as amended, supplemented or re-issued from time to time);

"**IFRS Fiscal Period**" means any fiscal period for which the Issuer has produced consolidated financial statements in accordance with IFRS, which have either been audited or reviewed by the Auditors;

"**Indebtedness**" means, with respect to any Person at any date of determination (without duplication):

(a) all indebtedness of such Person for borrowed money;
(b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments;
(c) all obligations of such Person in respect of letters of credit or other similar instruments (including reimbursement obligations with respect thereto), excluding any letters of credit, guarantees, or other similar instruments issued in the ordinary course of its business;
(d) all obligations of such Person to pay the deferred and unpaid purchase price of property, assets or services;
(e) all indebtedness of other Persons secured by Security Interests granted by such Person on any asset (the value of which, for these purposes, shall be determined by reference to the balance sheet value of such asset in respect of the latest annual financial statements (calculated in accordance with IFRS) of the Person granting the Security Interest) of such Person, whether or not such indebtedness is assumed by such Person;

(f) all indebtedness of other Persons guaranteed or indemnified by such Person, to the extent such indebtedness is guaranteed or indemnified by such Person;
(g) any amount raised pursuant to any issue of securities which is expressed to be redeemable;
(h) net obligations under any currency or interest rate hedging agreements; and
(i) any amount raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the economic or commercial effect of a borrowing,

and the amount of indebtedness of any Person at any date shall be the outstanding balance at such date of all unconditional obligations, as described above, and with respect to contingent obligations, as described above, the maximum liability which would arise upon the occurrence of the contingency giving rise to the obligation;

“Net Financial Indebtedness” means, with respect to any Person at any date of determination (without duplication), Indebtedness minus cash.

"**Independent Appraiser**" means an audit firm or third party expert in the matter to be determined selected by the Issuer and approved by the Bondholders' Representative, provided that such firm or third party appraiser is not an Affiliate of the Issuer;

"**Issue Date**" means the date when the Bonds are issued and placed, as indicated in “*Overview of the Offering*”;

"**Material Subsidiary**" means any Subsidiary of the Issuer:

(j) which, for the most recent IFRS Fiscal Period, accounted for more than 5% per cent. of the consolidated revenues of the Group or which, as of the end of the most recent IFRS Fiscal Period, was the owner of more than 5% per cent. of the total consolidated assets of the Group, determined by reference to the consolidated financial statements of the Issuer prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period; or

(b) to which are transferred substantially all of the assets and undertakings of a Subsidiary of the Issuer which immediately prior to such transfer was a Material Subsidiary (with effect from the date of such transaction);

"**Nominal Holder**" means the nominal holder of the securities ("ფასიანი ქაღალდის ნომინალური მფლობელი") as such term is defined in the Securities Law;

"**Permitted Security Interests**" means:

a) Security Interests in existence on the Issue Date;
b) Security Interests granted by any Subsidiary in favour of the Issuer or any wholly-owned Subsidiary of the Issuer;

c) Security Interests securing Indebtedness of a Person existing at the time that such Person is merged into or consolidated with the Issuer or a Subsidiary of the Issuer or becomes a Subsidiary of the Issuer, provided that such Security Interests (i) were not created in contemplation of such merger or consolidation or event; and (ii) do not extend to any assets or property of the Issuer or any Subsidiary of the Issuer (other than those of the Person acquired and its Subsidiaries (if any));

d) Security Interests already existing on assets or property acquired or to be acquired by the Issuer or a Subsidiary of the Issuer, provided that such Security Interests were not created in contemplation of such acquisition and do not extend to any other assets or property (other than the proceeds of such acquired assets or property);

e) Security Interests granted upon or with regard to any property hereafter acquired by any member of the Group to secure the purchase price of such property or to secure Indebtedness incurred solely for the purpose of financing the acquisition of such property and transactional expenses related to such acquisition, provided that the maximum amount of Indebtedness thereafter secured by such Security Interest does not exceed the purchase price of such property, transactional expenses and/or the Indebtedness incurred solely for the purpose of financing the acquisition of such property;

f) any netting or set-off arrangement entered into by any member of the Group in the ordinary course of its business for the purpose of netting debit and credit balances;

g) any Security Interest upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to any securitisation of receivables, asset-backed financing or similar financing structure and whereby all payment obligations secured by such Security Interest or having the benefit of such Security Interest, are to be discharged solely from such assets or revenues, provided that the aggregate value of assets or revenues subject to such Security Interest when added to the aggregate value of assets or revenues which are the subject of any securitisation of receivables, asset-backed financing or similar financing structure permitted pursuant to Condition 5(d) (*Disposals*), does not, at any such time, exceed 25% per cent. of the Issuer's assets, determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period;

h) Security Interests upon, or with respect to, any present or future assets or revenues or any part thereof which is created pursuant to any Repo transaction;

i) Security Interests arising pursuant to any agreement (or other applicable terms and conditions) which is standard or customary in the relevant market relating to interest rate and foreign currency hedging operations and under any agreement whereby the Security Interest is created upon the foreign currency funds held at the accounts of the Group at the financial institutions in connection with obtaining GEL denominated loans from such financial institution (GEL Loans), provided that the amount of foreign currency funds pledged to secure the Indebtedness under the GEL Loan, does not at any time exceed the outstanding Indebtedness under the GEL Loan which is secured by the foreign currency funds

j) any Security Interests arising by operation of law and in the ordinary course of business including tax and other non-consensual Security Interests; and

k) any Security Interests not otherwise permitted by the preceding paragraphs (a) to (j), inclusive, provided that the aggregate principal amount of the Indebtedness secured by such Security Interests does not at any time exceed the greater of US$ 45,000,000 or 50% per cent. of the total consolidated assets of the Group, determined by reference to the consolidated balance sheet of the Group prepared in accordance with IFRS as at the end of the most recent IFRS Fiscal Period;

"**Person**" means any individual, company, corporation, firm, partnership, joint venture, association, trust, institution, organisation, state or any other entity, whether or not having separate legal personality;

"**Repo**" means a securities repurchase or resale agreement or reverse repurchase or resale agreement, a securities lending or rental agreement or any agreement relating to securities which is similar in effect to any of the foregoing and for the purposes;

"**Restricted Payment**" has the meaning given to it in Condition 5(g);

"**Securities Law**" means the law of Georgia on Securities Market, adopted on 24 December 1998 as amended from time to time;

"**Security Interest**" means any mortgage, pledge, encumbrance, lien, charge or other security interest (including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction);

"**Subsidiary**" means, in relation to any Person (the "**first Person**") at a given time, any other Person (the "**second Person**") (a) whose affairs and policies the first Person directly or indirectly controls or (b) as to whom the first Person owns directly or indirectly more than 50 per cent. of the capital, voting share or other right of ownership;

"**Tax**" means any tax, levy, duty, impost or other charge or withholding of a similar nature, no matter where arising (including interest and penalties thereon and additions thereto) and no matter how levied or determined.

“Crystal Bonds” mean bonds issued by JSC Micro Finance Organization Crystal on 28 December, 2017, in an amount of GEL 10,000,000 (ten million). ISIN: GE2700603592.

16. GOVERNING LAW AND JURISDICTION

a) Governing Law: The Prospectus and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, Georgian law.

b) **Jurisdiction:** The courts of Georgia shall have exclusive jurisdiction in respect of any disputes which may arise out of or in connection with the Prospectus or the Bonds, (including any claim, dispute or difference regarding their issuance, existence, termination or validity or any non-contractual obligations arising out of or in connection with the Prospectus or the Bonds).

TAXATION OF THE BONDS IN GEORGIA

The following is a general description of certain material Georgian tax considerations relating to the Bonds. It does not purport to be a complete analysis of all tax considerations relating to the Bonds. Prospective purchasers of the Bonds should consult their own tax advisers as to acquiring, holding and disposing of the Bonds and receiving payments of interest, principal and/or other amounts under the Bonds and the consequences of such actions under the tax laws. This overview is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date. The information and analysis contained within this section are limited to taxation issues, and prospective investors should not apply any information or analysis set out below to other areas, including (but not limited to) the legality of transactions involving the Bonds.

Withholding Tax on Interest

Pursuant to the Tax Code of Georgia, interest paid to Bondholders (whether they are individuals or legal entities, resident or non-resident) will be subject to withholding tax at the source of payment at the rate of 5%. Further, the above-mentioned interest taxed at source shall not be included by a recipient resident individual in his gross income. As to Georgian resident legal entities as well as permanent establishments of non-resident legal entities, they have the right to offset the amount of withholding tax paid on the interest.

Payments of interest on Bonds will be exempt from withholding tax and such payments of interest will not be included in the gross taxable income of Bondholders (whether they are individuals or legal entities, resident or non-resident), so long as the Bonds are publicly-traded securities admitted to trading on stock exchange listing with a free float exceeding 25% as at the end of the reporting year or the previous year ("**Free Float Exemption**"). However, the practical availability of the Free Float Exemption is untested and there is no guarantee that such exemption will not be delayed or will be granted. Moreover, even if the Free Float Exemption is granted, it may be challenged by the tax authorities or may be lost if the 25% free float requirement is no longer met.

Interest paid to Bondholders that are companies registered in countries having beneficial taxation systems and recognized as offshore jurisdictions by the Government of Georgia, will be subject to taxation at the rate of 15%.

The applicability of Georgian withholding tax on interest may be affected by a double tax treaty between Georgia and the country of residency of the non-resident Bondholder.

Taxation of sale of Bonds – General

Pursuant to the Tax Code of Georgia, there will be no profit and income tax payable on the gain realized from the sale of Bonds if the Free Float Exemption applies. However, the practical availability of the Free Float Exemption is untested and there is no guarantee that such exemption will not be delayed or will be granted. Moreover, even if the Free Float Exemption is granted, it may be challenged by the tax authorities or may be lost if the 25% free float requirement is no longer met.

If the Free Float Exemption does not apply, the following tax liabilities may arise:

Taxation of sale of Bonds by Non-Resident Legal Entity Bondholders

If the Free Float Exemption does not apply, for non-resident legal entities the profit tax of 15% (the tax base being calculated after permitted deductions) will be assessed on the difference between the initial purchase and subsequent sale price. If such sale triggers a tax exposure, the selling non-resident entity will be under an obligation to properly report and pay such profit tax to the Georgian tax authorities, or if the sale is done through a Georgian brokerage company, such brokerage company will be responsible for withholding the applicable tax. The applicability of Georgian profit tax may be affected by a double tax treaty between Georgia and the country of residency of the selling entity.

Taxation of sale of Bonds by Non-Resident Individual Bondholders

If the Free Float Exemption does not apply, for non-resident individuals the income tax of 20% (the tax base being calculated after permitted deductions) will be assessed on the difference between the initial purchase and subsequent sale price. If such sale triggers a tax exposure, a relevant non-resident individual will be under an obligation to properly report and pay such income tax to the Georgian tax authorities, or if the sale is done through a Georgian brokerage company, such brokerage company will be responsible for withholding the applicable tax. The applicability of Georgian income tax may be affected by a double tax treaty between Georgia and the country of residency of the seller individual.

Exemptions may be available to certain individual Bondholders if such individuals maintain ownership of Bonds for more than two calendar years and not use them in economic activity.

Taxation of sale of Bonds by Resident Legal Entity Bondholders

If the Free Float Exemption does not apply, Georgian resident legal entity will be liable to pay 15% profit tax upon the disposal of the Bonds. The profit tax base will be calculated as the difference between the acquisition and sale prices.

Taxation of sale of Bonds by Resident Individual Bondholders

If the Free Float Exemption does not apply, a Georgian resident individual Bondholder will have to pay income tax at 20% upon the disposal of the Bonds. The income tax will be assessed on the difference between the initial purchase and subsequent sale price. If the sale is done through a Georgian brokerage company, such brokerage company will be responsible for withholding the applicable tax.

Exemptions may be available to certain individual Bondholders if such individuals maintain ownership of Bonds for more than two calendar years and not use them in economic activity.

Tax on Payment of Principal

The principal amount received by the Bondholders on redemption of the Bonds shall not be treated as their taxable income and, therefore, shall not be subject to taxation in Georgia to the extent that the redemption price at maturity does not exceed the original Issue Price.

Value Added Tax

Sales (supply) of the Bonds are exempt from Value Added Tax in Georgia.

GENERAL INFORMATION

1. The Company has obtained all necessary consents, approvals and authorisations in Georgia in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by the members of the Supervisory Board passed on 20 November, 2017.
2. There has been no significant change in the financial or trading position of the Company and no material adverse change in the prospects of the Company since 31 December, 2016.
3. In the previous 12 months, there have not been any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.
4. Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months from the date of publication of this Prospectus at the office of the Company:

a) The copy of this Prospectus together with any Supplement to this Prospectus or any further Prospectus;
b) The Agreement between the Issuer and Bondholders' Representative;
c) The audit report on the historical financial information of the Company set out in the annex to this Prospectus.

5. KPMG Georgia LLC has consented to the inclusion in the Prospectus of their report in the annex.

INFORMATION ON THE ISSUER, PLACEMENT AGENTS, BONDHOLDERS' REPRESENTATIVE, REGISTRAR AND OTHER PARTIES

Issuer

JSC Micro Finance Organization Crystal

Tamar Mepe Str, №72

Kutaisi

Georgia

Placement Agent, Calculation and Paying Agent

JSC Galt & Taggart

79 D Aghmashenebeli Ave

Tbilisi 0102

Georgia

Bondholders' Representative

LTD "Nodia Urumashvili and Partners"

4^{th} floor, Office N28, N71 Vazha-Pshavela,

Tbilisi 0186

Georgia

Calculation and Paying Agent

JSC Galt & Taggart

79 D Aghmashenebeli Ave

Tbilis, 0102

Georgia

Registrar

JSC United Securities Registrar of Georgia

11 Mosashvili Str.

Tbilisi, 0179

Georgia

Auditor of the 2016 and 2015 Financial Statements

KPMG Georgia LLC

Besiki Street 4

Tbilisi 0108

Georgia

Signed on behalf of JSC Micro Finance Organization Crystal

Signatory

Name: Kakha Gabeskiria

Position: Authorised representative

Signature:

Date:

Signatory

Name: Archil Bakuradze

Position: Chairman of Supervisory Board

Signature:

Date:

Signed on behalf of JSC Galt and Taggart:

Signatory

Name: Irakli Kirtava

Position: CEO

Signature:

Date: