The Term Sheet is translated from Georgian. Only the Georgian version of the final Term Sheet is submitted to and approved by the National Bank of Georgia. In case of discrepancies, Georgian version shall prevail.

Joint Stock Company

Microfinance Organization Crystal

(Identification Code: 212896570)

Preliminary Social Bond Issue Prospectus

Bonds of up to GEL 25,000,000 (twenty five million) total principal/nominal amount and detailed terms determined by the Final Term Sheet document and the Prospectus.

The bonds constitute unsecured and unsubordinated obligation of the company.

These represent social bonds, which are governed by the social bonds' framework developed by the company. The company has obtained a second-party opinion on the framework from the German rating agency "Scope Ratings". For detailed information, see the *Reasons for the Offer and Use of Raised Funds* section of the Prospectus.

Transactions related to the bonds will be carried out solely by the brokerage and banking intermediaries.

JSC Microfinance Organization Crystal (hereinafter referred to as the "**Company**") accepts responsibility for the information contained in this Prospectus. To the best of the Company's knowledge and belief (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. Furthermore, the Prospectus contains *all the material facts known to the Company and there has not been intentionally omitted information, which could affect the content of the Prospectus*.

Approval of this Prospectus by the National Bank of Georgia ("NBG") 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.

Persons responsible for preparation of the document:

Ilia Revia – General Director of JSC Microfinance Organization Crystal

Davit Bendeliani – Chief Financial Officer of JSC Microfinance Organization Crystal

Signed on behal of JSC Microfinance Organization Crystal:

Signatory:

Name, surname: Davit Bendeliani
Position: Chief Financial Officer
Signature:
Date:

Signatory:

Name, surname: Archil Bakuridze
Position: Head of the Supervisory Board
Signature:
Date:

Signatory:

Name, surname: Ilia Revia
Position: General Director
Signature:
Date:

Signed on behalf of JSC Galt & Taggart:

Signatory:

Name, surname: Irakli Kirtava
Position: Managing Director
Signature:
Date:

IMPORTANT INFORMATION FOR THE INVESTORS:

Prospective investor must read the following disclaimer before continuing. The following disclaimer applies to the attached Prospectus (hereinafter referred to as the "**Prospectus**") and prospective investor is therefore advised to read this carefully. By accessing and using the Prospectus (including for investment purposes), an 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 the addressee. Therefore the investor agrees that he/she will not forward, reproduce or publish this electronic transmission or the attached Prospectus to any other person.

Responsible body for approval of this Prospectus:

National Bank of Georgia – address: 1, Zviad Gamsakhurdia Sanapiro, Tbilisi 0114, Georgia. Tel.: 2 406 406. E-mail: info@nbg.gov.ge. Website: www.nbg.gov.ge

Limitation of 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.

Furthermore, except for the cases that may be explicitly provided for by applicable law, no person other than the Issuer, including the Placement Agent, the Calculation and Paying Agent, the Registrar, other advisers to the Company, nor any of their affiliates, directors, advisers or agents, 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 their behalf in connection with the Company or the issue and offering of the securities described herein. Therefore the Placement Agent and the advisers to the Company disclaim all and any legal or other liability, they might otherwise have in respect of this Prospectus or any such statement.

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

This Prospectus does not constitute and may not be used for the purposes of an offering in any jurisdiction in which such offering is not authorized or to any person to whom it is unlawful to make such an offering. No action is being taken to obtain a permit with regard to the 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 Prospectus will be delivered to the investor at his/her request and on the basis that the investor has confirmed to the respective Placement Agent - JSC Galt & Taggart (Identification Code 211359206), address: 3, Pushkin Street, 0179, Tbilisi, Georgia, Tel.: (995 32) 2444-132 (995 32) 24401-111; email: st@gt.ge (hereinafter referred to as the "**Placement Agent**") and JSC Microfinance Organization Crystal (hereinafter referred to as 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), and (ii) is outside of the United Kingdom and European Economic Area, and (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/it is located.

If this Prospectus has been made available to the investor in an electronic form, neither the Company, nor the Placement Agent or/and 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 Prospectus, the investor consents to receiving it in electronic form.

For avoidance of any doubts, preference is given to the Prospectus publicly issued by the Company (which is identical to the one approved by the National Bank of Georgia).

After the submission to the approval of the Prospectus, there has not been any material change in the circumstances. If there happens to be any change the Prospectus will be updated respectively.

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

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

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GENERAL OVERVIEW OF THE PROSPECTUS

Introduction

Name of security	Bonds of JSC Microfinance Organization Crystal
Issuer's name, legal form, identification number and contact information	Joint Stock Company Microfinance Organization Crystal, ID No. 212896570, address: 68, Ketevan Dedopali Avenue, Isani district, Tbilisi, Georgia. Legal ad: 22, Nikea st,, Kutaisi, Imereti, 4600 Telephone: +(995 32) 202-20-20, Email: info@cystal.com.ge
Name and contact information of the Placement Agent an offering	JSC Galt & Taggart (ID No. 211359206) Address: 3, Pushkin Street, 0179, Tbilisi, Georgia Telephone: (+995 32) 2444-132; (+995 32) 24401-111 Email: gt@gt.ge
Name and contact details of the body responsible for approving the Prospectus	National Bank of Georgia, address: 1, Zviad Gamsakhurdia Sanapiro, Tbilisi, 0114. Telephone: +995 322 406 406; Email: info@nbg.gov.ge; Website: www.nbg.gov.ge
Date of approval of the Prospectus	[●]

Important references:

The General Overview is an integral part of this Prospectus;

Any investment decision made by an investor should be based on the entire Prospectus and not only on the information presented in the General Overview;

The Issuer may become liable if the information presented in the General Overview is misleading or inaccurate or is not relevant to the main Prospectus or does not provide the basic information to help investors to make investment decisions with regard to the securities to be offered;

An investment in Bonds involves high risk. Any investor, who will purchase the Bonds, should be prepared to face the economic risk of his/her/its 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. Neither this Prospectus nor any other information supplied by the Company or/and the Placement Agent in connection with the offering and placement or any other information is intended to provide an evaluation of the risks involved in investing in Bonds. Each investor is advised to make his/her/its own evaluation of the potential risks involved. In addition, the investor may lose all or part of the invested amount.

The preliminary Prospectus and information provided therein may be subject to alteration and addition in case of change of circumstances, which is reflected in the final Prospectus (e.g. fixing the interest rate, correction of technical deficiencies, clarification of the issue size, etc.). 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.

Neither the Company nor the Placement Agent make any representation and give any warranties 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 authorized to give any information or to make any representation not contained in this Prospectus on behalf of the Company or the Placement Agent and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of the Company or the Placement Agent. Neither the delivery of this Prospectus nor any sale of Bonds 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.

This Prospectus should not be construed as legal, investment, 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 envisaged in this Prospectus under applicable legal investment or similar laws or regulations.

Warning

Bond Prospectus is not a simple document and it can be difficult for the investors to thoroughly understand and evaluate the product offered by this Prospectus. 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 the "Risk Factors" Chapter. Each potential investor must determine the suitability of an investment in the Bonds in light of such investor's own circumstances. The Bonds issue under the Prospectus is public. Furthermore, 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 (GEL) is different from the currency in which the potential investor attracts or implements investments;

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

(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.

(vi) Be informed that according to the amendment introduced in the Civil Code of Georgia in January 2017, if a microfinance organization attracts funds from more than 20 individuals, the amount of money raised from each individual should not be less than 100,000 GEL (or its equivalent in foreign currency). If the microfinance organization incurs such a liability, it must pay the amount raised from the individual(s) within 1 year from the liability arising, subject to the above limitation.

(vii) Be aware that the prospectus has a reservation on the application of economic norms and limits, which is presented in the chapter *Agreement between the Issuer and the National Bank of Georgia on the application of economic norms and limits* of the *regulatory framework*.

(viii) In order to mitigate the effect of the pandemic on the issuer, a waiver on the regulatory capital ratio was imposed. In particular, the waiver provided for the reduction of the limit to 12%, which will gradually return to the original 18% mark until March 2023. In exchange, the issuer has been imposed additional restrictions, the protection of which Crystal implements through an agreement with the supervisory body.

This record is for purposes of warning only and does not constitute a limitation of the Issuer's liability.

Soruces used:

The main sources used in the prospectus are:

- Audited annual financial statements for 2021 and 2020 (https://reportal.ge/)
- Semi-annual (unaudited) financial statements of the issuer for the half-years of 2022 and 2021 (https://reportal.ge/)
- National Statistics Office of Georgia (www.geostat.ge)
- National Bank of Georgia (https://nbg.gov.ge/)
- "Galt & Taggart" Research Department (www.gt.ge)
- The Georgian government's coronavirus prevention portal (www.stopcov.ge)
- Reporting portal (https://reportal.ge/)
- Rating Agency "Fitch Ratings" (https://fitchratings.com/)

The responsible persons state that "when information provided by a third party is used, the source is indicated and a reservation is made that this information has been processed correctly. They are not aware of important facts omitted from this information, which would make the information false and misleading."

Information about the Issuer

JSC Microfinance Organization Crystal (Crystal) was established on 23 August 2007, based on the decision of Crystal Fund. Crystal supports development of micro and small size business in Georgia. The company offers micro, medium and agro loans to start-up and established enterprises; renovation and consumer loans; currency exchange services; money transfers; utility payment services, etc. The Company is headquartered in Kutaisi (western Georgia). Crystal is mainly focused on supporting the development of micro enterprises and farmers in regions and remote locations. The Company is incorporated in Georgia and maintains its accounting in accordance with the laws of Georgia under Identification Number 212896570.

The Company is fully owned by members of “Shareholders’ Group.” The Company does not have a sole controlling investor.[1] As of 30 June 2022, shares of the Company were held by the following shareholders that comprise the “Shareholders’ Group:”

Shareholders	**30-ივნ-2022**	**31-Dec-2021**	**31-Dec-2020**
Agrif Cooperatief U.A.	38.7%	38.7%	38.7%
DWM Funds S.C.A. – SIVAC - SIF	12.4%	12.4%	12.4%
Archil Bakuridze	14.3%	14.3%	14.3%
Malkhaz Dzadzua	11.1%	11.1%	11.1%
Davit Bendeliani	6.8%	6.8%	6.8%
Other	16.7%	16.7%	16.7%
Total	**100%**	**100%**	**100%**

The Company offers a wide range of lending products to retail as well as business customers. The core activity of the Group is issuance of micro loans. The mission of the Company is to support and promote micro, small and medium businesses, improve social and economic conditions of clients by offering financial services that are acceptable for them. Company financial products include:

- Individual business loans;
- Agro loans;
- Consumer loans;
- Mortgage loans;
- Small and medium business loans.

As of June 2022, the Company has one headquarter, operates 50 branches and serves over 115,000 customers across the country.

[1] Defined in accordance with IFRS 10, where the control is defined as a case that has all of the following elements:

an investor has power over the company, i.e. the investor has existing rights to significantly affect the company’s income; investor has rights to variable returns from its involvement with the company; investor has the ability to affect the amount of the investor's returns.

Brief information about Georgia's microfinance sector

The microfinance sector growth accelerated significantly since 2010. Average growth rate of total assets (CAGR) comprised 36.7% in 2010-2016, while average growth rate of loan portfolio (CAGR) stood at 35.9%. However, legislative changes adopted in 2017-2019 led to a notable decrease in the number of microfinance companies. Furthermore, one of the largest representatives of the sector, JSC Credo, was transformed into a commercial bank in early 2017, which, along with legislative changes, strongly affected the aggregated indicators of microfinance sector. As a result, the total assets of microfinance organizations amounted to GEL 1,708 mn (8.6% annual growth) as of the second quarter of 2022. Total liabilities stood at GEL 1,096 mn (6.7% annual growth) and total equity amounted to GEL 612 mn (12.2% annual growth).
A detailed overview regarding the microfinance sector is presented in the *Key Markets* subsection of the prospectus registration document.

Issuer Directors

Ilia Revia – Chief Executive Officer

Project management and IT management specialist. He has a vast experience at management, IT management and banking sector. Since June 2019, Ilia Revia has been the Chief Executive Officer of the MFO.

Davit Bendeliani – Chief Financial Officer

David was the financial manager of Crystal from 2004 to 2011. He studied economics at Ivane Javakhishvili Tbilisi State University and was awarded certificates in numerous business fields.

Melania Kuchukhidze – Chief Business Officer

Chief Business Officer of MFO Crystal. She has 14-year-long experience in management. She worked for VTB Bank, Bank Constanta and TBC Bank. In 2018, she joined the team at Crystal. Melania is a master's graduate in Management from VTB Bank Corporate University.

Manuchar Chitaishvili Chief Innovations Officer

In 2005, he was the Acting Head of the Kutaisi Self-Governance Department. At various times since 2001, he held various positions in private as well as public sector. He joined Crystal in 2006. He holds an M.A. in public administration from the Georgian Institute of Public Affairs.

Beka Tsitskishvili - Chief Information Officer

Beka Tsitskishvili has been serving as the Chief Information Officer since 2018. He was the Chief Information Officer of the Adjara Group. Mr. Tsitskishvili also held managerial positions at Aviator Ltd. and Bank Republic. He is a co-founder of Next Step Ltd. He holds a master's degree in business administration from the Grenoble Graduate School of Business and the Caucasus School of Business, a master's degree in computer science from the faculty of applied mathematics and computer sciences of Ivane Javakhishvili Tbilisi State University.

Kakha Gabeskiria – Chief Executive Officer, Crystal Leasing

Kakha Gabeskiria joined JSC Crystal Leasing in 2009 and held various executive positions. In 2020 he was appointed the Chief Executive Officer of Crystal Leasing. He has 20-year-long managerial experience in MSME sector at Procredit Bank. He holds B.A. in economics from the Institute of Subtropical Agriculture.

Giorgi Janelidze - Chief Executive Officer, JSC Crystal Consulting

Giorgi Janelidze is the Chief Executive Officer of Crystal Consulting. During the last nine years, he held various positions at MFO Crystal. Currently, he is the executive officer in business consulting. He has a background in microfinance, marketing, IT, project management, and the MSE sectors.

Auditors of the Issuer and third parties or experts involved in the preparation of the Prospectus

The auditor of the Issuer: BDO LLC. Identification number 205145403. Address: 2, I. Tarkhnishvili Street, Tbilisi, Georgia. E-mail: bdo@bdo.ge.

Natural and legal persons involved in the Offering

Placement agent: JSC Galt & Taggart (Identification Number: 211359206); address: №3 Pushkin Street, Tbilisi 0179, Georgia; Tel: (995 32) 2444-132 (995 32) 24401-111; E-mail: st@gt.ge.

The Company entered into the contract with the placement agent, JSC Galt & Taggart. The contract obligates JSC Galt & Taggart to ensure underwriting of bonds on non-guaranteed basis. The placement agent is responsible to prepare the documentation necessary for the placement of bonds (including the Prospectus), perform the function of the placement agent and provide consultations to the Company with regard to the issue, sale and settlement of bonds.

The Company and the placement agent are not related persons and there is no conflict of interest between them.

The Company is not aware of any existing or potential conflicts of interest in relation to the offering.

Main Financial Indicators

The table summarizes the financial indicators of the company, which are based on the audited annual financial statements of the issuer for 2021 and 2020, as well as unaudited statements for 6 months of 2022 and 2021. These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS):

Statement of Financial Position (GEL 000')	30-June-2022 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)
Assets			
Cash and cash equivalents	21,477	19,127	17,884
Loans issued	359,752	347,941	315,880
Other assets	30,408	29,111	32,310
Total assets	**411,637**	**396,179**	**366,074**
Liabilities			
Loan liabilities	332,796	314,405	292,693
Leasing liabilities	7,335	9,127	12,522
Other liabilities	9,845	12,452	2,848
Total liabilities	**349,976**	**335,984**	**308,063**
Equity			
Share capital	3,635	3,635	3,635
Share premium	22,110	22,110	22,110
Retained earnings	35,916	34,450	32,266
Total equity	**61,661**	**60,195**	**58,011**
Total liabilities and equity	**411,637**	**396,179**	**366,074**

Statement of Profit and Loss (GEL '000)	30-June-2022 (Unaudited)	30-June-2021 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)
Interest income	51,895	46,122	95,124	80,948
Interest expenses	(16,326)	(14,831)	(31,744)	(29,236)
Net interest income	**35,569**	**31,291**	**63,380**	**51,712**
Loan impairment charge	(3,744)	(1,353)	(2,693)	(5,300)
Net interest income after provision for loan impairment	**31,825**	**29,938**	**60,687**	**46,412**
Commission fee income/loss	(5,874)	(10,664)	(14,980)	(1,690)
Net gain/(loss) from foreign currency sale and purchase transactions	(9,794)	1,517	(4,620)	13,699
Net foreign exchange loss	8,895	4,579	7,569	(20,050)
Personnel expenses	(13,631)	(12,519)	(26,506)	(22,567)
Depreciation and amortization	(3,074)	(1,991)	(6,759)	(4,942)
General administrative expenses	(4,969)	(5,359)	(9,208)	(10,931)
Profit before tax	**3,378**	**5,501**	**6,183**	**(69)**
Profit tax expenses	(1,417)	(1,518)	(3,003)	(783)
Profit and total gross income for the reporting year	**1,961**	**3,983**	**3,180**	**(852)**

Other important information

The type of audit opinion on the enclosed financial statements: in its audit report, the Company's independent financial auditor declares that its opinion is **unqualified**.

No such event occurred either in the last reporting period or by the time of this Prospectus that could have a material impact on the assessment of the Issuer's solvency.

The Company has received International Credit Rating B-/Stable Outlook from Fitch Rating, the credit rating agency recognized by the National Bank of Georgia. The Company does not plan to obtain rating for the bonds. The Company might attempt to obtain rating from the same or other rating agencies recognized by the National Bank of Georgia in future (For further information about the Company's credit rating, see the section *The Company's Credit Rating*).

Various coefficients of the Company by period are provided below:

		30-June-22[2]	30-June-21	31-Dec-21	31-Dec-20
	Profitability Margins				
1	Return on equity	1.6%	1.6%	4.5%	-1.3%
2	Return on assets	0.3%	0.3%	0.8%	-0.2%
3	Return on capital employed	14.5%	15.3%	23.7%	40.1%
4	Net interest margin	68.5%	68.5%	66.6%	63.9%
5	Operating profit margin	8.2%	8.2%	3.4%	7.8%
6	Net profit margin	3.8%	3.8%	3.3%	-1.1%
7	Weighted average interest rates	35.33%	35.33%	34.67%	31.50%
8	Operating expenses/Operating income	42.2%	42.2%	45.3%	45.3%
9	Cost of raised funds	9.4%	9.7%	10.2%	10.2%
10	Interest rate spread	17.2%	17.7%	17.3%	15.1%
	Regulatory indicators[3]				
11	Capital adequacy ratio (NBG) >15%	19.4%	19.4%	20.5%	19.3%
12	Liquidity coverage ratio (NBG) >18%	22.7%	22.7%	33.8%	37.2%
13	Investments in property and equipment ratio (NBG) <40%	6.6%	6.6%	6.2%	6.3%
14	Pledged assets to equity ratio (NBG) <90%	0.0%	0.0%	0.0%	0.0%
	Asset quality				
15	PAR 30 to total loans (IFRS)	2.1%	2.3%	2.0%	2.4%
16	Expected credit losses reserves(IFRS)	3.6%	3.8%	3.9%	4.1%
17	PAR 90 to total loans	1.1%	1.1%	1.1%	1.2%
18	Portfolio write-off/portfolio	1.9%	2.0%	1.9%	2.1%
29	Written-off portfolio recovery	1.1%	1.2%	1.1%	0.5%
20	Restructured portfolio/portfolio	4.2%	4.5%	4.5%	2.1%
	Liquidity/Leverage				
21	Cash & cash equivalents/total assets	4.9%	5.2%	4.8%	4.9%
22	Cash & cash equivalents /short-term liabilities	11.1%	11.1%	12.8%	6.0%

[2] Coefficients as of 30 June 2022 have been recalculated taking into account a new bond issuance. The coefficients that are irrelevant or where the assumption of the new bond issuance is subjective, are provided without consideration to the issuance.

[3] Detailed information about these coefficients is provided in the section analyzing operating results

23	Equity/net loan portfolio	19.8%	21.2%	21.8%	20.4%
24	Total debt ratio	78.6%	77.3%	75.4%	78.2%
25	Total debt to equity ratio	4.49	4.17	3.95	4.43
26	Interest coverage ratio	1.21	1.21	1.20	1.00
	Financial covenants with borrowers				
27	Capital adequacy ratio (>=14%, 2022)	14.15%	15.0%	15.1%	15.9%
28	Liquidity ratio (>=1.5, 2022)	1.23	1.23	1.51	0.67
29	Total debt to equity ratio(<5, 2022)	4.71	4.39	4.26	4.67
30	Portfolio quality (PAR 30) (<=3%, 2022)	1.82%	1.9%	1.8%	2.0%
31	Reserve adequacy ratio (>=75%, 2022)	67.2%	67.2%	69.7%	60.7%
32	Currency Position USD	2.6%	2.6%	1.8%	40.5%
33	Currency Position EUR	0.5%	0.5%	2.8%	24.0%

General comments

1. Above are presented the main financial ratios, which, according to the issuer's assessment, are relevant for evaluating its business activities and specifics.
2. For purposes of the ratios presented above, operating expenses are the sum of employee expenses, depreciation and amortization expenses, and other operating expenses.
3. For purposes of the ratios presented above, operating profit is net interest income less operating expenses, less net commission expense/gain, less net loan modification losses, plus other income.
4. Definitions of NBG supervisory covenants can be found at the following link - https://bit.ly/3fMlcKy
5. In the case of such ratios, where the ratio of the profit and loss statement and the balance sheet, or the cash flow statement and the balance sheet is given, the profit and loss and cash flow statement indicators are calculated for the last 12 months (LTM).
6. For the purposes of the definitions of the ratios below, interest expense refers to the corresponding item in profit and loss, and interest liabilities refer to subordinated and non-subordinated loans and bonds raised. (includes interest expense on loans, lease liabilities and issued bonds).
7. For purposes of the ratios and reserves presented above, capital is total capital plus subordinated loans. (does not include lease liabilities).
8. For purposes of the ratios and provisions presented above, debt obligations are funds received less subordinated loans.
9. The following financial ratios available with borrowers: capital adequacy ratio, liquidity ratio, total debt to equity, portfolio quality (PAR30), reserve adequacy ratio, currency position (USD/EUR) - calculated directly from individual accounts in agreement with the borrower.

1. **Return on Equity** – Income divided by the average equity of the last two years (including subordinated loans).
2. **Return on Assets** – Income divided by the average assets of the last two years.
3. **Return on Capital Employed** – Profits before income tax divided by the sum of average shareholders' equity of the last two years and long-term liabilities.
4. **Net interest magin** - Net interest income devided to interest income.
5. **Operating Profit Margin** – Profit before tax divided by interest income.
6. **Net Profit Margin** – Profit divided by interest income.
7. **Weighted interest rates** – Weighted average interest rate of loans issues (loan portfolio).
8. **Operating expenses/income** – Operating expenses divided by interest income.
9. **Cost of raised funds** – Interest expense (excluding lease interest expense) relative to average borrowed funds (including subordinated loans).

10. **Interest rate spread** – Interest income relative to the average gross portfolio of the last two years, minus interest expense relative to borrowed funds (including subordinated loans).
11. **Capital adequacy ratio (NBG)** – Total equity plus subordinated liabilities, minus total deductions (residual value of intangible assets) divided by total assets minus aforementioned deductions.
12. **Liquidity coverage ratio (NBG)** – Average of daily liquid assets of December (calculated as cash plus accounts in commercial banks and state securities, minus exchanged monetary means, reserved/collateralized deposits and non-callable deposits) divided by average of daily total balance liabilities for the liquidity aim of the same month (calculated as the total balance liabilities minus subordinated/convertible liabilities with the remaining term to maturity of more than six months, funds received from banks and financial institutions with the remaining term to maturity of more than six months, funds received from banks and financial institutions in return for exchanged monetary means and liabilities by money transfers in the amount that does not exceed the claims of the same substance to one counterparty).
13. **Investments in property and equipment ratio (NBG)** – Residual balance value of property and equipment divided by total equity.
14. **Pledged assets to equity ratio (NBG)** - Collateralized assets divided by total equity minus asset revaluation
15. **PAR 30 to total loans (IFRS)** – PAR 30 loans (according to IFRS) devided by to total loans.
16. **Expected credit loss reserves (IFRS)** - Loan reserves (according to IFRS) divided by loan portfolio.
17. **PAR 90 to total loans** – Volume of PAR 90 loans divided by total loan portfolio.
18. **Portfolio write-off/portfolio** – Written-off portfolio divided by the total loan portfolio.
19. **Written-off portfolio recovery** – Repossessed assets divided by the volume of written-off portfolio.
20. **Portfolio restructuring/portfolio** – Restructured loans divided by the total loan portfolio. For the purposes of the ratio, restructured loans imply the restructuring of problematic portfolio alone and exclude changes to standard terms.
21. **Cash and cash equivalents/total assets** – Cash and cash equivalents divided by total assets.
22. **Cash and cash equivalents /short-term liabilities** - Cash and cash equivalents divided by short-term liabilities.
23. **Equity/net loan portfolio** – Total equity (including subordinated loans) divided by net loan portfolio.
24. **Total debt ratio** – The Company's loan liabilities (including subordinated loans) divided by total assets.
25. **Total debt to equity ratio** – The Company's debt liabilities (including subordinated loans) divided by equity.
26. **Interest Coverage Ratio** – Earnings before tax and interest divided by interest expense.
27. **Capital Adequacy ratio** – Equity without subordinated debt divided by total assets.
28. **Liquidity ratio** – Current assets divided by current liabilities.
29. **Total debt to equity ratio** - Total debt to equity including subordinated debt.
30. **Portfolio quality (PAR 30)** – PAR 30 loans divided by total loan us dollars divided by total equity (excluding sub. loans). The mentioned coefficient is considered an absolute value (abs)).
31. **Currency position EUR** - Open foreign exchange position in euros divided by total equity (excluding sub. loans). The mentioned coefficient is considered an absolute value (abs)).

The Company credit rating

The Company has received International Credit Rating B- with a Stable Outlook from Fitch Ratings, the credit rating agency recognized by the National Bank of Georgia. The Company does not plan to obtain rating for the bonds. The Company might additionally obtain the rating of the same or different form from a rating agency recognized by the National Bank of Georgia.

Key rating drivers in the assessment of the Company by the credit rating agency are provided below (source: https://www.fitchratings.com/research/non-bank-financial-institutions/fitch-affirms-georgian-microfinance-lender-crystal-at-b-outlook-stable-05-07-2022).

Key rating drivers:

- Crystal's rating reflects the Company's progress in improving its asset quality and access to funding but also pressure on earnings and execution risk as it plans a transformation into a licensed bank.

- The rating of Crystal reflects its leading position. Crystal focuses on higher-risk borrowers, often in rural areas with informal incomes. Among pure microfinance organizations Crystal is a notable company (13% of market by loan volume at end-1Q22 and a gross loan portfolio of GEL364 million). However, microfinance crediting represents a small niche of the wider Georgian financial sector, which is under 10% of the total loan volume of the sector. Crystal plans to apply for a banking license in 4Q22, but this should not materially alter its business model.

- Proactive management of credit risk helped limit deterioration of Crystal's loan portfolio during the pandemic, but the volume of restructured loans is still high. Loans overdue by 30 days or more plus restructured and written-off loans made up 8.1% of the gross portfolio at end-Q122. Fitch expects asset-quality risks to reduce in the following 12-18 months, but impaired loans recovery will, probably, take more time than as initially planned, leading to a higher impaired loans to total loans ratio than historic average ratio.

- Profitability remains under pressure, as Crystal's modest operational margin provides limited capacity to absorb credit losses or higher funding and hedging costs. Crystal's GEL7.3 million profit in 2021 and GEL1.9 million in Q122 were supported by a recovery of the impairment seen in the initial phase of the pandemic. Fitch expects this pressure on profits to continue in the medium term, given stiff competition among lenders in Georgia. A toughened global monetary policy may reduce supply of credit financing, but will probably increase cost of hedging.

- Crystal has modest capital adequacy (20.03% at end-May 2021), which is commensurate with its business model, and a recent reduction in the minimum capital requirement by the National Bank of Georgia mitigates the risk of regulatory breaches. Crystal would migrate to new standards for capitalization and leverage upon acquisition of its banking license.

- Pressure on Crystal's funding profile has abated after the Company regained access to credit from international financial institutions (IFIs) in mid-2021. During the pandemic, Crystal's liquidity benefitted from a credit line from the NBG (GEL33 million was available, of which GEL14 million was still unused at end-May 2022). The addition of a banking license in early 2023 would provide Crystal direct access to NBG funding and the possibility to raise deposits, but Fitch expects funding to remain reliant on wholesale borrowings from IFIs and impact investors at least in the medium term.

- Crystal has an ESG Relevance Score of '4' for Governance Structure, due to the high key-person risk in relation to its founder, Mr. Archil Bakuradze. This score is in line with that of other rated peers where the founder plays a material role in strategy or operations.

- Crystal has an ESG Relevance Score of '4' for Management Strategy. This highlights the rating sensitivity to operational implementation of the Company's strategy, including its acquisition of a banking license and reliance on borrowings from foreign lenders.

Factors that could lead to positive rating action/upgrade:

- Reduction in problem loans, improved profitability and more clarity on the Company's medium-term strategy would be positive for the credit profile;

- An upgrade of Crystal's Long-Term IDR (Issuer Default Ratings) would require a strengthening of its funding franchise, which would include both diversification of funding sources and lowering of funding costs;

- Further upgrade would be conditional on a materially larger scale and a more stable/diversified business model.

Factors that could lead to negative rating action/downgrade:

- Renewed constraints on access to external funding;

- Crystallization of asset-quality risks, leading to significant losses that threaten solvency;

- Weakening structural profitability and a reduction of regulatory capital buffer.

Brief overview of the material risks that are specific to the Issuer's business and offered securities:

Brief overview of the risks related to the industry and economy

On February 24, 2022, an armed conflict between Russia and Ukraine began. After the Russian intervention in Ukraine, both sides suffered great damage. In connection with this conflict, various countries of the world imposed certain sanctions on the Russian Federation. A large number of international companies have stopped their operations in Russia, in order to stop the aggression in Ukraine. Russian citizens have been set a limit for the withdrawal of dollars from the country, in particular, the outflow of cash from Russia's borders should not exceed $10,000. Naturally, this has put the world economy in front of challenges, especially Georgia, whose main trade partners in many sectors are Russia and Ukraine.

Despite the current situation in the region, the Russia-Ukraine war has not had a big impact on Crystal's clients as of today.

Brief information about risks specific to industry and economy

1. *The risk of economic instability and investment is high in such developing countries as Georgia*
    - *1.1. Political and governmental instability in Georgia could have a material adverse effect on the local economy and the Company's business;*
    - *1.2. There are additional risk factors related to investing in emerging markets such as Georgia;*
    - *1.3 Depreciation of the national currency, lari, against USD and other currencies of economically related countries may have a material adverse effect on the Company's activity;*
    - *1.4. Because the Company operates only within Georgia, it will be affected by changes in Georgian economic conditions.*
2. *Risks related to neighboring countries and the region*
    - *2.1. Regional tensions may have an adverse effect on the local economy and the Company's business;*
    - *2.2. Disruptions in Georgia's neighboring markets may have an adverse effect on Georgia's economy.*
3. *Risks related to competition and market demands*
    - *3.1. Existing fierce competition in the banking and microfinance sector may adversely affect the Company's current operations and its future expansion plans*
    - *3.2. Inability to swiftly adapt to evolving market preferences adversely affects the Company's profitability*
4. *Risks related to legislative and judicial systems*
    - *4.1. Non-compliance with the provisions of anti-corruption laws, can adversely affect the Company's reputation and business;*
    - *4.2. Uncertainties in the judicial system in Georgia, including 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 of the Company;*
    - *4.3. Challenges may emerge, related to harmonizing the Georgian legislation with that of the EU, required by the DCFTA;*
    - *4.4. 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 tax laws and policies in Georgia;*
    - *4.5 Antimonopoly regulations may have a negative impact on the Company's operations.*

5. *Risks related to the supervisory framework and requirements*

5.1. 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.

5.2. Compliance with existing and future regulatory requirements may disrupt the Company's normal operations or impair the Company's financial condition.

5.3. After the bond issuance, the company will become an accountable enterprise and will be subject to additional regulations and reporting requirements.

5.4 Uncompliance with the Georgian Law on "money laundering and prevention of terrorism financing" dated 30th October could have adverse effect on Company's reputation and business continuity.

Brief overview of the risks related to the Issuer's operations

6. Risks related to liquidity and financing

6.1. The Company's inability to raise sufficient funds for operations, inherent liquidity risk, foreign exchange volatility and interest rate fluctuation on the markets might adversely affect the Company's financial performance and its future operations.

6.2. Existing and future covenants might impose financial and operational restrictions on the Company's activities.

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

7. Credit risks

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

7.2. The provision for asset impairment losses may not be sufficient to cover future credit losses.

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

7.4. The company focuses on relatively high-risk borrowers, which creates additional risks.

8. Operational risks

8.1. If the Company fails to maintain effective internal control, the Company's processes, operations and future growth plans may be adversely affected.

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

9. Market risks

9.1. The Company is subject to interest rate risk

9.2. The Company has open foreign currency position

10. Reputational risks

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

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

11. Risks related to strategic development and other risks

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

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

12. Risks Related to unpredicted events

12.1. Unpredicted events such as natural disasters, state of emergency, pandemic, acts of God etc. may have a material adverse effect on the Company.

Brief overview of the risks related to the securities to be offered

13. Risks related to market price, liquidity and interest rate of the bonds

13.1. The market price of the bonds may be volatile

13.2. There may not be an active trading market for the bonds.

13.3. Bond interest income may decrease or increase due to changes in floating interest rates

13.4. Investors whose financial activities are denominated in a currency or currency unit other than the bond currency may receive less interest or principal than expected, as a result of fluctuations in exchange rates or changes to exchange controls.

14. Risks related to the right of bonds

14.1. The bonds constitute unsecured obligations of the Company;

14.2. Transfer of the bonds will be subject to certain restrictions;

14.3. 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.

15. Risks related to legislative/regulatory framework governing bonds and bondholding

15.1. Investors must rely on procedures of the Registrar and in corresponding cases - nominal holders of the bonds.

15.2. Any change of law in Georgia in the future may have a material adverse effect on the bonds, including their GSE listing and taxation of interest on the bonds.

15.3. An investment in the bonds may involve certain legal investment considerations.

Terms and conditions of the Offering

The main characteristics of the securities are defined in the “Terms Sheet” document of the Bonds.

Possible expenses imposed on investors

The expenses related to the placement of Bonds are reimbursed by the Issuer in full, and the investor will not be charged any additional expenses within the offering.

Conflict of interest related to the offering

The Company and the Placement Agent are not related parties and there is no conflict of interest between them.

The Company is not aware of any other existing or potential conflicts of interest related to the Offering.

RISK FACTORS

Investing in Bonds involves certain risks. Potential investors should carefully read this Prospectus before deciding to make an investment. In addition to the other information provided in the Prospectus, potential investors, before investing in the bonds, should carefully consider the risks described below, taking into account their own financial situation and investment objectives. Any of the risks described below could materially and adversely affect the Company business, financial condition and results of operations. If any of these risks materialize, they may adversely affect the market value of the Bonds. Furthermore, the factors described below are significant for the assessment of market risks related to the Bonds. Although the Company believes that the risks described below are the main risks associated with investments in the Bonds, some other additional risks and uncertainties may emerge, which the Company considers now insignificant or is unaware of and any of such risks and uncertainties may have consequences similar to those described below. The company, therefore, does not claim that the statements about the risks of bondholding described below are exhaustive.

The main challenge of 2022 is associated with the ongoing political events in the region. On February 24, 2022, an armed war began between Russia and Ukraine. As of today, as a result of the war, both sides have suffered material losses. The world's leading countries imposed sanctions on Russia and restricted access to foreign currency and banking transactions. The war also had an impact on Georgia, as Russia and Ukraine are among the main trading partners of Georgia.

The Company conducted a stress test before the war, which aimed at determining the impact of the recent conflict between Russia and Ukraine on the Company's activities. The corresponding stress test prepared the Company in advance for all possible scenarios and the Company continued to operate as usual after the start of the war in 2022.

Crystal allocated GEL 100,000 for humanitarian aid to affected Ukrainians. Within the first initiative, in cooperation with Embassy of Ukraine in Georgia, the Company has already used up to GEL 50,000 to finance the transportation costs of humanitarian cargo collected by various groups. The remaining amount will be gradually distributed for the humanitarian needs of the Ukrainian people. The local representation of the Red Cross is actively involved with the Ukrainian community and has become a channel for the delivery of humanitarian aid from Georgia.

The company's management's assessment of the current events is as follows: since Russia and Ukraine are not the company's trading partners, and at the same time Crystal's clients are not trading partners of the companies in these countries, the war will not have an impact on the company's operations. Even the severe scenario presents no side effects and there's no expectation that there will be serious price changes or other large scale challenges. Pursuant to the data of the 6 months of 2022, the war hasn't had a negative impact on the Company's portfolio, despite the initial expectation of the management at the beginning of February 2022. Also, it should be noted that the average loan volume does not exceed GEL 10,000, which eases loan service for customers.

Risks specific to industry and economy

1. *The risk of economic instability and investment is high in such developing countries as Georgia*

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

After gaining independence from the former Soviet Union in 1991, Georgia underwent a significant political transformation from a republic within a federal socialist state to an independent sovereign democracy.

Georgia is facing several challenges, one of which is the implementation of further economic and political reforms. However, reforms favorable to business and investors may not continue or may be reversed; Also, such reforms and economic growth may be hindered by any such changes that will affect the continuation or stability of the "Georgian Dream" government, or/and as a result of a rejection of reform policies by the President, the Parliament or other institutions.

In October 2010, the Parliament of Georgia approved amendments to the Constitution of Georgia, which provided for the expansion of the governing powers of the Parliament, the increase of the powers of the Prime Minister of Georgia, and the reduction of the functions of the President. In March 2013, the Parliament unanimously supported the constitutional amendments, which further reduced the functions of the President of Georgia. Any further changes in the powers of the Parliament, the President or the Prime Minister of Georgia may cause a political crisis or political destabilization or bring some other negative result to the political climate in Georgia.

In the parliamentary elections held in October-November 2020 (parliamentary elections included the first round held on October 31 and the second round held on November 21), Georgian Dream received 90 mandates in the 150-member parliament, 36 mandates were won by the opposition party - the United National Movement, and the rest were won by other parties. However, the opposition spectrum did not enter the Parliament and they went into protest mode. In order to neutralize the political tension, representatives of the European Union and the USA were actively involved in bilateral negotiations. They reached an agreement and in the late spring of 2021, all parties entered the Parliament. The short-term political crisis that started in November 2020 had certain impact on economic and investment activity. In addition, the attack on press representatives in July 2021 and the withdrawal of the ruling party from the agreement signed on April 19, 2021 under the auspices of the European Union or, accordingly, any further political instability may have a negative impact on Georgia's economic development, including the investment climate and private business activities.

1.2. *There are additional risk factors related to investing in emerging markets such as Georgia*

Emerging markets may have higher volatility, more limited liquidity, narrower export base and they are subject to more frequent changes in the political, economic, social, legal and regulatory environment than the developed markets. Emerging markets 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 disfavoring 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 financial crisis in Russia and later global financial crisis and may be affected by similar events in the future.

Moreover, a financial and political instability may also adversely affect the country's economy. If this happens, the outflow of capital will ensue which may seriously damage the financial system and eventually lead the economy to stagnation.

As of the date of submission of the Prospectus, the following ratings have been assigned to Georgia by international rating agencies, as of June 30, 2022:

- Fitch Ratings – BB (Stable Outlook);
- Moody's – Ba2 (Stable Outlook);
- S&P Global Ratings – BB (Negative Outlook).

1.3. Depreciation of the national currency, lari, against USD/other currencies of economically related countries may have a material adverse effect on the Company's activity

Although Georgian lari is a fully convertible currency, there is no currency market for conversion outside Georgia. There is a market in Georgia for converting lari into other currencies, but the volume of this market is limited. According to the National Bank of Georgia, in 2020, the total trade turnover on GEL-USD and GEL-Euro markets (including the sum of sales and purchases, excluding the National Bank activity) comprised USD 52.1 billion and 26.7 billion euros, respectively.

According to the National Bank of Georgia, its official reserves stood at USD 4.3 billion as of 30 September 2022, showing an annual 5.8% decrease. The level of current reserves is adequate for the country to handle crises in the short term, according to the International Monetary Fund. Furthermore, the reserves may be used if the national currency exchange rate significantly depreciates due to one-off factors, because the currency depreciation may adversely affect the country's economy.

Over the years, the exchange rate of the lari against the dollar saw notable changes due to both external shocks and seasonal factors. Among them, the following should be mentioned: the global shock of oil and industrial goods prices in 2015, Russia's ban on direct air flights in 2019, problems caused by the coronavirus pandemic (during which the exchange rate reached a historical maximum of 3.48 GEL per 1 US dollar), Russia's invasion of Ukraine. In the initial phase of the Russia-Ukraine war, the GEL started to depreciate unexpectedly along with other currencies of the region. In the period between February 24 and March 10, the GEL depreciated by 12.8% against the dollar, and the value of 1 dollar amounted to 3.40 GEL. In the following months, the Georgian economy showed resilience to the regional shock and maintained the level of capital inflows and domestic activity, as a result of which the GEL began to strengthen and recover all the losses it suffered in February and March. The National Bank of Georgia also contributed to maintaining the stability of the local currency with a strict monetary policy, which was demonstrated by the sale of 39.6 million US dollars at the currency auction held in March. As of July 31, 2022, the GEL has strengthened by 10.7% since the beginning of the year.

Furthermore, any instability of lari depends on several political and economic factors, including the ability of NBG to control the inflation. According to Geostat, average annual consumer prices inflation in Georgia stood at 2.6% in 2018, at 2.6% in 2019, at 5.2% in 2020 and at 9.6% in 2021. Since the spring of 2021, inflation pressure has increased significantly, and in July 2021, annual inflation amounted to 11.9%. In response to rising inflation, the National Bank increased the monetary policy rate four times in the March-December period, by a total of 250 basic points to 10.5%. From the beginning of 2022, inflation continued to rise amid the base effect of the previous year and the increased prices of food and energy caused by the Russia-Ukraine war. In response, in March 2022, the National Bank increased the refinancing rate by another 0.5 percentage points to 11%. Although the current high level of inflation is a global phenomenon and is mainly driven by supply-side factors, a tight monetary policy will help NBG to reduce inflation to its target level once price pressures have weakened relatively.

Maintaining inflation at the target level has an important role for the stable development of the economy. High inflation can lead to instability in currency and financial markets, lower consumer purchasing power and lower consumer confidence. All this can lead to the deterioration of Georgia's economic indicators and have a significant negative impact on the businesses of the Company's corporate clients, which, in turn, will have a negative impact on the Company.

1.4. Because the company operates only within Georgia, it will be affected by changes in Georgian economic conditions

The Company operates in Georgia and all of its revenues are from Georgia. The Company's performance is significantly affected by financial and economic developments taking place in or related to Georgia, especially the economic activity of Georgia, and these effects will continue in the future. 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 products and services of the Company.

The crisis arising from the Covid-19 pandemic had a significant negative impact on the Georgian economy, which significantly affected the tourism sector, whose share in the Georgian economy is quite high. According to the preliminary data of Geostat, in 2020, the economy of Georgia decreased by 6.8% compared to 2019.

Furthermore, as a result of the gradual lifting of the restrictions imposed for the management of the coronavirus pandemic, the economy of Georgia began to recover from March 2021, and in 2021, the economy of Georgia increased by 10.4% compared to 2020, and by 2.9% compared to the level of 2019. In early 2022, the Russia-Ukraine war increased uncertainty, trade disruptions, and raw material prices, which had a particularly negative impact on the region. The expected negative consequences of the war on the Georgian economy led to the deterioration of expectations regarding the growth of the economy. Nevertheless, after Georgia's economy showed resilience to regional shocks and maintained the level of capital inflows and domestic economic activity, growth expectations began to improve. The recovery of tourism is proceeding at a steady pace, parallel to the growth of raw material exports, which in turn is caused by the rapidly increasing prices of raw materials. The total demand in the domestic market remains robust, as evidenced by healthy growth in overall credit portfolios and fiscal spending. Based on preliminary data from Geostat, annual real GDP growth was 10.5% in the first six months of 2022. According to the forecast of the World Bank, the economy of Georgia will grow by 8.8% in 2022, and the International Monetary Fund predicts a growth of 9%. NBG expects10.0.5% growth in 2022, and the Georgian government predicts 8.5% growth. It should be noted that such differences between forecasts are caused by the ambiguity caused by regional instability. For information, the economy of Georgia grew by 5% in 2019, by 4.8% in 2018 and 2017, and by an average of 3% in 2015 and 2016.

Georgia's economic growth prospects continue to face significant threats, including exchange rate volatility, weakening financial stability, inflation, budget execution and capital outflow risks. In addition, economic growth is adversely affected by frequent political instability, which can delay the attraction of foreign investment in the country. A market crisis and deterioration of economy in Georgia may lead to a decrease in consumer spending and have a serious negative impact on the liquidity and financial condition of the Company's customers in Georgia. Uncertain and unstable global economic conditions resulting from the virus may lead to significant political and macroeconomic reforms worldwide, which in turn will have a significant impact on Georgia's economy, which will accordingly adversely affect the Company's business, financial condition and results of operations.

2. *Risks related to neighboring countries and the region*

2.1. *Regional tensions may 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, since gaining independence in 1991, Georgia has had conflicts with the breakaway regions of Abkhazia and the Tskhinvali Region/South Ossetia, and with Russia. These conflicts have led the country to certain acts of violence and violations of peacekeeping operations. In August 2008, the conflict in the Tskhinvali Region/South Ossetia escalated. Georgian troops engaged with local militias and Russian forces which crossed the international border of Georgia, and Georgia declared a state of war. Although Georgia and Russia, mediated by France, signed a cease-fire agreement, according to which Russian military forces were to withdraw from the country by the end of that month, Russia violated this agreement and recognized the independence of the breakaway regions. Accordingly, the tension persists as Russian troops continue to occupy Abkhazia and the Tskhinvali Region/South Ossetia. For example, in the summer of 2013, Russian border guards erected barbed wire fences along some parts of the demarcation line between Georgia and South Ossetia. Similar future actions will further increase tensions. Russia also opposes the NATO eastward expansion, which would potentially include former Soviet Union countries such as Georgia. The Government of Georgia has taken certain steps towards improving relations with Russia, but these steps have not resulted so far in any formal or legal changes in the relationship between the two countries.

In addition, the Armenia-Azerbaijan war should be noted in the period of September-October 2020, which had a negative effect on the economic situation of the region, raising negative expectations for the recovery process of the region's economies in 2021. On October 10, 2020, a ceasefire agreement was signed in Moscow, however, on October 11, Armenia and Azerbaijan reported shelling of cities from each other. Azerbaijan has accused Armenia of attacking major cities at night, saying the country violated a ceasefire agreement reached in Moscow on October 10. Finally, on November 10, it became possible to reach a ceasefire agreement, which turned the situation around - easing the political tension in the region and, accordingly, neutralizing the negative expectations.

The continuation of the Karabakh conflict may have a negative impact on the implementation of direct foreign investments and the tourism sector in the region including Georgia.

From July 8, 2019, direct air flights from Russia to Georgia were banned, which affected the tourism sector. At the same time, the decrease in tourist flows from Russia had a significant impact on the foreign exchange market. According to the estimates of NBG, due to banning direct air flights from Russia, the country received approximately 300 million USD less income from tourism than expected. In addition, despite the mentioned shock, the foreign balance of Georgia improved in 2019 compared to 2018.

Russia's invasion of Ukraine in February 2022 may also have a negative impact on Georgia's economy. The ongoing war in Ukraine has already caused a humanitarian crisis and brought huge economic losses not only to the countries involved in the war, but also to the regional and global economy. Since the beginning of the war, the USA and the European Union have imposed a number of sanctions on Russia, the purpose of which was to increase the pressure on Russia to stop hostilities. The negative effects of this large-scale military conflict are expected to affect regional and global economies through raw materials markets, trade and financial channels. With the outbreak of war, fuel and food prices rose, further fueling the already soaring inflation. In response to the increased pressure on prices, Western central banks are expected to raise interest rates, leading to tighter global financial conditions. Further escalation or delayed resolution of the Russia-Ukraine conflict, any additional sanctions on Russia, increased levels of uncertainty, increased political and economic instability in the region, and any future deterioration in Georgia's relationship with Russia could have a negative effect on Georgia's political or economic stability.

Furthermore, the political or economic stability of Georgia can be affected by any of the following situations:

- Worsening of Georgia's relations with Russia, including relations related to border and territorial disputes;
- Changes in the importance of Georgia as a transit country for energy carriers;
- Changes in the amount of aid provided to Georgia or the ability of Georgian producers to access the world's export markets;
- Significant deterioration of relations between the countries of the region;
- Worsening of the economic and financial situation in the countries of the region.

2.2. Disruptions in Georgia’s neighboring markets may have an adverse effect on Georgia’s economy

The Georgian economy depends on the economies of other countries within the region (Azerbaijan, Armenia, Russia and Turkey). Azerbaijan and Armenia, historically, have been the two largest markets for Georgian exports and, according to Geostat data, they accounted for 13.4% and 11.4%, respectively, of Georgia’s total exports in 2019. In 2020, the share of Azerbaijan has insignificantly whereas the share of Armenia has significantly decreased and comprised 12.5% and 6.1%, respectively, of Georgia’s total exports. Russia remains to be one of the largest markets for Georgian exports. According to Geostat, it accounted for 13.1% of total exports in 2019, 13.2% in 2020 and 14.4% in 2021. Turkey represents the biggest importer to Georgia, accounting for 17.0% of Georgia’s total imports in 2019, 17.5% in 2020 and 18.1% in 2021, according to Geostat. Ukraine is also an important trade partner, whose share in 2021 was 7.5% in exports and 4.5% in imports. Accordingly, significant dependence on the countries of the region and possible political and economic challenges in these countries represent potential obstacles for further economic growth. For the last few years, Georgia's dependence on Russia in terms of exports, tourism and remittances has been quite high. For example, in 2021, the value of goods exported from Georgia to Russia, income from tourism from Russian visitors and remittances from Russia totaled 6.3% of GDP. Such a heavy dependence on one country poses certain risks, which materialized in early 2022 during the ongoing Russia-Ukraine war. It should be noted that it is still not clear exactly what scale of negative impact this fact had on the economy of Georgia. This will depend on the duration of the war and the future escalation of the crisis, which in turn will have a material adverse effect on the Company's business, financial condition and results of operations. Any subsequent economic failure or crisis in Georgia's neighboring countries may have a strong negative impact on the country's economy.

3. *Risks related to competition and market demands*

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

The microfinance market is quite competitive and the Company has many business competitors. Microfinance market players differ significantly in their business models, which significantly determines risks of their compliance with regulatory requirements; However, large microfinance organizations with a business model similar to the Company's, such as Lasika, Micro Business Capital, Rico Credit, Swiss Capital and even commercial banks, are considered to be strong competitors. The Company's target customer is different from the target customer of commercial banks, however, the stricter lending standards and the reduced creditable customer base have intensified the competition in the financial sector and forced the banking sector to target the customers of microfinance organizations.

However, it should be noted that the Company has been guided by conservative approaches to risk management since its inception, therefore the aforementioned regulations did not have a significant impact on the Company's target customers, which is also confirmed by the Company's steadily low risk indicators, both before and after the implementation of the regulations.

However, there can be no assurance that the Company will be able to successfully compete with any or all of its current or future competitors. This competition may reduce the Company's growth rate and revenues, affecting the Company's ability to obtain sufficient financing to service its obligations or finance its operations.

3.2. *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. The Company has well developed sound corporate governance and risk management policies, which help the Company to rapidly adapt to the changing environment and smoothly introduce and implement new requirements in operations.

In response to the changing preferences of customers, the Company offers them new products and services. However, there is a risk that the introduction of new products and services may be unsuccessful and adversely affect the profitability of the business. The Company's revenue mainly depends on the issuance of business and agro credits (as of December 31, 2021, the aforementioned loan portfolio made up 75% of the total portfolio). The Company is actively expanding its branch network, which contributes to the diversification of business and agricultural loans, increasing demand and reducing risks. A decrease in demand for products can have a significant impact on a Company's revenues. The demand for the Company's products may change under the influence of various factors such as regulatory restrictions that impede customer access to a particular financial service; increasing the availability or attractiveness of a competitive financial product; changes in customer expectations and spending or borrowing patterns; changes in the financial situation of the Company's existing customers, which prompts them to obtain longer-term and/or larger loans from other credit institutions or, on the contrary, to leave the credit market altogether. If the Company is unable to keep pace with new market trends and introduce new services and products that appear in the financial market, this will have a negative impact on its operations. In addition, the introduction of new services and products may be unsuccessful and not accepted by customers. Therefore, there can be no assurance that a product diversification or change will have a positive effect on business operations and could result in a loss of revenue and a material adverse effect on the Company's business, financial condition, results of operations, prospects or cash flows.

4. *Risks related to legislative and judicial systems*

4.1. *Non-compliance with the provisions of anti-corruption laws can adversely affect the Company's reputation and business*

Corruption is one of the risks that the Company faces due to its operations in Georgia. According to the International Monetary Fund, Georgia is an emerging market and thus more vulnerable to corruption. According to Transparency International's 2021 Corruption Perceptions Index, which assesses the level of corruption in countries around the world from 0 (the highest level of corruption) to 100 (the lowest level of corruption), Georgia is rated 55 (45th out of 180 countries evaluated). The Company has an obligation to conduct business in accordance with the legal provisions of the anti-corruption legislation. Nevertheless, it still faces the inherent risk that any stakeholder - be it a director, employee or business partner - will take actions or establish relationships that violate legal provisions. Determining the impact of corruption on the Company's business operations is difficult. In some cases, this could result in reputational damage, which could have an adverse effect on the Company's business, financial condition, results of operations, prospects or cash flows.

4.2. *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 of the Company*

Georgia is still developing an adequate legal framework required for the proper functioning of a market economy. Several fundamental civil, tax and administrative laws have recently become effective (for example, the introduction of jury trial, imposition of criminal liability on legal entities, the Estonian Model of profit tax). The recent introduction of this legislation and the rapid evolution of the Georgian legal system have given rise to doubts as to the quality and the enforceability of laws and have resulted in ambiguities and inconsistencies in their application. In addition, the court system of Georgia experiences shortage of professionals and serious reforms are underway in this system. Judges and courts in Georgia are generally less experienced in commercial and corporate law than in other countries, particularly in Europe and the United States. The uncertainties of the Georgian judicial system could have a negative effect on the Georgian economy, which could, in turn, have a material adverse effect on the Company's business, financial condition and results of operations.

4.3. Challenges may emerge, related to harmonizing the Georgian legislation with that of the EU, required by the DCFTA

On 27 June 2014, Georgia signed the Association Agreement (AA) and the Deep and Comprehensive Free Trade Area (DCFTA) with the EU came into effect, which envisages the liberalization of bilateral trade. It is expected that the implementation of AA entered into with the EU will provide new opportunities for the business, though it may also pose challenges to enterprises, households and the state. The implementation of the AA and the DCFTA requires from Georgia to approximate its legislation with the EU trade and sectoral legislation, which will pose challenges especially in the fields of environmental protection and consumer safety, including in the areas of product safety and information security.

After joining the World Trade Organization (WTO) in 2000, Georgia has been gradually approximating its legislation in the sphere of trade with EU norms and practices. Recent changes in regulation include the amendments to the Labor Code adopted in 2013, which are designed to bring the regulations in labor safety of Georgia in line with the obligations assumed under the AA and the DCFTA signed with the EU. The mentioned amendments required from an employer to compensate overtime, to pay an increased compensation when dismissing an employee (in the amount of one to two months' salary), also provided for enhanced rights of employees to challenge employers' decisions in court, prohibited dismissal of employees without a clear reason and required to ensure basic working conditions.

Other changes may be made to government policy, including changes to government initiatives announced earlier or approaches to them. Moreover, the implementation of AA signed with the EU may impose a significant load on regulatory agencies, divert resources from ongoing reforms to other directions and slow down their effectiveness.

Expected changes in the sphere of regulation, implemented for the approximation with the EU legislation may require from the Company to change its policy and procedures in accordance with any amendment to laws and regulations that will be adopted. For example, the Company made changes to its labor agreements so as to comply with the above-mentioned amendments to the labor legislation. The Company expects that new changes will be adopted, however, it cannot predict the extent of impact of these changes or of its ability to comply with any such changes.

In addition, under the Association Agreement signed with the EU, the legislation related to securities is being approximated to the European legislation, which is why the Company, as an accountable enterprise, may be subject to additional regulations.

4.4. 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 tax laws and policies in Georgia

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 because the mentioned tax laws are unclear or subject to differing interpretations, and poses risk to companies that their attempted compliance could be challenged by tax authorities.

Moreover, such tax laws are subject to changes and amendments, which can result in unusual complexities for the Company and its business. A new Tax Code came into effect on 1 January 2011. 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. Furthermore, the Tax Code provides for the Georgian tax authorities to give advance tax rulings on tax issues raised by taxpayers. While the Company believes that the Company is 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 change in the future, including as a result of 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 the Company's business.

In May 2016, changes *were* introduced to corporate income tax rules, whereby only distributable profit is subject to taxation, which is defined as a cash or non-cash dividend distributed among owners – private entities or nonresident legal persons, while reinvested profit is no longer taxed. It is wort to note that the aforementioned changes do not apply to companies operating in the financial sector and their profits are taxed under the old method (15% of taxable profit). All the most important amendments to the Tax Code entered into force on 1 January 2017.

4.5 Antimonopoly regulations may have a negative impact on the Company's operations.

In March 2014, significant changes were made to the Law of Georgia "On Competition" ("Competition Law"). Many restrictions were imposed on the concentration of economic agents, abuse of dominant position, state aid, etc. It should be taken into account that there were no generally applicable competition regulatory norms in Georgia (except for certain sectors, such as the banking and communications sectors). Based on the Competition Law, the Competition Agency was established in April 2014. The latter is empowered to monitor private individuals' compliance with antitrust laws and has many powers, including imposing sanctions for violations of competition law. It is planned that in the near future the Competition Agency will have to adopt many by-laws based on the Competition Law. The novelty of antitrust legislation and the unpredictability of enforcement of such regulations may become an additional burden for the Company and adversely affect its expansion plans.

5. *Risks related to the supervisory framework and requirements*

5.1. *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. If the Company fails to duly comply with existing laws and regulations applicable to business operations, or fails to comply with all conditions necessary for carrying out business operations, or/and if NBG or/and the Tax Inspection find violations and inconsistencies with the regulatory framework, it could 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/and in criminal penalties being imposed on working officers.

If the Company fails to comply with the laws and regulations applicable to its business, the Company may be prohibited from making loans.

Though NBG regulates micro finance organizations under the Light Supervision Regime, any changes to those regulations and the failure to comply with these changes in a timely manner puts the Company's future operations at risk. Some changes to the existing regulations are anticipated, the drafts of changes are being reviewed (for detailed LRS please see the subsection "Regulatory Framework").

5.2. *Compliance with existing and future regulatory requirements may disrupt the Company's normal operations or impair the Company's financial condition*

For operating within the sector, micro financing organizations have to comply with NBG requirements. The main requirements for MFOs are to: 1) the regulatory capital of a microfinance organization must be at least 1,000,000 (one million) GEL, 2) Capital ratio - ratio of regulatory capital to total assets after deduction - at least 18%, 3) Liquidity ratio - ratio of average liquid assets to average liabilities at least 18%, etc. (For more information, please see the subsection "Regulatory Framework").

Microfinance organizations have the authority to provide customers with both credit and operational products (utility payments, remittances and currency operations), as well as the authority to receive loans from individuals and financial institutions, although the activities defined by the Law on Microfinance Organizations do not include receiving deposits from customers.

Active changes in the regulatory framework started in 2016 and were enacted gradually. As a result of the imposition of a 100% upper limit on the effective interest rate since January 2017, several microfinance organizations have ceased operations due to significantly reduced profit margins and the inability to generate the operating profit required to function. From September 2018, this limit was halved to 50%, forcing even more players in the sector to exit the market as they could no longer make the operating profit they needed to function. Therefore, any changes in existing requirements or the introduction of new requirements may force the Company to cease operations due to non-compliance with the requirements or because the business cannot meet such stringent requirements.

From September 2018, two new rules developed by NBG - "Rule of Supervision and Regulation of Microfinance Organizations" and "Rule of Classification of Assets of Microfinance Organizations and Formation of Possible Losses" came into force. Also, an important regulation, which came into force in January 2019 and affected all lending organizations, including microfinance organizations, is related to responsible lending to individuals. Lending organizations cannot provide loans to individuals if they do not meet the criteria defined by the Regulation, which is established by the National Bank in this Regulation. For more details, see "Regulatory Framework".

There is a risk that compliance with existing and future regulatory requirements could disrupt the Company's normal operations or impair the Company's financial condition.

5.3 The company will become an accountable enterprise after the bond issue and will be subject to additional regulations and reporting requirements.

As a result of the bond issuance, the company "On Securities Market" will become an accountable enterprise and issuer of public bonds according to the Law of Georgia ("Securities Law"), on the basis of which the requirements established by the legislation on securities will be applied to it in accordance with transparency, periodic and current information disclosure, and corporate management. and with respect to other matters (for details, please see the subsection "Regulatory framework" of the registration document)

These requirements may be an additional regulatory burden for the company, and in certain cases, the company may not be able to fully meet these requirements.

5.4 Uncompliance with the Georgian Law on "money laundering and prevention of terrorism financing" dated 30th October could have adverse effect on Company's reputation and business continuity.

Businesses are inherently exposed to money laundering and terrorist financing risks. Accordingly, the Company, as a microfinance organization, is required to comply with existing regulations to promote the prevention of money laundering and terrorist financing, the Company has implemented anti-money laundering and anti-terrorist financing strategies and policies/procedures to effectively implement internal controls. However, in some cases these measures may not prevent all possible violations of legal requirements. Failure to comply with all relevant anti-money laundering and anti-terrorist financing legal requirements may result in criminal and administrative sanctions and other remedial measures, including: a written warning, suspension of the authorized/responsible person's (administrator's) signature, or Dismissal from office, cancellation of control for the controlling person, prohibition/restriction of certain types of operations/activity, monetary fine, temporary administrative regime, confiscation of license/cancellation of registration, etc. Any sanction, remedial action or investigation for alleged violations of anti-money laundering and anti-terrorist financing laws would harm the Company's reputation and have a material adverse effect on the Company's business, financial condition, results of operations, prospects or potential investments.

Risks related to the Issuer's operations

6. *Risks related to liquidity and financing*

6.1. The Company's inability to raise sufficient funds for operations, inherent liquidity risk, foreign exchange volatility and interest rate fluctuation on the markets might adversely affect the Company's financial performance and its future operations

Two new regulations enacted in September 2018 - "Rule of Supervision and Regulation of Microfinance Organizations" and "Rule of Classification of Assets of Microfinance Organizations and Formation of Possible Losses" - regulate the Company's liquidity indicators (For more details, please see the subsection "Regulatory Framework"). In addition to the regulation adopted by NBG, the Company's liquidity and working capital requirements are also determined by the demand for loans and for credit products, namely the increase or decrease in the demand for loans from the customer side. An important factor in the Company's future performance is its ability to manage the liquidity risks inherent in this business. At this stage, the Company actively uses credit lines in financial institutions as one of the tools to manage liquidity risks, which simplifies liquidity management. If cash flows from operations and existing credit lines are not sufficient to fund current cash needs, the Company may need to seek additional credit facilities, as well as potential sources of additional capital, to meet these needs. Also, a downturn in the economy or industry can increase the level of problem loans. A significant deterioration in debt collection would affect cash flow and working capital and also adversely affect the cost or availability of financing available to the Company.

If the Company's financial resources are insufficient to meet its capital requirements, the Company will have to raise additional funds (as of June 30, 2022, the Company's Debt/Equity (including subordinated loans) is 4.17). The Company may not be able to raise sufficient additional funds on terms that are favourable to business, if at all. If the Company fails 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.

Internal financial risk management procedures and continuous practice to minimize the exposure to the exchange rate risk through hedging of foreign currency denominated financing, enables the Company to manage potential liquidity issues. However the Company's inability in the future 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, that 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, the Company's profit margin and overall financial condition. Fluctuations in market interest rates are subject to various factors beyond the Company control, such as the regulatory framework of the sectors and the economic and political environment in Georgia.

6.2. Existing and future covenants might impose financial and operational restrictions on the Company's activities

The terms of the Company's existing financing may include several customary restrictive covenants relating to leverage (financial risk), changes in business profile, changes in control, dividend payment policies, asset purchases, sales, portfolio pledges, etc. Such may limit the Company's ability to finance its operations or make capital expenditures, acquisitions or other investments in the future. Failure to comply with any such covenants under existing and future financing agreements may constitute a default, which would entitle the lenders, together with other rights, to terminate the availability of future credit, increase the interest rate on outstanding debt or/and shorten the maturity of outstanding obligations. In the event of a significant increase in the liability in the future, the Company will face the risk of possibly violating the existing covenant, which will lead to the restriction of access to financing from the lender and the withdrawal of existing financing. Due to future increases in liabilities, any such default would have a material adverse effect on the Company's business, financial condition, results of operations, prospects or cash flows.

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

7. Credit risks

7.1. 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 committees at various levels for loan approval (for detailed information on the loan approval procedures please see the *Loan Granting Procedure* in the subsection "Main Activities"), it might be unable to correctly evaluate the current financial condition of each prospective customer and measure his/her/its solvency. Decisions are based partly on information provided by loan applicants. Prospective customers may fraudulently provide inaccurate information and if this fraud goes undetected, the credit committee may define the customer's credit risk incorrectly based on this information. 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).

One of the most important components of credit risk management is creating an adequate provision for loan losses and portfolio diversification. Diversification is carried out according to customer, geographical area, activity and sector concentration. The loans issued are relatively short-term, denominated in national currency and backed by collateral, which also reduces credit risks.

7.2. The provision for asset impairment losses may not be sufficient to cover future credit losses

The Company records its loan impairment reserve according to International Financial Accounting and Financial Reporting Standards. As future credit risks generally require substantial judgment and evaluation over a period of time, the Company may not be able to adequately assess future risks and thus the provision may be inadequate to cover actual credit losses. The Company's reserve may be insufficient if unforeseen or adverse changes occur in Georgia's economy, or if changes in laws and regulations occur, or if other events adversely affect a particular borrower, industry or market. In such circumstances, the Company may need to create additional reserves, which could significantly reduce the Company's earnings and materially and adversely affect its business, financial condition and results of operations.

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

82% of the Company's portfolio consists of unsecured loans. The LTV ratio as of June 30, 2022 exceeds 100% in 85% of the cases. Compared to 2021, this data has increased by 14% (30/06/2021: 71% of the portfolio). The LTV ratios of the portfolio are given in the table below:

LTV ratio	Share in portfolio
Less than 50%	7%
51%-70%	4%
71%-90%	3%
91%-100%	1%
More than 100%	85%

In the event of a breach of the terms of a credit agreement, the Company has the right to exercise its security rights against such collateral and/or recover the loan by selling the secured assets. Although the Company verifies the collateral at the loan pre-approval stage, the value of the collateral may decrease significantly and be seriously adversely affected by various factors, such as damage, losses, excess supply, devaluation or a decrease in market demand. In order to avoid this risk, the Company has the right, in case of impairment, to request the addition of collateral according to the collateral agreement.

If the value of a collateral securing the loan proves to be insufficient to compensate the losses from the relevant overdue loan payments, the Company may need to obtain additional collateral 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 securing the loans, or the Company’s failure to obtain additional collateral 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 collateral or pledge.

7.4 The company focuses on relatively high-risk borrowers, which creates additional risks.

The company focuses on higher-risk borrowers, often people with informal income who own businesses in rural areas. More than 85% of the loans issued are unsecured, which increases the risk that loans may not be repaid on time.

Proactive credit risk management helped to reduce the deterioration of Crystal's loan portfolio during the pandemic, but the number of restructured loans remains high. Loans 30 or more days past due, restructured and written-off loans totaled 8.1% of the total portfolio at the end of Q1 2022.

8. Operational risks

8.1. If the Company fails to maintain effective internal control, the Company's processes, operations and future growth plans may be adversely affected

The Company constantly takes steps intended to enhance internal controls, however certain matters such as fraud and embezzlement cannot be eliminated entirely. If the Company fails to ensure that a high-level internal control system is functioning properly, it may affect the efficient management of processes/operations, the prevention of errors and fraud, the targeted use of cash, and the accuracy of the reporting of the Company's results (for more information on internal control mechanisms, please see the *Loan Granting Procedure* in the "Main Activities" subsection).

In order to reduce the aforementioned risks to an acceptable level, the Internal Audit Department of the Company carries out an evaluation of the effectiveness of the internal control system, periodic monitoring of the activity of service centers, control of compliance of processes and operations with external and internal regulations, assessment of the adequacy of spending of funds, development of recommendations for effective management of processes and correction of identified deficiencies.

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

Information assets and information systems are vulnerable to several inherent risk factors, including computer viruses, unauthorized access, physical server damage, and computer software or hardware failure. Any disruption or breach of security in information systems can have a serious impact on business operations such as timely customer service, accurate accounting of financial data, and protection of business and customers from financial fraud or theft. If data about the Company's business operations are obtained or/and disclosed, the Company's reputation may be damaged, the customers' confidence in the business may be reduced, and as a result, the Company may incur significant financial losses.

In addition, there is a risk that the Company will not be able to keep up with the latest technological developments due to financial or technical limitations. If the Company is unable to successfully implement or complete the upgrade of the Company's information systems and infrastructure or/and adapt its business operations and software to meet its needs or regulatory requirements, it could have a material adverse effect on its business, financial condition, results of operations, prospects and cash flows.

In the face of rapid development of information technologies, the Company continuously defines, implements and updates various approaches to ensure the protection and security of information assets and information systems. Within the network protection systems, the Company protects information from unauthorized access. The Company's information systems and information assets are subject to monitoring and log analysis. As part of the anti-virus system, the Company's information assets and information systems are subject to protection from malicious programs and computer viruses.

9. Market risks

9.1. The Company is subject to interest rate risk

The company has interest bearing assets and liabilities on its balance sheet. There is a risk that the interest rate on the Company's interest-bearing liabilities will increase and the Company will not be able to increase the interest rate on its interest-bearing assets accordingly or at all (for more information, please see the subsection "Capitalization and Debt"). This may lead to a decrease in the net interest margin, which will have a negative effect on the company's financial position.

9.2 The Company has open foreign currency position

The company assets and liabilities are denominated in several currencies (GEL, USD, EUR, RUB) as at June 30, 2022. The company has open foreign currency position in USD:

	EUR	USD	Other	Total
Assets				
Cash and cash equivalents	2,921	5,659	820	9,399
Issued Loans	-	545	-	545
Other financial assets	-	550	2	552
Total Assets	**2,921**	**6,754**	**822**	**10,496**
Liabilities				
Borrowings	-	167,907	-	167,907
Lease liability	-	6,075	-	6,075
Other financial liabilities	19	8	-	27
Total liabilities	**19**	**173,990**	**-**	**174,009**

Net position	**2,902**	**(167,236)**	**822**	**(163,513)**
Effect of hedging instruments	**(3,190)**	**168,322**	**(5,545)**	**159,587**
Net position after the effect of hedging instruments	**(288)**	**1,086**	**(4,723)**	**(3,926)**

There's a risk that foreign currency fluctuations could have adverse effects on company's financial position. For more information on the company's open foreign currency position, please refer to *Capitalization and Indebtedness* sub-chapter.

10. Reputational risks

10.1. Damage to the Company's brand name and reputation or deterioration in the quality of service could weaken the Company's ability to attract new customers and retain 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. The Company's reputation and brand may be harmed due to technical difficulties, regulatory sanctions, interruption of service delivery, deterioration of service quality and other inherent circumstances which may have a material adverse effect on business, financial condition, results of operations, prospects or cash flows.

10.2. 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 six times by credit portfolio size (GEL 1,411 million by the end of June 2022, though it was only GEL 229 million by the end of 2010) (source: *National Bank of Georgia*). Various groups, non-government organization and politicians have advocated governmental actions designed to protect customers from disproportionately high interest rates of MFOs and place severe restrictions on MFOs activities. Changes in the regulatory framework and the introduction of standard rules for operation have significantly improved the qualification and transparency of the sector, which is a necessary prerequisite for increasing customer confidence in the sector.

The Company's ability to attract new customers and retain existing customers is highly dependent upon the success of their marketing campaigns and public reputation. Negative perceptions or publicity regarding lending by MFOs could erode trust and confidence in the Company and damage the Company'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.

11. Risks related to strategic development and other risks

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

As of the first quarter of 2022, the Company had about 1,000 full-time employees. The success of the Company's business model depends in part on the continuity of performance of key management and employees and the Company's ability to attract, retain and motivate qualified personnel. In addition, the Company's key management and other personnel have established significant working relationships with regulators and have detailed knowledge of the Company and the markets in which the Company operates. The Company's success will depend in part on its ability to retain such personnel and hire qualified personnel as needed. There can be no assurance that the Company will be able to attract, hire and retain sufficiently qualified personnel. Failure to do so would have a material adverse effect on the Company's business, financial condition, results of operations, prospects or cash flows.

Also, though to date the Company has not had an incident that would be classifies as a strike, lawsuit or voluntary refusal to fulfill contractual obligations under the Georgian Law and Article 49 of the Labor Code, there is no guarantee that this will not happen in the future. Strikes and other actions could disrupt the Company's operations or make it more expensive to operate the Company's facilities, which could adversely affect the Company's financial condition.

11.2. 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 the Company 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.

Traditionally, the Company's litigations have not required a significant amount of time or effort on the part of management, although the Company is not immune from being a defendant in disputes that may require significant time and attention of management and result in significant costs in the form of legal fees and other related expenses. Business is also subject to a regulatory framework, and the Company may be affected by the interpretation of laws, rules and regulations within that regulatory framework. Any such event could have a material adverse effect on the Company's business, financial condition, results of operations, prospects or cash flows.

12. Risks Related to unpredicted events

12.1. Unpredicted events such as natural disasters, state of emergency, pandemic, acts of God etc. may have a material adverse effect on the Company

Unpredicted events such as natural disasters, state of emergency, etc. may have a material adverse effect on the Company’s operations, cause damage to its property or otherwise negatively affects the Company’s operations.

On 11 March 2020, the World Health Organization (WHO) declared the Covid-19 outbreak a global pandemic. No one knows when the virus will be eliminated. Nor is a comparable historical example available, making it difficult to predict the future of the economy. This crisis led to a decrease both in demand and supply (due to shrinkage of production and disruption in the supply chain). The crisis resulting from the pandemic adversely affected the tourism sector which accounts for a relatively high share of the Georgian economy. That, in turn, affected the Georgian economy in general. According to the Geostat, the Georgian economy shrank by 6.8% in 2020, as compared to 2019. The decrease, naturally, had a negative effect on the majority of economic sectors.

A strict lockdown introduced shortly after the pandemic broke out, in the first months of 2020, slowed down the spread of the virus; however, a gradual easing of restrictions in the spring of 2020, was followed by a second wave of the pandemic in Georgia in the second half of the year. The government introduced partial restrictions from late November 2020 to early February 2021, including a curfew from 9 p.m. till 6 a.m.; closedown of restaurants and other catering facilities, halt of public transport, etc. Those measures led to decrease in cases of infection, enabling the government to gradually reopen the economy since March 2021.

July and August 2021 saw increase in Covid-19 cases again. Certain restrictions were tightened: wearing of face mask outdoors became compulsory, large gatherings were banned, municipal transport was stopped, etc. Since July a notable rise was observed in the vaccination rate with the government ensuring a sufficient amount of vaccines. In late 2021, a new coronavirus strain called Omicron emerged and as of the date of this Prospectus, the cases of this new variant were identified in Georgia too. Emergence of new Covid-19 variants is a new risk factor increasing a probability of new restrictions both locally and internationally. A significant decrease in Covid-19 cases was observed in 2022 and the government lifted most of pandemic-related restrictions.

The impact of the Covid-19 pandemic on the Company's financial situation is described in detail in the *Registration Document* section of the Prospectus (subsections: *Financial Situation, Operating Results*).

Risks related to the securities to be offered

13. Risks related to market price, liquidity and interest rate of the bonds

13.1. 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 such as 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 many 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/and 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 and financial conditions of the Company or other factors, some of which may be beyond the control of the Company.

13.2. 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.
Although the secondary market rate of the foreign currency denominated bond segment significantly exceeds that of the GEL denominated bond, an active trading market for bond trading may not exist, especially in such developing economies as Georgia. During 2021, taking into account a number of unforeseen circumstances, the rate of secondary market activity has increased to 16% compared to 8% of the previous year (the volume of secondary market transactions during the year is compared with the average annual balances of securities). Despite the increase of 8 percentage points, the rate of 2021 is still behind the pre-pandemic period, namely the 25% rate of 2019.

13.3. Bond interest income may decrease or increase due to changes in floating interest rates

The bonds are issued with a floating interest rate, namely the 6 month Tbilisi interbank interest rate (TIBR3M) of the National Bank of Georgia (which is published at the following address: https://nbg.gov.ge/en/monetary-policy/tibr) plus 475 basis points, including taxes established by the law. If the National Bank reduces or increases the refinancing rate, the interest rate of the mentioned bonds will be adjusted accordingly and the investor will receive less or more interest income.

13.4. Investors whose financial activities are denominated in a currency or currency unit other than the bond currency may receive less interest or principal than expected, as a result of fluctuations in exchange rates or changes to exchange controls currency transaction adjustments

The Company will pay principal and interest on the bonds in GEL. This presents certain risks related to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the investor's currency) other than GEL. These include the risk that exchange rates may significantly change (including changes due to devaluation of GEL or revaluation of the investor's currency) and the risk that authorities with jurisdiction over the Company's or the investor's currency may impose or modify exchange controls. An appreciation in the value of the investor's currency relative to GEL would decrease (i) the investor's currency equivalent yield on the bonds, (ii) the investor's currency-equivalent value of the principal payable on the bonds and (iii) the investor's currency-equivalent market value of the bonds.

Governmental and monetary authorities may impose (as some have done in the past in other countries) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected on the bonds.

14. Risks related to the right of Bonds

14.1. The Bonds constitute unsecured obligations of the Company

Obligations of a company bound by bonds are unsecured liabilities of the company. Accordingly, any claim made to the Company in relation to the Bonds will not be secured. According to the Law of Georgia "On Rehabilitation and Collective Satisfaction of Creditors", by law, secured creditors have an advantage over unsecured creditors, that is, in relation to the means of security concluded in favor of secured creditors. The existing debt obligations of the issuer represent the category of secured creditors, while the claims of "bond holders" belong to the category of unsecured claims. According to the mentioned law, in case of bankruptcy of the issuer, the insolvency mass will be distributed in the following order: a) expenses of the bankruptcy regime (which, in turn, includes the costs of the process provided for in Chapter V of the Code of Civil Procedure of Georgia; compensation of the bankruptcy manager; and expenses related to the proceedings, including in the process of conducting the bankruptcy proceedings the cost arising from the labor relationship, the cost of property management, as well as the cost of various professional services purchased by the manager's decision); b) Debts incurred by the issuer after the court has issued a decision regarding the declaration of insolvency and the opening of the bankruptcy regime, including tax liabilities incurred after the initiation of bankruptcy proceedings; c) Preferential claims - amounts to be paid before the notice of acceptance of the application for insolvency, 3 months' salary and vacation expenses (except for the salary and vacation expenses of the debtor's directors and members of the supervisory board, as well as their family members), amounts to be paid due to industrial injury (for each creditor - no more than 1 in the amount of 000 GEL); d) Preferential tax claims - sums of indirect taxes provided for by the Tax Code of Georgia arising during the relevant tax period of the last 3 years prior to the decision of the court to accept the declaration of insolvency; e) Unsecured claims, including the amount of taxes incurred prior to the notice of admissibility of the application for insolvency, which are not covered by other subsections of Section 104(1) of the Law on "Rehabilitation and Collective Satisfaction of Creditors" - claims of "bondholders" belong to this category. The Company's ability to meet such requirements will depend on, among other factors, its liquidity, general financial strength and ability to raise assets.

14.2. 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 ("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/and 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.

14.3. 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 other bondholders, including bondholders who did not attend and vote at the relevant meeting and bondholders who voted in a manner contrary to the majority (please refer to the "Terms of Bond Issuance" of the Prospectus, paragraph 11. "Bondholders Meetings, Changes and Waiver of Rights").

15. Risks related to legislative/regulatory framework governing bonds and bondholding

15.1. Investors must rely on procedures of the Registrar 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 Register maintained by the Registrar (as of the date defined in the Terms and Conditions of the Bonds). A bondholder must rely on the procedures of the Registrar and, where applicable, of the nominal holders to receive payments under the Bonds. The Company has no responsibility or liability for the accuracy of records or receipt of amounts by beneficiaries. Also, the Issuer has no responsibility for any error made by any person during payment.

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

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.

In the future, changes in the taxpayer's income taxation regime may negatively affect the amount of net income the bondholders may receive.

Securities legislation may be subject to further amendments, including the amendments that may adversely affect the bond emissions, their registration, placements, stock exchange trading access, as well as transaction and settlement procedures of the stock exchange as well as secondary market.

15.3. An investment in the Bonds may involve certain legal investment considerations

The investment activities of certain investors may be 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 a 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 minimum reserve requirements or similar rules.

15.4. The application for bond purchase can be partially satisfied

If in the process of formation of the final interest rate (Book-building) from potential investors for the purchase of bonds, interest is expressed in the purchase of more bonds than is provided for in this prospectus, then the applications will be satisfied partially, in proportion to the amounts indicated in the received applications or otherwise, according to the issuer's decision. In addition, if the potential investor's application is only partially approved, the potential investor has the right to refuse or continue to participate in the bond purchase process. Detailed information is presented in the subsection: "Terms and Conditions”.

Reasons of the Offering and Use of Proceeds

With the net funds raised from the bonds, the company plans to provide debt financing to Women's Micro, Small and Medium Enterprises (WMSMEs), as outlined in the company's Gender Bond Framework. The gender bond framework is not a mandatory document that the issuer is required to draw up in case of issuing gender bonds. Its submission is recommended by the ICMA (International Capital Market Association) (see below for information on the Gender Bond Framework). Also, the opinion of the second party is a non-binding document, which was prepared by the Crystal with the help of an external expert (see information about the opinion of the second party below). There is no binding regulation regarding the framework of social bonds and the opinion of the other party.

The company has drawn up a gender-equal, social bond framework, on which the external evaluator Scope Ratings has issued an opinion.

The Social Bonds Framework Document includes:

- **Use of Proceeds** - 100% of the net funds will be used to provide loan financing to women small and medium entrepreneurs. These will include loans related to climate change, small energy efficiency projects and renewable energy asset acquisitions.
- **Project evaluation and selection process** - Eligibility will be primarily guided by the following definition: "WMSMEs are defined as Crystal's clients with loans applied by, disbursed to, and signed by a woman for a business which is the main source of repayment of her loan as per the loan application."
- **Management of Proceeds:** Crystal Gender Bond Framework sets forth procedure for the management of bond proceeds, in order to avoid misappropriation of the funds for the uses other than those set out in the framework.
- **Reporting:** The Framework sets forth specific KPIs to be reported by Crystal to Bond investors annually. These include:
  1. Number of WMSME borrowers;
  2. Number of WMSME borrowers of climate-related loans;
  3. Number of WMSME borrowers in rural areas/

For more information on the Gender Bond Framework and the Second Party opinion issued by the Scope Ratings, please refer to - *https://ir.crystal.ge/*

Social Bond Principles

The SOP is a voluntary process guide that recommends information publicity and transparency, and by defining the method of issuing social bonds, contributes to the development and unity of the social bond market. The SOP is intended to be widely used by the market: it provides issuers with guidance on the key components needed to issue a credible social bond; By providing access to the necessary information, SOPs help investors assess the positive effects of their social investment; SOP also helps underwriters by moving towards market disclosure standards, which in turn helps increase transactions. The Social Bond Principles recommend that issuers ensure the transparency of the social bond issuance process and the disclosure of related information, which will allow investors, banks, underwriters, and other intermediaries to understand the characteristics of a given social bond.

SOP emphasizes the need for rigor, accuracy and integrity of the information that the issuer provides to interested parties. (icmagroup.org).

The company has prepared a Second Party Opinion (SPO) with the help of an external appraiser. The institution providing the second-party opinion must be independent from the issuer's adviser on the social bond framework (in this case Galt & Taggart) (icmagroup.org) or there must be appropriate procedures within the institution, such as information barriers, which ensure the independence of the second-party opinions. This usually includes an assessment of compliance with the principles of social obligation. In particular, it may assess the issuer's broad goals, strategy, policies and/or processes related to social sustainability. Also, it may include the evaluation of the social characteristics of the projects intended for the use of the funds received from the issue.

Registration Document

Persons responsible for preparation of the document:

Ilia Revia – Chief Executive Officer of JSC Microfinance Organization Crystal.

Davit Bendeliani – Chief Financial Officer of JSC Microfinance Organization Crystal.

Statement of responsible Persons

The responsible persons state that *"the information presented in the registration document includes all the material facts known to them, and no such information was omitted that would affect the content of the Prospectus".*

Issuer's financial auditor

The Issuer's financial auditor is Deloitte and Touche LLC, ID No. 204422240. Address: 12, Merab Alexidze Street, 15th floor, Tbilisi, Georgia. Tel.: +995 322 244 566 12, E-mail: getbiinfo@deloitte.ge

During the presented periods, there was no change in the financial directors of the company.

Information on the Issuer

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

In 2011, the US investment bank Developing World Markets (DWM) became the 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.

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

MICROFINANZA MFR RATING A 2020

CORPORATE SOCIAL RESPONSIBILITY AWARD 2020

BEST ANNUAL REPORT AND TRANSPARENCY AWARD 2019

CORPORATE SOCIAL RESPONSIBILITY AWARD 2019

MOST RESPONSIBLE LARGE COMPANY OF THE YEAR 2018

Primary Activities

Crystal is the leading microfinance organization on the market (24% of market share as of 2021) by total assets. It manages the loan portfolio of GEL 360 million, employs up to 1,000 members of staff, operates through 50 branches and serves around 120,000 customers across Georgia.

Information about subsidiaries of microfinance organization Crystal is given in the table:

Company Name	Identification number	Equity participation	Date of establishment	Activity
Crystal Consulting, LTD	412734359	100%	26-Jan-2018	Consulting activity
Akido LTD	412746015	100%	01-May-2019	Online sales, delivery
JSC Crystal Leasing	412752098	100%	13-Mar-2020	Leasing activity

**The issuer is not significantly dependent on the companies included in the group.*

Micro, small and medium business lending is the core business of the Group. Crystal's financial products include:

Products:

- Micro business loans;
- Agricultural loans;
- Consumer loans;
- Small and medium enterprises loans;.
- Installments;
- Pawn shop loans;

  Mortgage loans.

Services:

- Currency Exchange;
- Money Transfers;
- Utility payments;

Pripary characteristics of the abovementioned loans are summarized in the table below:

#	Product	Loan Amount(GEL)	Currency	Term (Months)	Nominal Interest Rate	Age Restriction (Years)	Penalty per delayed day	Use of Proceeds	Collateral
1	Business Loan	Up to 100,000	GEL	Up to 84 Months	16%-38%	70 years	20 GEL	1. Business; 2. Start-up; 3. Consumer; 4. Mortgage; 5. Working Capital;	1. Guarantee for <30,000 GEL - real estate for >30,000 GEL; housing collateral. 2. Guarantee from > 10,000 GEL; 3. > 10,000 GEL guarantee / real estate; 4. Guarantee for 30,000 GEL - real estate for >30,000 GEL; 5. Not required
2	Agro Loan	Up to 100,000	GEL	Up to 84 months	16%-38%	70 years	20 GEL	1. Agriculture; 2. Agro Start-up; 3. Agricultural purpose 4. Morgtage; 5. Working Capital; 6. Agriculture	1. Guarantee for loans below 30.000; above 30,000 housing collateral; 2. . Guarantee from > 10,000 GEL; 3. > 10,000 GEL guarantee / real estate; 4. Real estate; 5. Guarantee for 30,000 GEL - real estate for >30,000 GEL; 6. Not required
3	Consumer Loan	Up to 100,000	GEL	Up to 84 months	16%-38%	70 years	20 GEL	1. 1. Agriculture; 2. Agro Start-up; 3. Business; 4. Mortgage;	1. For loans above 10,000 guarantee or housing collateral is required 2. > Guarantee from 10,000 GEL;; 3. Not required; 5. Real estate.
4	Installments	Up to 100,000	GEL	Up to 48 months	0%-35%	70 years	20 GEL	1. Purchase of Business/Agro Equipment; Working Capital; 2. Purchase if items and services; 3. Revenue insurance.	1. No collateral for <15,000, > 5000 guarentee or real estate;; 2. Not required; 3. Not required
5	Pawn Shop Loans	Up to 100,000	GEL	1-36 Months	16%-36%	70 years	20 GEL	1. Consumer	Gold item
6	Auto Loans	Up to 100,000	GEL	Up to 60 months	18%-48%	70 years	20 GEL	1. Consumer 2.Auto loans	1. Auto Vehicle; 2. Auto Vehicle.

The group's mission is to support and develop micro, small and medium-sized businesses in Georgia and to improve the social and economic conditions of clients, by offering them acceptable financial services.

Loan Disbursement Procedure

- Offer to the borrower - offers are permanently made to both closed and current clients by telephone or direct marketing by his service expert;
- Visit to the branch - in the main case, the borrower is met at the branch;
- Filling out the application - the client specifies the requested amount in the loan application, and also signs his consent to the verification in Credit Info and the verification of his data in state services

- Verification in the internal program (old history, verification of connections, verification of the branch and the expert, who should process the loan) - the company has a special instruction on how to serve the client if he is a current client of another branch or expert, and the limitation related to About the total commitment of individuals in the company, accordingly, the expert thoroughly verifies the applicant in the internal program.
- Verification in Credit Info - in order for the loan to be processed, it is necessary to verify the borrower in the Credit Info Georgia database in order to avoid a number of complications in the future.
- Adding the application to the program - after all the above-mentioned procedures, the loan application is added to the program, where the loan parameters required according to the application are indicated in detail, this issue is a high priority because even if the application is rejected, the company should have the remaining data about who processed the loan and for what reason it was rejected.
- Visit planning - when the loan amount, term, interest rate, security, etc. will be detailed. Clarification and agreement with the borrower, it is necessary to schedule a visit to either the business/residential address or to evaluate the collateral.

Collateral assessment

- Any type of collateral is inspected by credit officers. Inspection of standard and non-standard (special equipment such as bus, cargo carrier, etc.) types of auto-vehicles is carried out at the service center of the microfinance organization. If there is no option to bring the special equipment to the service center, experts will visit the site for inspection purposes. Unlike real estate, a vehicle is appraised by a specialized appraiser based on the information and photos provided by the officer as a result of the inspection.
- In the case of a business loan, the loan officer will visit the business location to conduct a detailed study of business premises, operations, income and expenses, as well as to conduct collateral inspections.

After the collateral inspection, the credit officer documents the obtained information and photographs of the collateral. Collateral is also evaluated through market research. The adequacy of the value is checked and confirmed by the credit committee member(s) based on the information obtained, the images and the reference price.

Provision of the documentation to the credit committee and loan approval

- After successfully completing the loan application, the credit officer creates a loan project in the system, where the borrower's financial information is analyzed. The credit officer conducts the analysis of the borrower's financial information and summarizes the information;
- If the borrower's income does not meet the loan service ratio, the credit officer is authorized to register and reject the loan application in the system without sending it to the committee; If the borrower's income meets the loan service ratio, the credit officer registers the loan in the loan management program, uploads the obtained documents and photographs and sends them to the credit committee for review.
- The number of credit committee members is determined by the type and volume of the loan. The committee consists of at least one member. The credit committee is authorized to approve, reject or change the terms of the loan such as volume, term and payment schedule. In case of loan approval, the decision is documented.

Operational Services

- In case of loan approval, the credit officer contacts the borrower and informs about the terms of the approved loan.
- After reviewing the approved conditions, in case of the consent of the user, the loan agreement is drawn up based on the approval document.
- After signing the agreements by both parties, the credit officer provides the service center manager with complete loan documentation for verification. After verification, the manager authorizes the loan.
- After the loan is authorized, the borrower can withdraw money from the company's cash desk or ATM using a plastic card.

2022-23 marketing strategy and primary channels

The content of Crystal's marketing communications is determined by Crystal's brand. According to the brand positioning, Crystal is a development platform for micro and small entrepreneurs. Crystal offers financial and consulting services to consumers in order to promote and develop entrepreneurs.

Crystal's communication plan is divided into 2 main areas of development of entrepreneurship:

- Offering financial products tailored to customer needs:
  - Business Products;
  - Non-business products for other needs;
- Promoting entrepreneurship and empowering women:
  - Motivating to be successful and confident entrepreneur;
  - Professional knowledge and information;

Financial Products:

Product selection/offering is driven by marketing based on experience, analytics and research on a quarterly basis.

Depending on the seasons and other external factors, communication/advertising is done on various product offerings. Although the main emphasis is on entrepreneurial products (business and agro loans, entrepreneurial installments).

Company's primary communication channels include:

- Social Media;
- Radio;
- SMS;
- Web-site;

Integrated marketing communication is planned for the following 5 products in 2022: Business Loans; Agro Loans; Auto Loans; Consumer Loans and Installment Loans;

In preparation for the autumn and New Year seasons advertisements for Business and agricultural loan advertisements commence. This takes place in the second half of the third quarter.

The company developed the auto loan product a few months ago. By the end of the year, the awareness and sales of this product is planned to increase significantly.

Consumer loans are one of the most in demand products. Crystal effectively generates demand for this product using social channels.

Installments are usually the best-selling product of the 4th quarter in terms of quantity. Therefore marketing campaigns are generally actively launched during this period.

This year, the company created a new product "Moiare" aimed at tourists. The company is working to increase the awareness of this specific segment in order to generate leads.

Through the digital channel, the leasing product is also successfully advertised. The leads are being generated and the rate of customer retention is gradually increasing.

Crystal systematically researches various channels of attracting clients, observes channel development trends and uses relevant information in quarterly planning.

From 2023, in order to strengthen the brand image related to banking, Crystal plans to implement a special campaign to promote Crystal as a bank. Special communication campaign will be dedicated to products such as credit card, bank account and deposit, if the latter is technically possible. The marketing budget is planned to increase by 20% in ordert to implement a more active campaign.

Information on the Company's material contracts

The issuer's business is mainly related to obtaining funding and lending to individuals, small and medium-sized enterprises. Based on the micro finance legislation, companies are constrained to lend amounts no larger than 100,000 GEL. This naturally eliminates the existence of material contracts with one specific party. The primary terms of borrowed funds (volumes of loans, currencies, interest rates, etc.) are discussed in detail in the subsection *Capitalization and Indebtedness*. Based on the Company's business, there are no other types of material contracts.

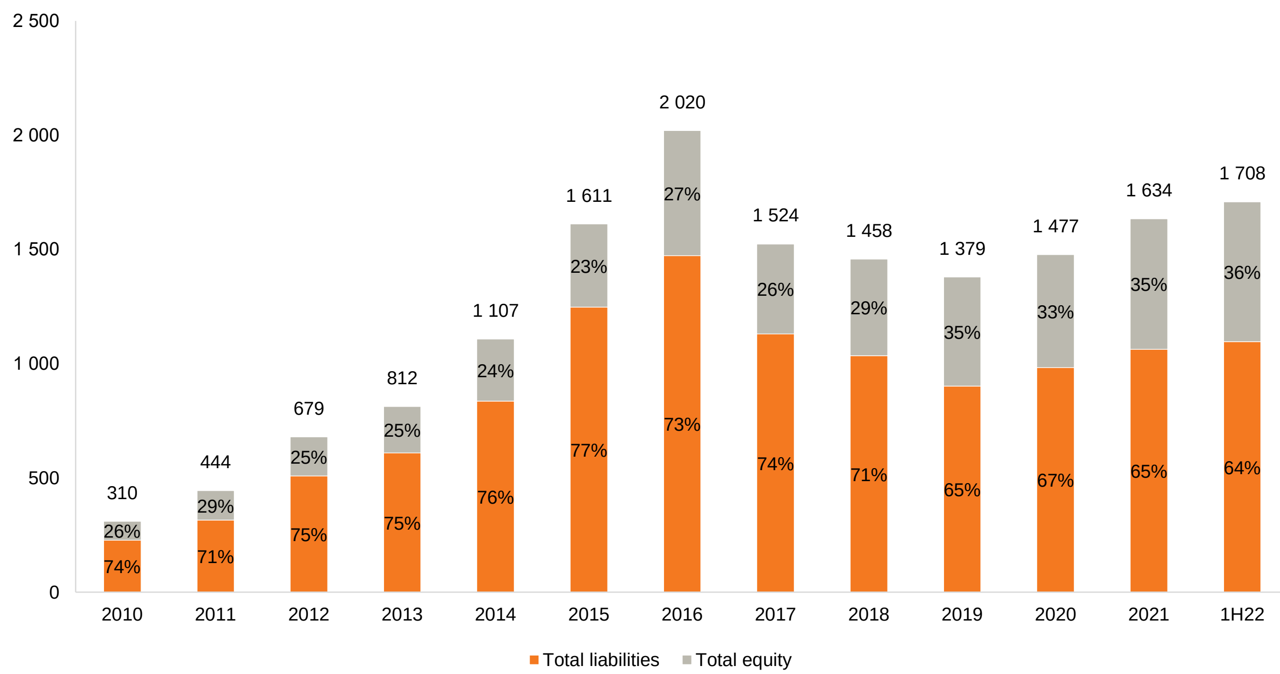
Key Markets

Market overview – microfinance sector

The microfinance sector of Georgia dates back to 2006, when the Parliament of Georgia adopted the Law on Microfinance Organizations. Over the next decade, the microfinance sector grew significantly, the sector's average growth rate of total assets (CAGR) in 2010-16 was 36.7%, and the average growth rate of the total loan portfolio (CAGR) in the same period was 35.9%. However, due to the legislative changes implemented in 2017-20 (including: imposing a 50% ceiling on the effective interest rate, limiting lending in foreign currency, introducing responsible lending standards, establishing minimum capital and liquidity requirements, etc.), the number of microfinance organizations was halved and amounted to 37 in the second half of 2022. In addition, one of the largest representatives of the sector "JSC Credo" became a commercial bank at the beginning of 2017, which, together with the legislative changes, had a great impact on the aggregated indicators of the microfinance sector.

As of the second quarter of 2022, the total assets of microfinance organizations are 1,708 million GEL (8.6% annual growth), of which 1,096 million GEL are liabilities (6.7% annual growth), and 612 million GEL (12.2% annual growth) are equity capital. is financed.

Figure 1: Total equity and liabilities of microfinance organizations, million GEL

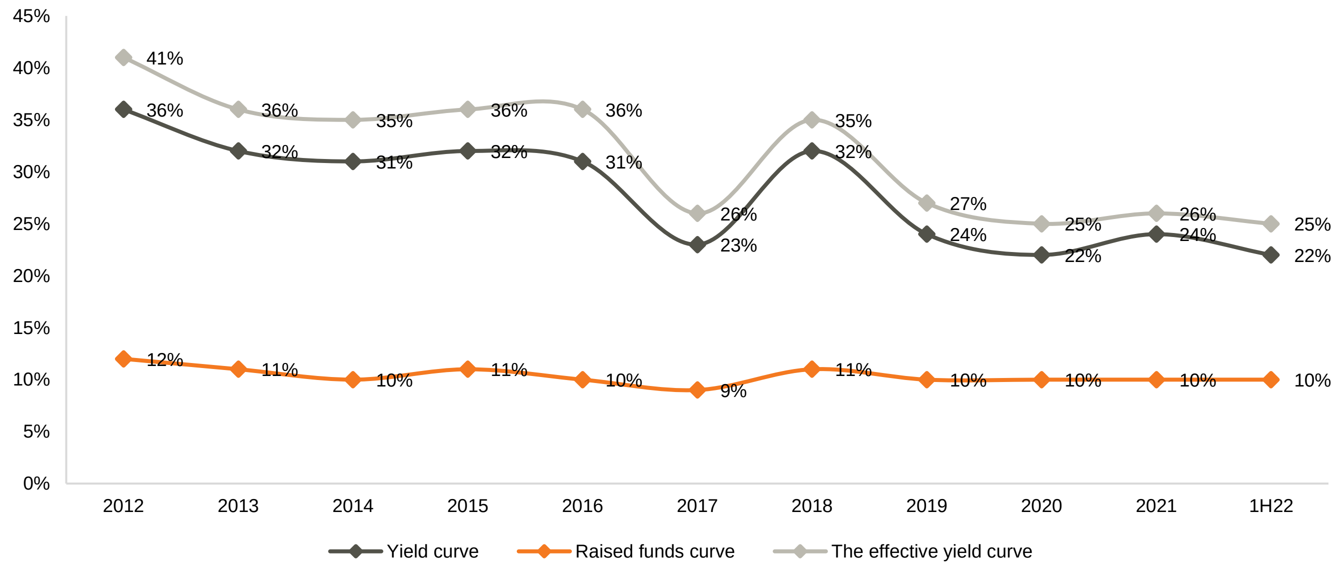


Source: National Bank of Georgia

Against the backdrop of tightened regulations, the profitability of the microfinance sector has been characterized by a decreasing trend since 2016. The increase in income in 2018 is a one-time effect and is caused by the exit of some microfinance (mainly former online lending entities) from the market and portfolio reduction at the end of the year, when the interest income of the aforementioned microfinance organizations was recorded in the total income of the sector.

The cost of microfinance funds is stable and averages 10% in 2019-22, while the spread averages 13% over the same period.

Figure 2: Total borrowed funds of microfinance according to sources, million GEL



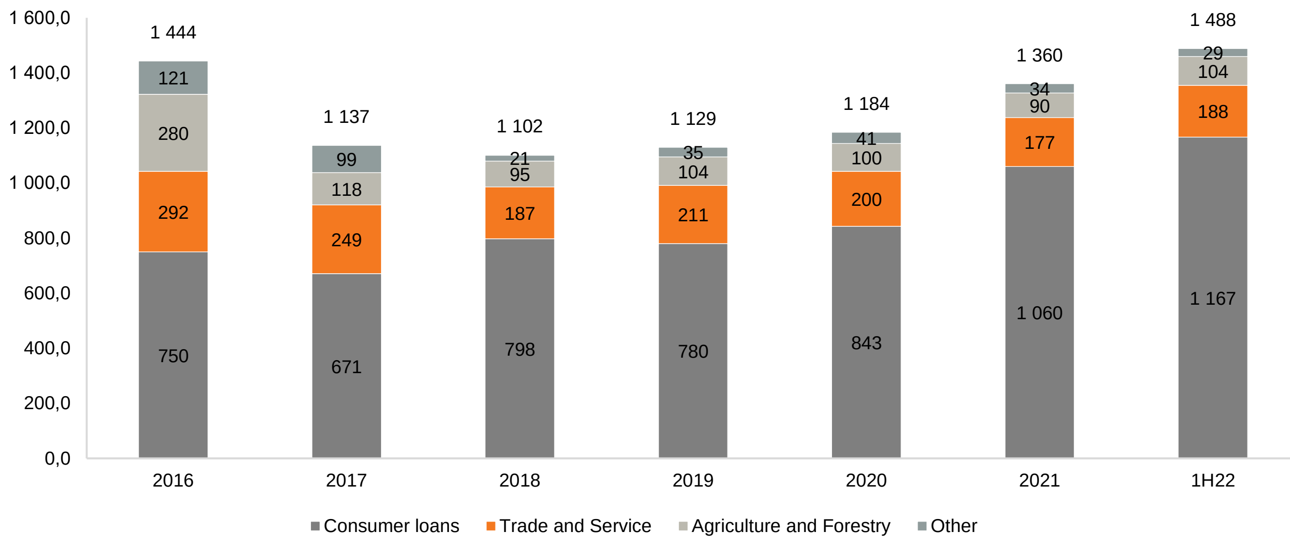
Source: National Bank of Georgia

Note: Consumer loans include consumer, online, pawn loans and installment loans.

The total loan portfolio of organizations was 1,488 million GEL (13.3% annual increase). The total loan portfolio of microfinance organizations was characterized by a rapid growth rate until 2017, when one of the largest players in the sector, JSC Credo, was transformed into a commercial bank. In addition to this fact, the above-mentioned fundamental changes in the legal framework of the microfinance sector slowed down the growth of the credit portfolio, however, at the same time, significantly reduced the risks in the sector and improved the credit portfolio. For example, the share of overdue loans in the total portfolio decreased to 8.2%, and the share of non-performing loans to 5.0% as of the first half of 2022, while at the beginning of 2019 these indicators were equal to 21.9% and 17.9%.

The main direction of lending in the microfinance sector is consumer loans, which includes both consumer and online loans, pawn loans and installment loans. This category accounts for 78.4% of the total credit portfolio of the sector. The remaining 21.6% is distributed by loans to trade & services and agriculture sectors. It should be noted that in 2016-2022, the share of consumer loans in the total credit portfolio increased from 52.0% to 78.4%, while the share of trade and services decreased from 20.3% to 12.7%. In 2017, due to the withdrawal of JSC Credo from the sector, the loans issued in the agricultural sector decreased the most. The amount of loans granted in the agricultural sector was 104 million GEL for the first half of 2022. As for loans granted to legal entities, their share in the total credit portfolio has always been insignificant (1.9% in the first half of 2022).

Figure 3: Total credit portfolio of microfinance sector, million GEL

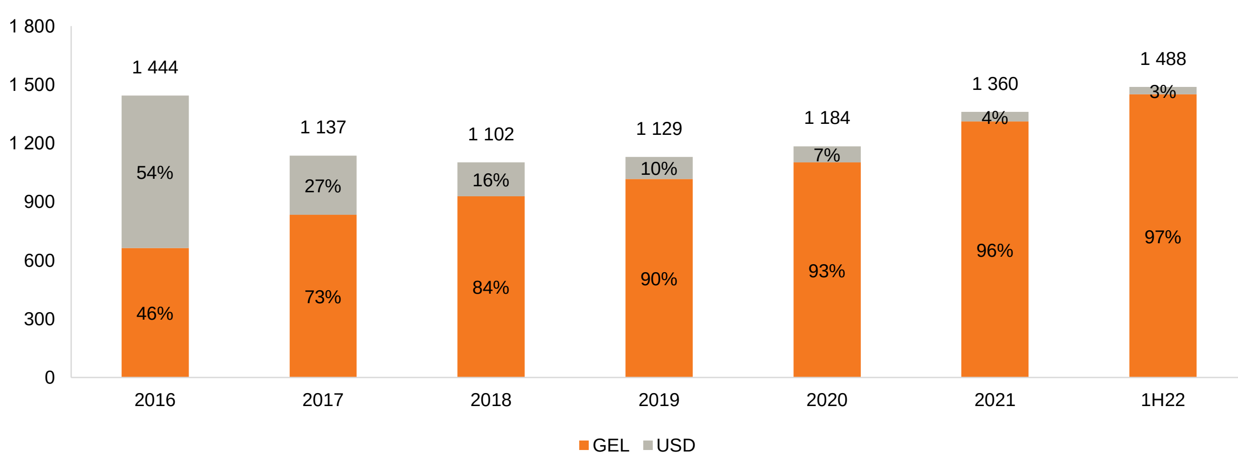


Source: National Bank of Georgia

Note: Consumer loans include consumer, online, pawn loans and installment loans.

The credit portfolio of the microfinance sector is represented almost entirely in national currency, which is the result of the "larization" regulation. According to this regulation, since 2017, financial institutions have been prohibited from issuing loans up to 100,000 GEL in foreign currency, this limit has increased to 200,000 GEL since 2019. Given that microfinance organizations can only lend up to 100,000 GEL per borrower, the share of loans denominated in foreign currency in the total portfolio is close to 0%.

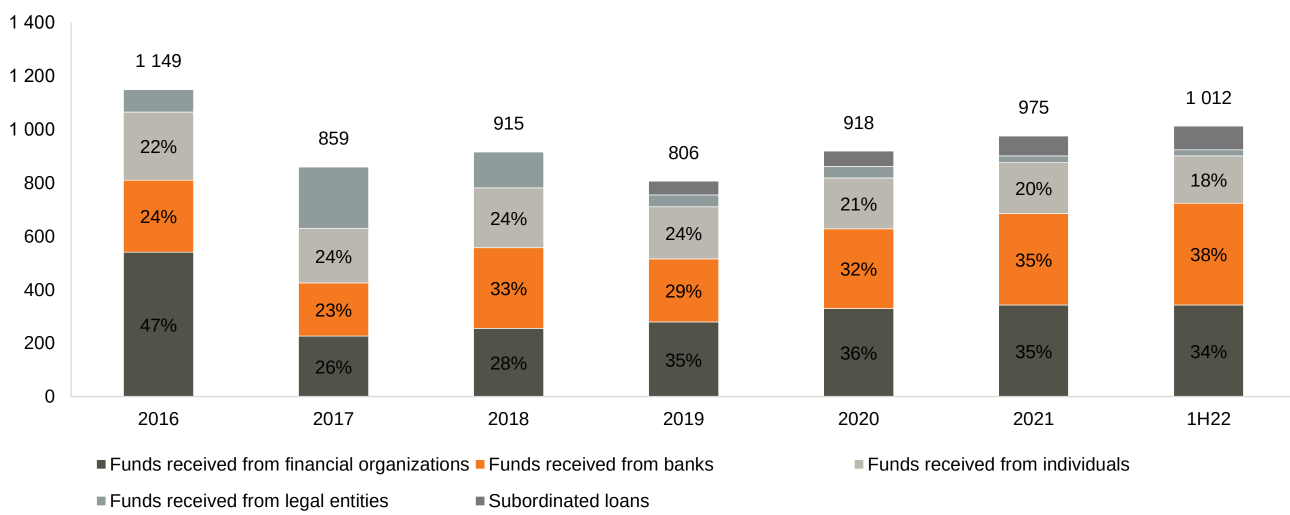
Figure 4: Distribution of credit portfolo, million GEL



Source: National Bank of Georgia

It should be noted that the main source of financing the assets of microfinance organizations is borrowed funds. The total borrowed funds of microfinance organizations in the first half of 2022 amounted to 1,012 million GEL, of which 37.6% (380.6 million GEL) were loans received from commercial banks. The National Bank of Georgia requires microfinance organizations to raise funds from more qualified investors instead of less informed individuals, one of the regulations that serves this purpose came into force in January 2017 and prohibits raising funds from more than 20 individuals if the amount raised from each individual is less 100,000 GEL. As a result, among the borrowed funds of microfinance organizations, the funds raised from commercial banks are increasing, while the funds raised from individuals are stable.

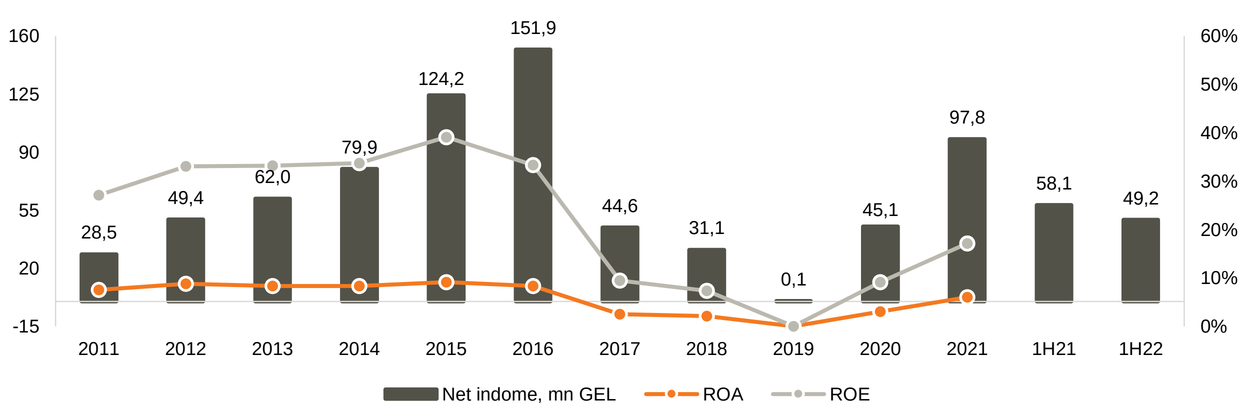
Figure 5: Total borrowed funds of microfinance organizations according to sources, million GEL



Source: National Bank of Georgia

The microfinance sector was characterized by high profitability compared to the banking sector due to the high margins on products. In 2016, the currency exchange rate, interest rates and margin decline negatively affected profitability indicators, which was partially compensated by the registration of online credit companies as microfinance organizations in December 2016. In 2017-19 profitability indicators were significantly reduced by the tightening of the regulatory framework, in 2020-2021 profitability growth was due to several factors, including the growth of the consumer credit portfolio, improvement of portfolio quality and stability of the cost of borrowed funds.

Figure 6: Profitability indicators of microfinance organizations



Source: National Bank of Georgia

Overview of significant events in the development of the Issuer's business

JSC Microfinance Organization Crystal was established in 2007. Until then, the fund Crystal was engaged in financial activity, issuing micro loans. Crystal supports local micro and medium-sized enterprises and farmers by offering them micro, small and medium as well as agro loans. The Company also provides services and products to medium and low-income individuals. Today, Crystal operates 50 service centers and has up to 1,000 employees across Georgia. Crystal is a leading player in Georgia's microfinance sector. It has a diversified portfolio, but micro and agro loans (22% and 21%, respectively) account for its largest share as on 30 June 2022.

The mission of the Company is to support development of entrepreneurial skills among the youth and women to improve employment and income. It is among top five Georgian companies that has supported empowerment of women. The Company aims to achieve gender equality and improve capabilities of every woman.

Starting from 2022, Crystal has moved to a new stage of digital transformation. Within the digitalization strategy, the Company introduced ALTA software, a core banking system for the management of business processes (BPM). The new software package, which replaced a core MFI system (LoanKeeper) inherited by Crystal, is fully compatible with the local business and banking regulatory requirements. ALTA is a more flexible platform enabling Crystal to offer innovative, diverse and competitive financial products and services to its customers. The software has been effectively used for creating new projects that will support small and medium business to grow and thus, strengthen entrepreneurship.

Future strategy and goals

The Company carried out important changes in 2021. In particular, it brought together business functions, including digital business, under one umbrella which will ensure a more effective management and technological development in the future. Digital transformation is the key strategy for the coming three years.

In 2020, the Company made a decision to obtain a banking license through the purchase of Finca Bank. This process was interrupted due to the Covid-19 pandemic. However, the key goal of the Company is to become a micro bank once a relevant legislation enters into force. The aforementioned will help Crystall find new sources of financing.

In 2023, according to the budget, it is planned to receive financial resources of 200 million GEL, of which approximately 35% will be in GEL, and the rest will be in dollars. I, II, III quarter transactions are planned, which total 65.5 million dollars from 8 international partners (BlueOrchard, Proparco, ADB, Incofin, FMO, EFSE, responsibility, Symbiotics) from local banks.

In the past few years, Crystal devised an optimal organizational structure, built critical systems, IT infrastructure and invested in people.

Transformation into a bank is a complex process that requires a number of particular actions in order to receive a license, including the introduction of new systems, renewal of business processes and organizational structure, enhancement of capacities of the team. Crystal has enjoyed technical support from various partners in those areas that are critical in the process of transformation. The main strategic initiatives are described below:

- Introduction of Internet/mobile banking is the next logical step in banking transformation, which is planned to be completed in Q2/Q3 of 2023.
- Fundamental change of the loan application management system, which is planned to be completed in Q4 of 2023.
- Transformation into a bank will require the development of new products and services (current savings accounts, debit and credit cards, deposits) which Crystal, being an MFO, did not have previously. The change of core banking system will also lead to the change of business processes. Conformity, AML and risk management functions will be revised in accordance with the banking regulation. This is planned to be accomplished in Q4 of 2022.
- Development of a new risk management system – the banking transformation requires the revision of risk management policy documents. Before submitting the application for a license, new document and framework (policy, rules, procedures) for risk management have been drafted in accordance with banking standards. It is planned to complete the revision of process/policy in Q4 of 2022.
- The establishment of centralized banking back office will be decisive for a successful implementation of Crystal's new strategy. The centralized back-office will support all existing and new business products and services that a micro bank must provide. Q1 of 2023 is set as the deadline for the completion.

At present, employees are undertaking professional training in particular directions; development programs are implemented to acquire specialized knowledge, develop leadership skills and establish a correct approach to effective management.

- *Improvement of qualification in banking legislation* – before launching banking operations, the legal department will undertake training in banking legislation to properly support the process of transformation. Key topics of the program for upgrading the qualification are: banking products, banking transactions, new contract terms, banking product characteristics.
- *Acquisition of knowledge of banking services and transactions* – during the process of transformation, the personnel will be educated about modern banking and financial products, services and transactions so as to support the Company's growth and development. The completion of the process is planned in 2022-2023.
- *Acquisition of knowledge about product development* – employees of Crystal's business development unit have moderate practical experience in designing/developing modern non-loan products and services. After transforming into a bank, Crystal will offer its clients a wide range of products and services. Business/product development personnel must acquire relevant skills, knowledge and instruments about the development of products and services so as to attract bank clients. The completion of this process is planned in 2022-2023.
- In parallel with some of the above listed programs/projects, the application process for the license should start in Q4, 2022, after the parliament of Georgia has approved the law on micro bank. Considering the regulatory requirements and terms, the process is expected to take six months.

Overview of competitive environment and the Issuer's position on the market

As of Q2, 2022, some 37 companies and 394 service centers with 4,236 employees operate in the microfinance sector. MFOs offer quick/online loans, consumer loans, mortgage loans, auto loans, business loans and pawnshop loans to their clients. A number of MFOs specialize in one type of loans alone.

By total assets, Crystal is the second largest company in the microfinance sector, as of June 2022. Top 10 companies by net loan portfolio are listed in the Table below. It should be noted, that MFO Crystal made an announcement about the purchase of Finca Bank Georgia in early February 2020, but the negotiations stopped due to Covid-19 pandemic. Nevertheless, the Company intends to become a micro bank after a relevant legislation has been adopted.

Table 1: Top 10 MFOs by net loan portfolio

Microfinance organization	Number of branches	Number of employees	Total assets, Gel mln	Net loan portfolio, GEL miln
Rico Express	52	549	480.7	400.3
Crystal	50	990	416.5	364.1
Swiss Capital	29	385	162.8	137.7
Micro Business Capital	17	245	95.9	83.0
Leader Credit	28	268	80.4	66.8
Lazika Capital	19	257	76.2	65.0
Smart Finance	13	110	70.9	65.8
Intellectexpress	22	198	47.2	15.9
Euro Credit	11	133	40.6	37.9
Creditservice+	46	334	38.9	34.1

Source: National Bank of Georgia, quarterly reports.

Financial position

The table summarizes the main financial indicators of the company, which are based on the audited annual financial statements of the issuer for 2021 and 2020, and as of 6 months of 2022 and 2021 - on the half-year financial statements of 2022. These financial statements are prepared in accordance with International Financial Accounting Standards (IFRS):

Assets and **liabilities** of the Company are set forth below:

Statement of financial position (GEL 000')	30-June-2022 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)
Assets			
Cash and cash equivalent	21,477	19,127	17,884
Loans issued to clients	359,752	347,941	315,880
Other assets	5,517	4,684	8,167
Deferred profit tax	799	1,699	2,628
Intangible assets	4,157	4,494	2,611
Right-of-use asset	6,799	8,295	11,309
Net investment in leases	8,723	5,662	2,246
Property and equipment	4,413	4,277	5,349
Total assets	**411,637**	**396,179**	**366,074**
Liabilities			
Borrowings	332,796	314,405	279,968
Lease liabilities	7,335	9,127	12,522
Other liabilities	9,845	12,452	15,573
Total liabilities	**349,976**	**335,984**	**308,063**
Equity			
Share equity	3,635	3,635	3,635
Share premium	22,110	22,110	22,110
Retained earnings	35,916	34,450	32,266
Total equity	**61,661**	**60,195**	**58,011**
Total liabilities and equity	**411,637**	**396,256**	**366,074**

* *Quarterly reports of the company can be viewed at the link: https://crystal.ge/reportebi/?report-year=70&report-format=68*

The Company's working capital (short-term assets minus short-term liabilities) was GEL 36,400 thousand as on 30 June 2022 (30/06/2021: 82,733 thousand; 31/12/2021: 82,733 thousand), which is sufficient to finance ongoing operations.

Net loan portfolio comprised 87% of total assets, totaling GEL 359,752 thousand as on 30 June 2022 (31/12/2021: 88% and 347,941 thousand). The Company issues up to GEL 100,000 loans with the maturity of up to 84 months. As of 31 December 2021, the Company had 120,000 active clients in the portfolio.

Net investments in leases represent non-maturity financial assets. Investments in leases by sector include services, construction, transportation and logistics, tourism, etc.

Right-of-use assets include assets such as buildings and offices and vehicles.

Other assets include both financial and non-financial assets. Financial assets include other receivables, while other non-financial assets include advances, owned assets, taxes (other than income tax) and inventories.

Other liabilities include accounts payable, accrued employee benefits and other non-financial liabilities (less than 1% share).

Issued loans (gross principal and interest) by periods are set forth below:

Loans issued (GEL '000)	**30-June-2022 (Unaudited)**	**31-Dec-2021 (Audited)**	**31-Dec-2020 (Audited)**
Principal	362,534	351,943	317,477
Interest	11,396	9,998	11,849
Loans issued (gross)	**373,930**	**361,941**	**329,326**
Impairment reserve	(14,178)	(14,000)	(13,446)
Loans issued (net)	**359,752**	**347,941**	**315,880**

Portfolio of issued loans (principal plus interest without impairment reserve) increased by 3.4% as compared to 31 December 2021, and totaled GEL 373,930 thousand as on 30 June 2022. Besides, impairment reserve has increased by 1%. There is no client concentration risk, loans issued to top 10 clients amounted to below 0.27% of the total portfolio.

The portfolio of issued loans by purpose of loans is set forth below:

Loans issued (GEL '000)	**30-June-2022 (Unaudited)**	**31-Dec-2021 (Audited)**	**31-Dec-2020 (Audited)**
Micro business loans	80,878	71,869	50,221
Agriculture loans	77,256	68,052	55,103
Consumer loans	62,517	54,469	30,767
Small and medium business loans	48,362	53,424	67,400
Installments	42,719	48,879	42,740
Pawnshop loans	37,082	37,025	29,939
Mortgage loans	25,116	28,223	53,156
Total issued loans (gross)	**373,930**	**361,941**	**329,326**
Loss reserve	(14,178)	(14,000)	(13,446)
Issued loans (net)	**359,752**	**347,941**	**315,880**

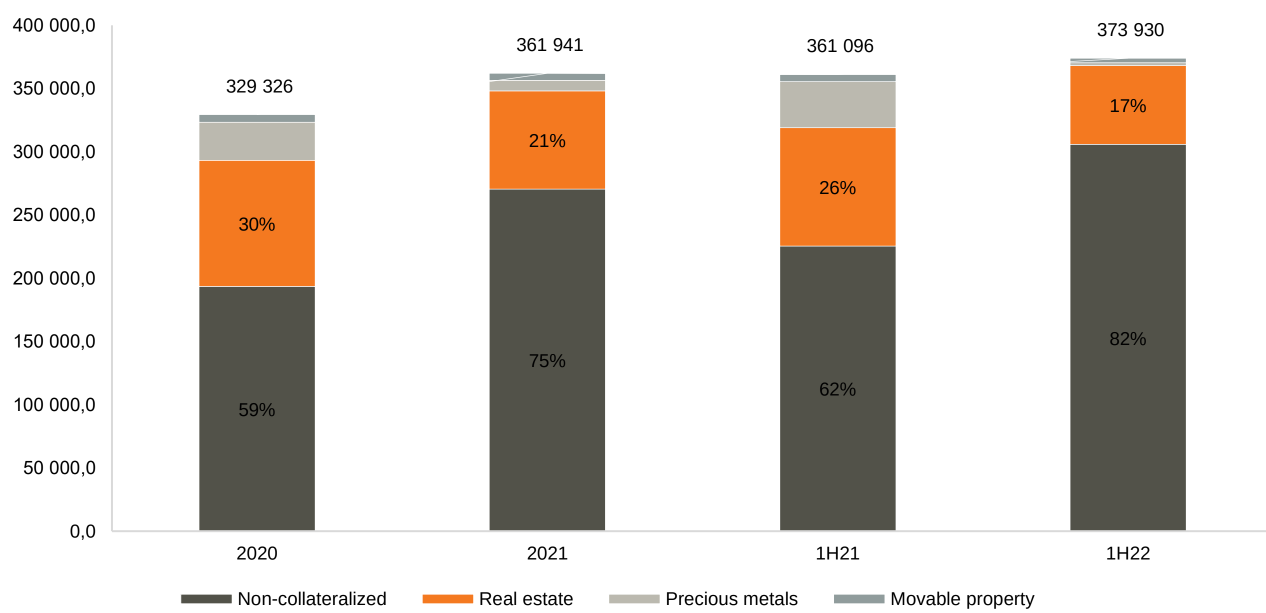
By purpose, the Company divides issued loans into seven categories. They are:

- **Micro business loans;**
- **Small and medium enterprises loans;**
- **Agricultural loans;**
- **Customer loans;**

- **Installments;**
- **Pawnshop loans;**
- **Mortgage loans.**

Micro business loans account for the largest share (22%) of gross loans issued by the Company and they totaled GEL 80,878 thousand as on 30 June 2022. The loans are divided into four categories by collateral types – secured by immovable assets, vehicles, precious metals, and unsecured. As many as 82% of the Company's loans are unsecured, up by 19% compared to 2021 (30/12/2021: unsecured – 75%). Secured loans are mainly quick, service, trade and agro loans. As of first half of 2022, LTV coefficient exceeded 1 in case of 85% of loans. The management does not expect any negative effect in market prices, that may have a material adverse impact on the recovery of loans.

Figure 6: Portfolio by collaterals, 31/06/2022, GEL '000



Source: The Company's audited data.

Crystal is a development platform for micro, small and medium entrepreneurs and consequently, loans to this sector is a priority for the Company. The Company's strategy is to become the best bank in Georgia, which focuses on micro and medium business. The share of micro loans in the total portfolio was at 22% as on 30 June 2022. The share is up by 6% as compared to the corresponding period in 2021. This growth has been led by the Company's decision to increase the business loan portfolio and develop agro loan portfolio which, consequently, led to the increase in the share of issued loans.

The share of **agro loans** has also increased in the Company's portfolio (21%, YOY +3%). Agro loans reached GEL 77,256 in 2022. The Company plans to further increase the agro loan portfolio and its share and therefore, has been expanding its service centers in the regions of Georgia.

The share of **consumer loans** has grown from 10% to 17% in 2022. This type of loan is unsecured and hence, the increase in the share of these loans in the gross loan portfolio has also increased the ratio of unsecured loans to secured loans.

The gross loan portfolio also includes quick, pawnshop and mortgage loans. Mortgage loans account for the smallest share – 7%, which has halved since 2020 (31/12/200: 16%). This decrease resulted from the regulation of the National Bank of Georgia, introducing Payment-to-Interest (PTI) and Loan-to-Value (LTV) ratios since 2018, which led to the decrease of mortgage loans not only in Crystal's portfolio but also the entire market.

As many as 99.8% of the Company's loans are in the national currency and only 0.2% is in USD. The share of dollar-denominated loans will gradually decrease to zero, because the Company has to issue all new loans in GEL, according to the regulations.

By collaterals, the Company's portfolio includes four types of loans:

- Secured by immovable assets;
- Secured by precious metals;
- Secured by movable assets (vehicles);
- Unsecured.

Expected credit loss (ELC) broken down (according to IFRS 9) into types of loans is set forth below:

(GEL '000)	30-June-2021 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)
Small and medium enterprises loans	3,017	3,113	3,143
Mortgage loans	270	268	1,366
Agricultural loans	3,760	4,638	3,761
Micro business loans	3,533	3,038	2,611
Installments	1,038	956	1,359
Pawnshop loans	156	96	20
Consumer loans	2,404	1,891	1,186
Total	**14,178**	**14,000**	**13,446**

Due to Pandemic in 2020, the ratio of reserved loans to total loans increased to 4.2%. However, this figure did not decrease and remained at an almost the same level in 2021 (3.9%). As of 30 June 2022, agro loans (5%) have the largest impairment reserves, as well as small and medium loans (6%). This is then followed by micro loans (4%), consumer loans (4%), installments (2%) and mortgage loans (1%).

The Group recognizes loan loss reserves for expected credit loss of those financial assets which are not carried at fair value in profit and loss statement. The key factor considered by the Company in measuring loan impairment is the three-stage approach of IFRS 9 to impairment of financial instruments, effective on the date of origin or purchase. The Company recognizes expected impairment loss in the amount of 12-month expected credit loss. For financial assets with the remaining tenor of less than 12 months, a probability of default is applied, commensurate to the remaining period to the maturity. At the second stage, the organization recognizes the expected credit loss for those financial instruments where the credit risk is considered to have increased significantly since initial recognition.

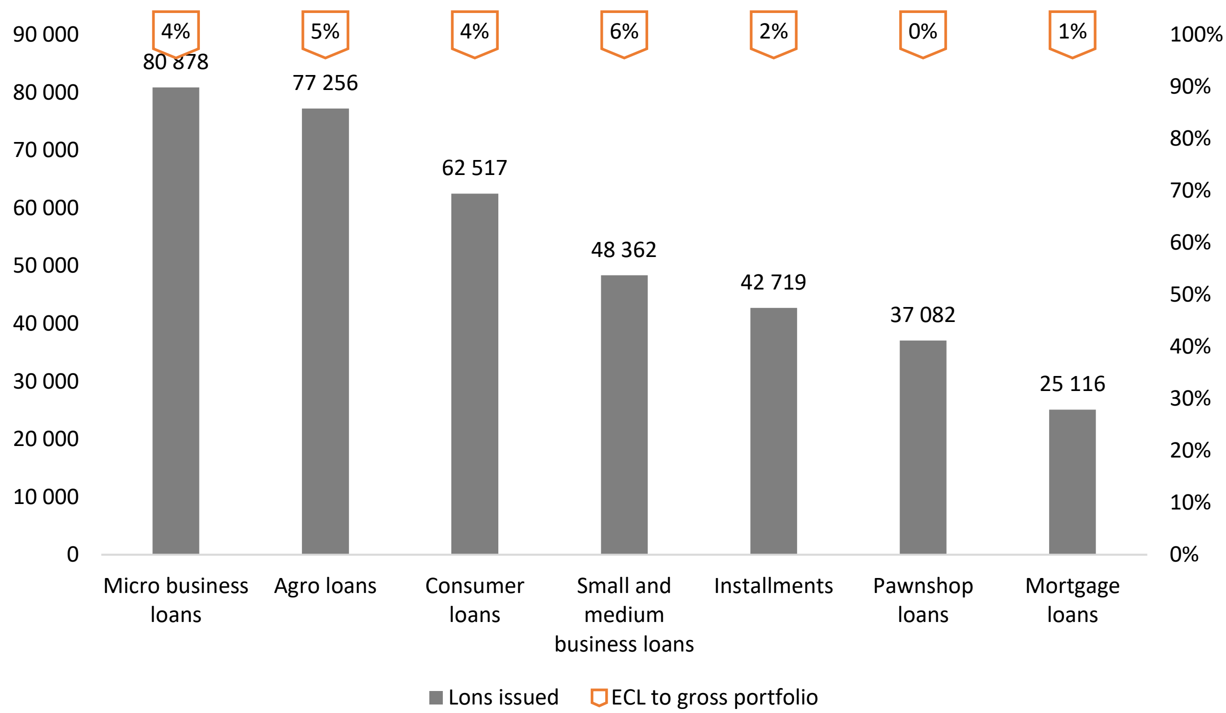
As displayed in the Table below, 54% of expected credit loss is at the third stage, where financial assets are already impaired. Compared to 30 June 2021, the third stage loans have increased by 12%. In general, the ratio of ECL to total loans is 3.8% as of 30 June 2022 (30/06/21: 4.0%), which is in line with the company's historical value (4.0%).

Total loans issued and credit loss, as on 30 June 2022

	Total loans	Stage 1 12 months ECL	Stage 2 Lifetime ECL – not credit-impaired	Stage 3 Lifetime ECL – credit-impaired	Total ECL	Net loans	ECL allowance to gross loans %
Small and medium loans	48,362	(331)	(1,117)	(1,569)	(3,017)	45,345	6%
Mortgage loans	25,116	(67)	(100)	(103)	(270)	24,86	1%
Agro loans	77,256	(1,025)	(782)	(1,953)	(3,760)	73,496	5%
Micro loans	80,878	(1,109)	(633)	(1,791)	(3,533)	77,345	4%
Installments	42,719	(294)	(142)	(602)	(1,038)	41,681	2%
Pawnshop loans	37,082	-	(3)	(153)	(156)	36,926	0%
Consumer loans	62,517	(647)	(586)	(1,171)	(2,404)	60,113	4%
Total loans issued	**373,930**	**(3,473)**	**(3,363)**	**(7,342)**	**(14,178)**	**359,752**	**4%**

Company information

Figure 7: Impairment reserves and corresponding ECL to gross portfolio, 20/06/2022, GEL '000



PAR report of the Company's portfolio is set forth below:

	30-June-2022	31-Dec-2021	31-Dec-2020
PAR30	1.2%	1.4%	0.9%
PAR60	0.7%	0.6%	0.7%
PAR90	0.5%	0.4%	0.5%
PAR180	1.1%	1.0%	1.2%
PAR180 <	0.0%	0.0%	0.0%

The PAR report Table shows that only small share of loans issued by the Company fall under the category of overdue loans. In particular, 96.5% of loans issued by the Company to consumers is not overdue as at 30 June 2022, down by 1% as compared to the corresponding period in the previous year (30/06/2022: 97%). As the Table shows, PAR30 loans account for the largest share of the portfolio and have increased by 0.4%. The Company does not have loans overdue for more than 180 days and the share of such loans has stablely been at 0%. This indicates to health of the company's portfolio. Considering the above, the PAR ratio of the company is 3.50%, which is 0.7% higher than the previous year (31/12/2021: 2.8%).

(GEL '000)	30-June-2022 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)
Principal amount	362,534	351,943	317,477
Accrued interest	11,396	9,998	11,849
Expected credit losses	(14,178)	(14,000)	(13,446)
Total loans issued to customers	**359,752**	**347,941**	**315,880**

As of June 30, 2022, the impairment rate was 3.9%, which is 0.1% lower than in the previous year (31/12/2021: 4.0%). Historically, Company's impairment rate has averaged 4%. The industry average for the same metric amoutns to 7%, which is 3.1% above issuer's 2022 metric of 3.9%.

As on 30 June 2022, the Company had GEL 4,413 thousand worth **property and equipment** (31/12/2021: 2,277 thousand). Property and equipment mostly include security systems, computer equipment, which is half of the fixed assets and generators.

Intangible assets stood at 4,157 thousand as on 30 June 2022, which include software, licenses, including not completed internally handled software.

Operating results

Profit and loss statement (GEL '000)	30-June-2022 (Unaudited)	30-June-2021 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)
Interest income	51,895	46,122	95,124	80,948
Interest expenses	(16,326)	(14,831)	(31,744)	(29,236)
Net interest income	**35,569**	**31,291**	**63,380**	**51,712**
Impairment losses on interest bearing assets	(3,744)	(1,353)	(2,693)	(5,300)
Net interest income after provision for loan impairment	**31,825**	**29,938**	**60,687**	**46,412**
Net fee and commission expense	(5,874)	(10,664)	(14,980)	(1,690)
Net (loss)/gain on financial assets and liabilities at fair value through profit or loss	(9,794)	1,517	(4,620)	13,699
Net gain/(loss) from foreign currency	8,895	4,579	7,569	(20,050)
Personnel expenses	(13,631)	(12,519)	(26,506)	(22,567)
Net loan modification loss	-	-	-	(2,601)
Depreciation and amortization	(3,074)	(1,991)	(6,759)	(4,942)
Other income	231	468	580	851
Other operating expenses	(5,200)	(5,827)	(9,788)	(9,181)
Profit before tax	**3,378**	**5,501**	**6,183**	**(69)**
Profit tax expenses	(1,417)	(1,518)	(3,003)	(783)
Profit and total gross income for the reporting year	**1,961**	**3,983**	**3,180**	**(852)**

As at 30 June 2022, the Company received GEL 51,895 thousand **interest income**, up by 13% compared to the corresponding period of the previous year (30/06/2021: 46,122 thousand). The increase in interest income has been caused by the portfolio increase. (The portfolio increased by 3.6% as compared to 30 June 2021). The Company's ratio of interest income to average net portfolio increased from 13.3% to 14.7% as on 30 June 2022, indicating that apart from the growth of total portfolio, the Company has issued loans at a higher interest rate.

The annual interest rates of the Company as on 30 June 2022 is set forth in the Table below:

	30-June-2022	31-Dec-2021	31-Dec-2020
GEL	35.40%	34.69%	31.52%
US Dollar	18.98%	18.53%	20.36%

The change **in net interest income** according to IFRS 9 is presented below:

(GEL '000)	30-Jun-2022 (Unaudited)	30-Jun-2021 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)
Net interest income	35,569	31,291	63,380	51,712
Impairment losses on interest-bearing assets	(3,744)	(1,353)	(2,693)	(5,300)

Net interest income	**31,825**	**29,938**	**60,678**	**46,412**

In 2020, according to the recommendation of the National Bank, 5% of the portfolio was additionally reserved in order to maintain the financial stability of the company during the pandemic. Then these numbers were reversed in 2021, and that's why the loan impairment in the profit and loss is reduced by 49%.

Interest expenses comprise GEL 16,326 thousand as on 30 June 2022, up by 10.1% as compared to the same period last years. The relevant data is set forth below:

(GEL '000)	30-Jun-2022 (Unaudited)	30-Jun-2021 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)
Interest income				
Loans issued	47,584	43,863	89,517	76,796
Monetary means	28	13	54	1,024
Investment in lease	1,269	496	1,245	263
Other income	772	568	1,088	723
Penalty income	2,242	1,182	3,220	2,142
Interest income	**51,895**	**46,122**	**95,124**	**80,948**
Interest expenses				
Loans from financial institutions	(16,012)	(14,572)	(30,822)	(26,990)
Debt securities	-	(157)	(157)	(1,555)
Lease liabilities	(314)	(102)	(765)	(691)
Interest expenses	**(16,326)**	**(14,831)**	**(31,744)**	**(29,236)**
Net interest income	**35,569**	**31,291**	**63,380**	**51,712**

Weighted average interest rates of the Company on received loans are provided below by periods:

Type of loan	30-June-2022	31-Dec-2021	31-Dec-2020
Unsecured loans from financial institutions - USD	2.5%-6.8%	2.5%-6.8%	2.8%-7.3%
Unsecured loans from financial institutions - GEL	11.5%-16.4%	11.5%-15.9%	11.0%-13.8%
Unsecured subordinated loans (USD)	7.8%-9.0%	8.4%	9.0%

** Bond interest is unsecured loans from financial institutions in GEL*

As of 30 June 2022, **net interest income** increased by 13.7% compared to a year ago, while **net interest margin** grew from 66.6% to 68.5%. This is because the spread between interest rates on loans to customers and on borrowings increased, mainly as a result of increased interest rates on issued loans.

(GEL '000)	30-June-2022 (Unaudited)	30-June-2021 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)
Net commission income				
Net fee and commission (expense)/income from foreign currency conversion	(6,430)	(10,896)	(15,422)	(1,686)

Other fee and commission income	738	380	740	517
Other fee and commission expense	(182)	(148)	(298)	(521)
Total	**(5,874)**	**(10,664)**	**(14,980)**	**(1,690)**

Net commission expense includes foreign currency conversion expense and other commission income and expense. As of the half-year of 2022, the relevant expense has decreased by 44.9% compared to the same period of the previous year (30/06/2021: 10,664 thousand GEL), which is due to the reduction of the expense received by converting foreign currency.

In order to manage and reduce the currency risk, the hedging tool is used both in the local and international markets. Currency risk is the risk that the fair value or future cash flows of a financial instrument will change due to exchange rate fluctuations.

Net (loss)/income on financial assets and liabilities at fair value through profit or loss

Currency swaps:

The group includes non-derivative transactions of compensatory loans secured by foreign currency deposits from banks in the same bank into derivative instruments, taking into account the fact that the transactions (deposit placement and borrowing) essentially produce a derivative instrument. The conclusion is based on the following indicators:

- They are formed simultaneously and considering each other;
- They have the same counterparty;
- They are related to the same risk;
- There is no apparent economic need or substantial business purpose for structuring the transactions separately that cannot be accomplished in a single transaction;
- There is an initial net investment that is less than other types of investment that respond similarly to similar changes based on market factors and future plans.

Foreign currency forward contracts

A forward is a contractual agreement between two parties, between which payments of financial funds in a specific amount must be made within a certain period of time.

In forward foreign currency transactions, the Group pays a specified amount in one currency and receives a specified amount in another currency. Foreign currency forwards are covered together.

Revaluation of foreign currency amounts is done at the current exchange rate as of the reporting date. Gains and losses on unexpired contracts are recognized in profit or loss and financial instruments at fair value through profit or loss, as the case may be.

A forward is a contractual agreement between two parties, between which payments of financial funds in a specific amount must be made within a certain period of time.

The above-mentioned expenditure in 2022 is reduced by 7.5 times compared to the same period of the previous year (30/06/2022: 1,517 thousand GEL income). This is mainly due to exchange rate fluctuations during 2022.

Net income/loss adjusted from exchange rate difference) has increased by 90% year-on-year (30/06/2021: 4,579 thousand GEL) for the first half of 2022. Almost doubling of the corresponding expenditure is related to the strengthening of the lari in 2022.

Loan impairment expenses, calculated according to IFRS 9, made up GEL 3,744 thousand as on 30 June 2022, showing a 177% increase on a corresponding indicator a year before. This increase is mainly due to the deterioration of portfolio quality after 2021According to NBG's recommendation, 5% of the portfolio was reserved, which reversed in 2021. As a result, the loan impairment cost of 2021 halved. From 2020 to 2021, Crystal implemented significant changes in terms of risk management. Most notably, the management of impaired loans has improved in the Company. Furthermore, considering the effect produced by the extinguishment of high-risk loans and issuance of low-risk loans, the impairment cost, calculated according to IFRS 9, has notably decreased.

Salary expenses stood at GEL 13,631 thousand, comprising 43% of the net interest income. The personnel expenses increased by 8.9% as compared to the previous year.

(GEL '000)	30-Jun-2022 (Unaudited)	30-Jun-2022 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)
Salary expenses	13,631	12,519	26,506	22,567
Total	**13,631**	**12,519**	**26,506**	**22,567**

Other operating expenses decreased by 10.8% as on 30 June 2022, compared to the same period of the previous year, and totaled GEL 5,200 thousand (30/06/2022: 5,827 thousand). Breakdown of these expenses are provided below:

(GEL '000)	30-Jun-2022 (Unaudited)	30-Jun-2022 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)
Utilities	860	721	1,694	1,362
Software technical support	922	746	1,581	1,154
Bank fee	340	371	741	592
Office supplies	403	327	698	516
Legal and other services	176	137	695	987
Taxes	-	175	692	354
Membership fee	322	311	642	567
Insurance fee	219	186	443	483
Marketing and advertisement	170	185	421	353
Loss on assets	229	135	310	12
Fuel	152	116	262	214
Repair and technical service	90	82	186	124
Safety-security	85	95	184	193
Short-term lease expenses	510	1,769	166	1,243
Business trip expenses	95	39	104	100
Employee retraining	91	38	79	41
Charity	80	-	-	19
Other	456	394	890	867
Total	**5,200**	**5,827**	**9,788**	**9,181**

Marketing and advertising expenses made up GEL 170 thousand as on 30 June 2022, which is 3.3% of general and administrative costs. Marketing and advertising expenses decreased by 8.1%, compared to the previous year. These expenses were mainly made for the promotion of the Company in social networks and the renewal of the Company's webpage.

Bulk of other operating expenses accounts for software technical support and utilities fees, comprising 18% and 17%, respectively.

In 2020-22, the company reserved a deferred tax asset totaling 2,800 thousand GEL in anticipation of the so-called tax on profit from distributed profits coming into force on January 1, 2023. "Estonian model", which means that this expense will be recognized by the end of 2022 (31/12/2020: 205 thousand GEL, 31/12/2021: 871 thousand GEL, 31/12/2022: 1,700 thousand GEL).

Capitalization and Indebtdness

The table below shows the Company's capitalization and indebtedness by periods:

(GEL 000')	30-Nov-2022[4] (Unaudited)	30-Noc-2022 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)
Liabilities				
Loans received	325,677	325,677	298,847	273,397
Subordinated loans	13,545	13,545	15,558	6,571
Bonds issued	25,000	-	-	12,725
Total interest-bearing liabilities	**364,222**	**339,222**	**314,405**	**292,693**
Equity:				
Share capital	3,635	3,635	3,635	3,635
Share premium	22,110	22,110	22,110	22,110
Retained earnings	37,627	37,627	34,450	32,266
Total equity	**63,372**	**63,372**	**60,195**	**58,011**
Total capitalization	**427,594**	**402,594**	**374,600**	**350,704**

As of September 30, 2022, received loans were 347,479 thousand GEL (31/12/2021: 298,847 thousand GEL), which represented 91% of total assets. The company is financed from various sources, which are presented below:

('000 GEL)	30-Nov-2022 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)
Long-term borrowings	159,272	178,693	-
Short-ter borrowings	179,950	135,712	279,693
Total borrowings	**339,222**	**314,405**	**279,693**

Loans received as of 30 November 2022, by key lenders:

Lender	Amount (remaining principal + accrued interest)	Currency	Repayment schedule	Interest rate	Time left to maturity	Collateral
Symbiotics	52,951	GEL	Annuity/Bullet	14.66%	45 months	Unsecured
თიბისი ბანკი (TBC)	46,719	GEL	Bullet	15.30%	9 months	Unsecured
Dutch Entrepreneurial Development Bank (FMO)	38,479	GEL	Bullet	14.98%	51 months	Unsecured
BlueOrchard (BO)	28,168	US Dollar	Annuity/Bullet	6.48%	59 months	Unsecured
საქართველოს ბანკი (BoG)	23,349	GEL	Bullet	15.75%	9 months	Unsecured
IncoFin	22,108	US Dollar	Bullet	6.50%	3 months	Unsecured
Bank Im Bistum (BIB)	21,898	US Dollar	Annuity	6.70%	36 months	Unsecured
Developing World Markets (DWM)	20,074	GEL	Annuity	14.90%	41 months	Unsecured
ბანკი (PB)	14,994	GEL	Bullet	16.47%	10 months	Unsecured
Triodos	13,748	US Dollar	Bullet	5.25%	39 months	Unsecured

[4] Adjusted to the assumption that the Company is going to issue GEL 25 million worth bonds.

ბაზისბანკი (BB)	13,060	GEL	Bullet	14.70%	5 months	Unsecured
MicroVest (MV)	10,989	US Dollar	Annuity	6.25%	3 months	Unsecured
responsibility (rA)	9,488	US Dollar	Annuity	5.40%	22 months	Unsecured
European Investment Bank (EIB)	9,404	US Dollar	Annuity	2.52%	24 months	Unsecured
Triple Jump (TJ)	8,187	US Dollar	Annuity	5.45%	22 months	Unsecured
Finance in Motion	2,910	GEL	Annuity	14.49%	4 months	Unsecured
Proparco	2,696	US Dollar	Annuity	6.77%	3 months	Unsecured
Total:	**347,479**					

After the period presented in the prospectus, at the end of 2022, the company assumed additional obligations. As of December 31, 2022, the funds received are 352,167 thousand GEL. In the first quarter of 2023, it is planned to cover certain liabilities within the framework of asset and liability management.

Loans received as of 31 December 2021, by key lenders:

Lender	Amount (remaining principal + accrued interest)	Currency	Repayment schedule	Interest rate	Time left to maturity	Collateral
BlueOrchard (BO)	59,064	GEL/US Dollar	Annuity/Bullet	7.78%	70 months	Unsecured
Symbiotics	29,841	GEL	Bullet	15.03%	28 months	Unsecured
Dutch Entrepreneurial Development Bank (FMO)	27,771	GEL	Annuity	14.74%	62 months	Unsecured
IncoFin (IF)	25,274	US Dollar	Bullet	6.50%	14 months	Unsecured
MicroVest (MV)	25,174	US Dollar	Annuity	6.25%	14 months	Unsecured
Bank Im Bistum (BIB)	25,088	GEL	Annuity	6.70%	47 months	Unsecured
TBC Bank (TBC)	23,879	GEL	Bullet	13.50%	12 months	Unsecured
Triple Jump (TJ)	18,601	GEL/US Dollar	Annuity/Bullet	10.46%	30 months	Unsecured
responsibility (rA)	15,527	US Dollar	Annuity	5.40%	32 months	Unsecured
Black Sea Trade and Development Bank (BSTDB)	15,065	GEL	Bullet	15.14%	6 months	Unsecured
Basis Bank (BB)	13,015	GEL	Bullet	12.87%	6 months	Unsecured
European Investment Bank (EIB)	10,511	US Dollar	Annuity	2.52%	35 months	Unsecured
Proparco	9,388	US Dollar	Annuity	6.77%	14 months	Unsecured
Finance in Motion (FiM)	9,239	GEL	Annuity	15.22%	15 months	Unsecured
EFA Financial Institutions Debt Fund PTE. LTD (EFA)	6,144	US Dollar	Bullet	5.00%	6 months	Unsecured
Pasha Bank (PB)	824	GEL	Annuity	14.75%	1 months	Unsecured
Total:	**314,405**					

Loans received as of 31 December 2020, by key lenders:

Lender	Amount (remaining principal + accrued interest)	Currency	Repayment schedule	Interest rate	Time left to maturity	Collateral
BlueOrchard (BO)	54,682	US Dollar	Annuity/Bullet	9.65%	38 months	Unsecured
IncoFin (IF)	26,723	US Dollar	Bullet	6.50%	26 months	Unsecured
MicroVest (MV)	26,545	US Dollar	Annuity	6.25%	26 months	Unsecured
Symbiotics	22,565	GEL	Bullet	12.81%	26 months	Unsecured
Bank Im Bistum (BIB)	21,538	US Dollar	Annuity	7.00%	59 months	Unsecured

Dutch Entrepreneurial Development Bank (FMO)	17,186	GEL	Annuity	12.51%	39 months	Unsecured
Proparco	16,617	US Dollar	Annuity	6.77%	26 months	Unsecured
Finance in Motion (FiM)	16,358	GEL	Annuity	12.97%	27 months	Unsecured
Triple Jump (TJ)	15,722	GEL/US Dollar	Bullet	8.59%	19 months	Unsecured
Black Sea Trade and Development Bank (BSTDB)	15,036	GEL	Bullet	12.89%	18 months	Unsecured
European Investment Bank (EIB)	14,818	US Dollar	Annuity	3.44%	47 months	Unsecured
Issued Bonds	12,725	GEL	Bullet	12.00%	1 months	Unsecured
Bank of Georgia (BoG)	9,804	GEL	Bullet	12.50%	11 months	Unsecured
responsibility (rA)	6,613	US Dollar	Bullet	6.00%	4 months	Unsecured
Frankfurt School Financial Services (FSFS)	6,604	US Dollar	Bullet	5.80%	4 months	Unsecured
TBC Bank (TBC)	5,007	GEL	Bullet	12.40%	12 months	Unsecured
Pasha Bank (PB)	4,026	GEL	Annuity	12.25%	13 months	Unsecured
Charity Humanitarian Centre Abkhazeti (CHCA)	124	GEL	Bullet	0.00%	9 months	Unsecured
Total:	**292,693**					

Weighted average interest rates on received loans, by years:

Currency	30-June-2022	31-Dec-2021	31-Dec-2020
GEL	11.50% - 16.38%	11.50%-15.88%	11.00%-13.77%
USD	2.48% - 9.00%	2.48%-8.40%	2.75%-9.00%

The Company plans to finance its business with bonds and funds raised from financial institutions and gradually reduce the share of funds raised from natural and legal persons in total borrowings.

Loans received made up GEL 332,796 thousand as on 30 June 2023 (30/06/2021: GEL 329,118 thousand, YOY +1%), which comprises 81% of total assets (30/06/2022: 82%). The Company is financed from various sources which are shown below:

(GEL 000')	30-Sep-2021 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)
Borrowings			
Loan received from financial institutions	332,941	298,847	273,397
Subordinated debt	14,538	15,558	6,571
Issued bonds	-	-	12,725
Total long-term loans	**347,479**	**314,405**	**292,693**

The Company has **unsecured loans** from financial institutions in USD as well as GEL. The share of unsecured loans in USD comprises 50% of total loan liabilities while that in GEL comprises 46%. The Company aims to diversify its borrowed funds by issuing debt securities.

Subordinated loan which comprises 1.7% of total debt liabilities, is an unsecured loan from international financial organization, Bank Im Bistum, with the term of repayment expiring in 2025 and the interest rate of 9%. The Company also received an unsubordinated loan from international financial organization BlueOrchard in 2021, the term of which expires in 2027 and amounts to 8,707 thousand GEL with an annual interest rate of 7.8%. It should be noted that the company has received both subordinated and non-subordinated loans from this international financial organization.

In case of bankruptcy, subordinated debts will be repaid only after the Company has covered all other liabilities.

Maturity position

The Company's position by financial assets and maturities as on 30 June 2022 are set forth below:

Financial assets	Callable and up to 1 month maturity	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Total
Cash and cash equivalents	21,477	-	-	-	-	-	21,477
Financial assets recognized in profit and loss	298	-	-	-	-	-	298
Loans to consumers	50,549	39,064	116,032	143,300	2,708	8,099	359,752
Net investments in lease	15	-	516	6,928	-	1,264	8,723
Other financial assets	2,248	-	-	699	-	-	2,947
Total assets	**74,587**	**39,064**	**116,548**	**150,927**	**2,708**	**9,363**	**393,197**

Financial liabilities	Callable and up to 1 month maturity	1-3 months	3-12 months	1-5 years	Over 5 years	Overdue	Total
Borrowings	1,487	42,782	137,777	146,399	4,351	-	332,796
Debt securities issued	-	-	-	-	-	-	-
Lease liabilities	275	557	2,359	3,379	765	-	7,335
Dividends to be paid	-	996	-	495	-	-	1,491
Other financial liabilities	7,566	-	-	774	-	-	8,340
Total	**9,328**	**44,335**	**140,136**	**151,047**	**5,116**	**-**	**349,962**

Maturity position (net)	**65,259**	**(5,271)**	**(23,588)**	**(120)**	**(2,408)**	**9,363**	**43,235**

As the Table shows, the Company does not have either short-term (up to 1 year) or long-term (over 1 year) negative position.

Currency position

The Company's financial assets and liabilities by currencies as on 30 June 2022 are set forth below:

Financial assets	Euro	USD	Other

Cash and cash equivalent	2,921	5,659	820
Issued loans	-	545	-
Other assets	-	550	2
Total	**2,921**	**6,754**	**822**

Financial liabilities	**Euro**	**USD**	**Other**
Borrowings	-	167,907	-
Lease liabilities	-	6,075	-
Other financial liabilities	19	8	-
Total	**19**	**173,990**	**-**

Net position	**2,902**	**(167,236)**	**822**
Effect of derivatives	**(3,190)**	**168,322**	**(5,545)**
Net open balance accounting position	**(288)**	**1,086**	**(4,723)**

The Company has net negative currency position in USD, covered by the use of derivative hedging instruments. The Company uses back-to-back loans to hedge foreign currency risk. As the Table shows, owing to the effect of hedging, the Company has an insignificant negative currency position.

Overview of financial covenants

The Company has to comply with certain financial covenants imposed on received loans, which are stricter than covenants on funds raised from other sources. A brief overview of these covenants and corresponding indicators are set forth below:

#	Type of covenant	31-Dec-2020	31-Dec-2021	Actual 30-June-2022	After issuing bonds	Limit, 2022	In compliance Yes/No
1	Capital adequacy	15.86%	15.13%	15.01%	14.15%	>=14%	Yes
2	Liquidity coefficient	0.67	1.51	1.23		>=1.5	No
3	Leverage – total liabilities to capital	4.77	4.46	4.58	4.90	<5	Yes
4	Portfolio quality (PAR30)	2.03% (</=5%)	1.76%	1.94%	1.82%	<=3%	Yes
5	Reserve adequacy ratio (risk coverage)	60.70% (>=60%)	69.67% (>=60)	67.23%	67.23%	>=75%	No
6	Currency position EUR	23,95%	2.78%	0,46%	0,46%	<10%	Yes
7	Currency position USD	40.52%	1,82%	2,62%	2,62%	<10%	Yes
	Bond Covenants					**Limit, 2023**	
8	Liquidity ratio	N/A	N/A	2.18	2.18	>=100%	Yes
9	Exposure ratio	N/A	N/A	0.03%	0.03%	<=15%	Yes
10	Open foreign currency position	N/A	N/A	6.2%	6.2%	<=15%	Yes
11	Capital adequacy ratio	N/A	N/A	19.4%	19.4%	>=16%	Yes
12	Non-performing loans ratio	N/A	N/A	1.9%	1.9%	<=7%	Yes
13	Related party exposure ratio	N/A	N/A	0.1%	0.1%	<=15%	Yes
14	Texas ratio	N/A	N/A	10.5%	10.5%	<=35%	Yes
15	Leverage ratio	N/A	N/A	5.66	6.07	<=6	No*

** Bond ratios are recalculated according to the definitions in clause 5 (reservations) sub-clause (h) of the "Conditions of bond issue" chapter.*

*** Although as of 6th month of 2022 the company does not meet the leverage ratio limit considering the bond effect, as of 11th month of 2022 the mentioned ratio without the effect of bonds is 5.69, and with the effect of bonds it is 5.85 (it is within the limit). Based on the fact that in order to issue bonds in the fourth quarter of 2022, the company took bridge financing (in the amount of GEL 15 million), 10 million GEL is added to the liabilities after the issuance of bonds (GEL 15 million was deducted).*

1. **Capital adequacy** – capital to total assets without subordinated debts.
2. **Liquidity coefficient** – current assets to current liabilities.
3. **Leverage – debt coefficient** – total liabilities to capital including subordinated debts.
4. **Portfolio quality (PAR30)** – PAR30 to total debt portfolio.
5. **Reserve adequacy ratio (risk coverage)** – possible loss reserves to (PAR 30 + restructured portfolio).

6. **Currency position EUR** - Open foreign exchange position in euros divided by total equity (excluding sub. loans).
7. **Currency position USD** - Open foreign exchange position in US dollars divided by total equity (excluding sub. loans).
8. **Liquidity ratio** - Current assets to current liabilities ("Terms and conditions of the offering", Chapter 5, (h) Subsection (I)(a)).
9. **Exposure ratio** - Loan of Top Borrower Relative to Total Portfolio ("Terms and conditions of the offering", Chapter 5, Subsection (h) (I)(b)).
10. **Open foreign currency position** - Open currency position relative to regulatory capital ("Terms and conditions of the offering ", Chapter 5, (h) subsection (I)(c)).
11. **Capital adequacy ratio** - Supervisory capital relative to total assets after deductions ("Terms and conditions of the offering ", Chapter 5, (h) Subsection (I)(d)).
12. **Non-performing loans ratio** - PAR 30 The sum of the loans and the restructured portfolio minus the provision for possible losses and is proportional to the total loan portfolio ("Terms and conditions of the offering ", Chapter 5, (h) subsection (I)(e)).
13. **Related party exposure ratio** - Supervisory capital relative to the balance of insiders ("Terms and conditions of the offering ", Chapter 5, (h) subsection (I)(f)).
14. **Texas ratio** - PAR 30 sum of loans and restructured portfolio (loans) and minus reserve for possible losses on loans minus PAR 30 sum of leasing and restructured portfolio (leasing) minus reserve for possible losses (leasing) relative to capital including subordinated loans ("Terms and conditions of the offering ", Chapter 5 , (h) of subsection (I)(g)).
15. **Leverage ratio** - Liabilities excluding hedges to equity (excluding sub. loans).

In 2020, the open currency position covenant was breached, which led to the triggering of the cross-default clause (in which a breach of a term of the loan agreement is considered a default) that the company has with most of its borrowers. As a result, the relevant liabilities were classified in the "current and up to 1 month" category, and the classification as current liabilities led to the breakdown of the liquidity structure - the liquidity ratio decreased to 0.67, and the limit was >/= 1.5 in the mentioned year. As of December 31, 2020, the total value of the borrowed funds presented in the category of repayment up to 1 month for liquidity risk management amounted to 273,240 thousand GEL. Relevant information is disclosed in the audited annual report.

The company has reached an agreement with all parties and will formalize the waivers by the end of the financial year, resulting in no violations. None of the borrowers evaluates the covenants that have been violated, the event of default, and does not require repayment of the corresponding resource (none of the loans defaulted).

Covenants imposed on the Company by the National Bank of Georgia as of 30 June 2022 are set forth below:

Description	Actual	After issuance of bonds	Limit	In Compliance Yes/No
Capital adequacy coefficient	19.36%	19.36%	>15%	Yes
Liquidity coefficient	22.71%	22.71%	>18%	Yes
Investments in property and equipment ratio	6.59%	6.59%	<40%	Yes
Pledged assets to equity ratio	0.00%	0.00%	<90%	Yes

Share capital and share premium were 3,635 thousand GEL and 22,110 thousand GEL, respectively. The authorized capital of the company is divided into 3,061 thousand ordinary shares and 573 thousand privileged shares, each of which has a nominal value of 1 GEL.

Shareholders receive dividends declared by the company. Each common share entitles the shareholder to one vote. In the case of preferred shares, shareholders do not have additional voting rights. Holders of preferred shares are entitled to receive dividends at an annual interest rate of 10%. According to the shareholders' decision, dividends of 996 and 999 thousand GEL were issued in 2021 and 2020, respectively

Overview of the cash flow statement

It is of utmost importance for the Company to properly manage cash flows and to constantly search sources of fundings. Cash flows from operating activities are provided below:

(GEL '000)	30-Jun-2022 (Unaudited)	30-Jun-2021 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)
Cash from operating activity				
Profit before tax	**3,378**	**5,501**	**6,183**	**(69)**
Net gain/loss on financial assets and liabilities at fair value through profit and loss	9,794	(1,517)	4,620	(13,699)
Net loan modification	-	-	-	2,601
Depreciation and amortization	3,074	1,991	6,759	4,942
Interest income	(51,895)	(46,122)	(95,124)	(80,948)
Interest expenses	16,326	14,831	31,744	29,236
Impairment expenses on interest-yielding assets	3,744	1,353	2,693	5,300
Gain/loss from currency exchange rate difference	(8,895)	(4,579)	(7,569)	20,050
Loss on disposal of property and equipment	-	-	3	56
Earnings from cancellation of lease	-	-	(9)	(5)
Cash flows from operating activity before changes in assets and liabilities	**(24,474)**	**(28,542)**	**(50,700)**	**(32,536)**
Net increase in financial liabilities/net decrease in financial assets	(10,693)	3,465	(2,110)	2,198
Increase in consumer loans	(14,038)	(30,539)	(36,529)	(22,672)
Net increase in investments in lease	(3,196)	(1,885)	(3,500)	(2,266)
Increase/decrease in assets	(682)	(27)	61	(671)
Increase/decrease in other liabilities	(1,830)	(1,228)	8,291	221
Increase/decrease in operating liabilities	**(30,439)**	**(30,124)**	**(33,787)**	**(23,190)**
Interest received	50,497	44,360	96,975	77,576
Interest paid	(15,549)	(14,830)	(31,459)	(28,040)
Profit tax paid	(1,642)	-	(5)	(476)
Net cash inflowed (used) in operating activity	**(21,607)**	**(29,226)**	**(18,976)**	**(6,666)**
Cash from investment activities				
Purchase of property and equipment	(1,309)	(717)	(1,127)	(1,747)
Purchase of intangible assets	(295)	(1,594)	(2,989)	(544)
Proceeds from the sale of property and equipment	226	124	190	88
Net cash used in investment activity	**(1,378)**	**(2,187)**	**(3,926)**	**(2,203)**
Cash from financing activity				
Receipts from borrowings	99,021	115,987	185,290	122,701
Repayment of borrowings	(70,445)	(61,681)	(143,177)	(120,648)
Repayment of debt securities	-	(12,407)	(12,407)	-
Repayment of lease liabilities	(1,437)	(692)	(3,521)	(2,727)
Dividends paid	-	-	(999)	(769)
Net cash received (used) from financing activity	**27,139**	**41,207**	**25,186**	**(1,443)**
Net cash increase/decrease	4,154	9,794	2,284	(10,312)
Effect of exchange rate difference on cash	(1,804)	(808)	(1,041)	8,090
Cash at the start of the period	**19,127**	**17,884**	**17,884**	**20,106**
Cash at the end of period	**21,477**	**26,870**	**19,127**	**17,884**

As of the 6 month of 2022, the net cash used in operational activities decreased by 7,619 thousand GEL compared to the same period of the previous year and amounted to 21,607 thousand GEL. (26% decrease). The main causes of the mentioned decrease were the 4,068 thousand GEL decrease (16.6% decrease y/y) of the cash flows used in operational activities (before changes in assets and liabilities) and the 6,137 (13.8% increase y/y) increase of the received interest, whic was partially compensated by an increase of 719 thousand GEL in the paid interest. (4.8% increase y/y)

In 2021, the net funds used in operational activities amounted to 18,976 thousand GEL, which is 1.85 times more than in 2020. With an increase of approximately 18,000 thousand GEL in cash used in operating activities (before changes in assets and liabilities) (y/y +56%), which was partially compensated by the 25% increase in the received interest to 96,975 thousand GEL.

In 2022, cash used in financial activities decreased by 34% and is 27,139 thousand GEL (30/06/2021: 41,207 thousand GEL). The decrease was driven by a decrease in proceeds from borrowed funds and repayment of borrowed funds.

Apart from the articles mentioned above, there were no significant changes compared to the same period of the previous year.
As of 30 June 2022, the Company took out GEL 99,021 thousand loan (30/06/2022: GEL 115,987 thousand) and repaid GEL 70,445 thousand (30/06/2021: GEL 61,681 thousand).

As of 30 June 2022, the Company did not pay dividends. Dividends paid in 2021 (the entire year) comprised GEL 999 thousand, up by 30% compared to 2020 (31/12/2020: GEL 769 thousand).

In 2021, the Company did not issue ordinary and preference shares. As on 30 June 2022, as well as on 31 December of 2020 and 2021, the number of ordinary shares comprised 3,061 thousand while the number of preference shares comprised 573 thousand.

Regulatory Framework

Legal environment

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

Name of the law/regulation	Date	Last amendment
Organic Law of Georgia on the National Bank of Georgia	09/2009	09/2022
Law of Georgia on Microfinance Organizations	07/2006	09/2022
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	06/2018
Order of the President of the National Bank of Georgia On the Approval of the Rules of Determining, Imposing and Enforcing the Amount of Monetary Penalty for Microfinance Organizations and their Administrators	02/2020	05/2022
Order of the President of the National Bank of Georgia On the approval of the Procedure of Provision of Information to the Credit Information Bureau in the Territory of Georgia, the Registration of Information in the Database of the Credit Information Bureau, and Access to Information	08/2018	09/2022
Order of the President of the National Bank of Georgia On Definition of the Financial Reporting Format, the Timeframe for its Submission to the National Bank of Georgia and Procedure of Accounting for Microfinance Organizations	02/2018	04/2020
Order of the President of the National Bank of Georgia On the Approval of the Rules and Conditions of the Registration of Microfinance Organization with the National Bank of Georgia	04/2018	12/2020
Order of the President of the National Bank of Georgia On the Approval of the Procedure of Liquidation of a Microfinance Organization	04/2018	12/2020
Order of the President of the National Bank of Georgia On the Approval of the Procedure of Supervision and Regulation of Activities of Microfinance Organizations	07/2018	10/2019
Order of the President of the National Bank of Georgia On the Approval of the Procedure for the Classification of Assets of Microfinance Organizations and the Formation of Reserves for Possible Losses	07/2018	N/A
Order of the President of the National Bank of Georgia On the Approval of the Procedure for the Protection of Consumer Rights during the Provision of Services by Financial Organizations	03/2021	02/2022
Order of the President of the National Bank of Georgia On the Approval of the Regulation on Lending to Individuals	03/2020	08/2022

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 1 million. The National Bank of Georgia is authorized to determine the regulatory capital of the microfinance organization and prohibit certain activities. Also, the latest amendment has provided guidance on the possible parties to whom information about the borrower may be transferred. MFOs are entitled to issue loans to businesses and physical people with a maximum amount of GEL 100,000. On the other hand, MFOs cannot receive deposits from any kind of source, though raising funds in the form of loans is allowed.

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

According to the regulation, a director of MFO cannot be a person, who has insufficient knowledge and/or working experience; who was previously convicted for financial crimes; whose activities brought significant damage/bankruptcy of a bank and/or other financial institutions under their management. A director of MFO cannot be involved in management or hold shares in other banks, microfinance institutions or credit unions.

A person cannot buy 10% or higher share in MFO, if he/she was convicted for financing terrorism, money laundering and other economic crimes. A potential buyer of MFO shares (>10%) should submit an application and other required documents to the National Bank of Georgia. The NBG will make a decision whether to allow or disallow the transaction within 15 working days.

According to the order which entered into force in 2012, the National Bank of Georgia is authorized to register, cancel registration, monitor and give penalties to microfinance organizations. MFOs are allowed to operate after successful registration with the National Bank of Georgia. The NBG issues decisions about registration of MFOs within 45 working days. Additionally, 30 days can be given to the applicant for required adjustments. MFOs are obliged to have video surveillance system at headquarters and all their branches.

MFOs are obliged to submit monthly financial statements to the National Bank of Georgia and publish quarterly reports on their website no later than the 15th day of the following month.

In 2016, a special order regarding AML and Terrorism Financing Risk entered into force, which requires all MFOs to submit their semi-annual report on the abovementioned risks from 2017. The report should summarize information about clients' citizenship and deals; high risk loans and clients; MFO ownership, branches/foreign subsidiaries, etc.

If a microfinance organization fails to submit the above-mentioned reports or to meet other requirements, the National Bank of Georgia can issue a penalty or cancel MFO's registration. In April 2018, the NBG approved a new order regarding the liquidation of microfinance companies, which allows NBG to appoint a liquidator after cancellation of registration of MFO.

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 the remaining principal amount of the loan for penalties.

In July 2018, the maximum amount of the effective interest rate of the credit was reduced to 50%, and the maximum annual total volume of penalties was reduced to 100% of the remaining principal amount of the credit. The National Bank of Georgia monitors the fulfillment of these requirements by microfinance organizations.

The amendment of Civil Code of Georgia approved in January 2017, specifies that if a MFO attracts funds from more than 20 individuals, funds attracted from each individual should not be less than GEL 100,000 (or equivalent in foreign currency). If an obligation to comply with these requirements arises for the microfinance organization, it must pay the amount less than GEL 100,000 raised from less than 20 individuals within 1 year from the occurrence of such obligation.

Another regulation entered into force on January 2017, related to loan “Larization”. Any loan given to resident individuals up to GEL 100,000 should be issued in local currency - GEL.

In July 2018, the National Bank of Georgia approved 2 new orders. The first order relates to the classification of assets of microfinance organizations and creation of reserves for expected credit losses, while the second one relates to the supervision and regulation of activities of microfinance organizations.

An important regulation that came into force in January 2019 is related to responsible lending. Microfinance organizations and other lending entities were ordered to grant loans to individuals only subject to certain requirements, including: lending entities were imposed an obligation to study the solvency of an individual (except in cases of loan restructuring/refinancing). Under the subsequent addition to the statute, they were allowed to use only the quantitative and statistical methodologies agreed with NBG in the process of granting loans. Furthermore, loan collateral and debt service ratios have been approved for loans subject to the requirements of the statute. Loan service ratios were determined as follows:

<table>
<tr><th>Monthly net income, GEL</th><th>For unhedged borrowers for maximum maturity/contract payments</th><th>For hedged borrowers for maximum maturity/contract payments</th></tr>
<tr><td><1000</td><td rowspan="2">20% / 25%</td><td>25% / 35%</td></tr>
<tr><td>>=1000-2000<</td><td>35% / 45%</td></tr>
<tr><td>>=2000-4000<</td><td>25% / 30%</td><td>45% / 55%</td></tr>
<tr><td>>=4000</td><td>30% / 35%</td><td>50% / 60%</td></tr>
</table>

However, in 2020, the NBG introduced some amendments to the responsible lending regulation, which entered into force on 15 April 2020 and included the following:

- Financial institutions were allowed to evaluate payment capacity of physical persons by applying internal procedures instead of strictly set out rules.
- The limit of PTI ratio was abolished on maximum maturity loans. The ratio will be calculated for a maximum period that a loan can be extended to under the contract. Instead of those provided in the table above, the maximum PTI ratios have been set as follows:

Monthly net income, GEL	Foreign currency	GEL (or FX if the income is in the same currency)
<1000	20%	25%
>=1000	30%	50%

- Corporate governance requirements were imposed on commercial banks and microfinance organizations, in particular, they were mandated to manage risks and ensure the compliance with the responsible lending regulation using the principles of "three lines of defense" (line of business, risk management function and internal audit).

Also, in 2019, the MFOs were imposed limits on capital ratio. According to the decree №143/04 of the President of National Bank of Georgia, the limits have been introduced according to two approaches – standard and non-standard. According to a standard approach, company's capital ratio shall be >=18% whereas according to a non-standard approach it shall be >=24%. The difference between standard and non-standard approaches depends on the share of funds in the regulatory capital, that are raised from physical and nonfinancial legal persons. If funds raised by a company from physical and nonfinancial legal persons, including issued bonds, are less than 50% of the regulatory capital, the Company is subject to standard limits. Whereas, if funds raised from the aforementioned sources exceeds 50% of the regulatory capital, than it is subject to non-standard limits.

Agreement between the Issuer and the National Bank of Georgia on the application of economic norms and limits

The company has reached an agreement with the National Bank of Georgia, according to which, when issuing bonds within the scope of this prospectus, the economic norms and limits of JSC Crystal, established by the order N143/04 of the President of the National Bank of Georgia on July 5, 2018, will be applied according to the principle described below:

1. If the bonds issued and placed by JSC Crystal are fully classified as funds raised from individuals and legal entities that are not financial institutions (hereinafter: legal entities) and in total, the funds raised by the company from physical and legal persons does not exceed 50% of the supervisory capital of JSC Crystal, the company will be subject to the following norms and limits:
    1.1 Capital Coefficient – ratio of supervisory capital to adjusted total assets of - 18%;
    1.2 Liquidity Coefficient – Average monthly liquid assets to average liabilities – 18%;
2. If the company is not fully in compliance with the limitis set out in the 1. Clause, only the portion of the issued bonds that have not been acquired by the financial institute classify as funds raised from physical and legal entities. In such case, if the funds raised from physical and legal entities calculated with the prior mentioned method:

    2.1 Are equal to or below 40% of JSC Crystal's supervisory capital, the company will be subject to the following limits:
        2.1.1 Capital Coefficient – ratio of supervisory capital to adjusted total assets of - 18%;

    2.1.2 Liquidity Coefficient – Average monthly liquid assets to average liabilities – 18%;

2.2 Exceed 40% but are below 45% of JSC Crystal's supervisory capital and the company fails to decrease the ratio to 40% or below within 90 days, the company will be subject to the following limits:
    2.2.1 Capital Coefficient – ratio of supervisory capital to adjusted total assets of - 24%;
    2.2.2 Liquidity Coefficient – Average monthly liquid assets to average liabilities – 25%;
2.3 Exceed 45% but are below 50% of JSC Crystal's supervisory capital and the company fails to decrease the ratio to 40% or below within 30 days, the company will be subject to the following limits:
    2.3.1 Capital Coefficient – ratio of supervisory capital to adjusted total assets of - 24%;
    2.3.2 Liquidity Coefficient – Average monthly liquid assets to average liabilities – 25%;
2.4 Exceed 50% of JSC Crystal's supervisory capital the company will immediately be subject to the following limits:
    2.4.1 Capital Coefficient – ratio of supervisory capital to adjusted total assets of - 24%;
    2.4.2 Liquidity Coefficient – Average monthly liquid assets to average liabilities – 25%;
2.5 In cases described in subclauses 2.2 and 2.3, if the company manages to decrease funds raised from physical and legal entities to or below 40% of supervisory capital within the set time limits, the company will be subject to the following limits:
    2.5.1 Capital Coefficient – ratio of supervisory capital to adjusted total assets of - 18%;
    2.5.2 Liquidity Coefficient – Average monthly liquid assets to average liabilities – 18%;

In order to identify the registered owners of the bonds set forth, which will serve as the basis for the abovementioned calculations, securities market intermediaries are obliged to carry out the following actions related to any type of operations related to the securities issued by JSC Crystal:

- In case of initial placement or sale of a security owned by a financial institution to an individual or a non-financial legal entity, the following information regarding the transaction should be immediately reported to the issuer: legal status of the acquirer (in particular, whether the acquirer is a legal entity or an individual), the total nominal value of the sold bonds, the amount and date of the transaction. The information should be provided regardless of whether the transaction was made to a resident or non-resident person;
- In case of initial placement or sale of a security owned by an individual or a non-financial legal entity to a financial institution, the following information regarding the transaction should be immediately reported to the issuer: legal status of the acquirer (in particular, whether or not the acquirer is a financial institution), the total nominal value of the sold bonds, the amount and date of the transaction. The information should be provided regardless of whether the transaction was made to a resident or non-resident person;

- With regards to transactions carried out by the securities intermediary, within 5 working days of each month, provide the issuer with a complete report on the owners of securities as of the last date of the previous month. The said report must include the following information about all owners:
    - Total nominal value and quantity of the bonds held by the holder, as well as the date of purchase;
    - Legal status of the holder;
    - Information on whether or not the holder represents an individual, non-financial legal entity or a financial institution;
    - Residency of a holder;

JSC Crystal is obliged to provide the above-mentioned information received from the securities market intermediaries to the National Bank of Georgia. The reporting should be made within the above-mentioned terms, in writing and in electronic form. Electronic reporting must be submitted in MS Excel format to the following email address: capitalmarket@nbg.gov.ge. In addition, securities market intermediaries are required to familiarize themselves with the scheme disclosed in the prospectus regarding the status and reporting of the registered owners of the security. In case of violation of the reservations disclosed in the prospectus by the issuer, appropriate supervisory measures will be implemented by the National Bank of Georgia.

Most recent regulatory changes

In 2021, the National Bank of Georgia worked on drafting a regulatory framework for a new subject – micro bank. The aim of the legislative package is to create a new financial institution of medium size with a stable business model and high reputation; to support crediting of entrepreneurial and agricultural activities; to increase competition; and to reduce interest rates on credit products.

Governing body and management

The Issuer fully meets all the requirements defined in the corporate governance regulatory rules stipulated by the Law "On Entrepreneurs". In addition, on December 7, 2021, by order of the National Bank of Georgia, the Corporate Governance Code was published, which will come into force from January 2022, although the issuers will be required to submit the reporting under the mentioned Code for the first time by the date of the 2023 annual reporting. The Code The Code is based on the approach: "comply or explain present an alternative", which aims to promote the widespread use of best practices in corporate governance. In addition, the company is fully compliant with the Corporate Governance Code and other regulatory requirements related to the Law of Georgia "On Microfinance Organizations".

The supreme governing body of the Company is the Supervisory Board. Crystal is governed by an effective Supervisory Board that has a joint responsibility for the long-term success of the Company. The function of the Supervisory Board is the annual assessment of the corporate strategy and setting the goals for the next year's strategic plans. All senior officers are appointed to implement a primary and secondary strategic plan, which provides a significant basis for their variable compensation.

The Supervisory Board consists of eight members, including two independent members and two investor representatives (Suma Swaminathan and Aleem Remtula). Two members are citizens of Georgia and their place of business is mainly Georgia. Two members were added to the Supervisory Board in 2022 and are not residents of Georgia. Members have extensive experience in business development, corporate governance, banking/microfinance, technology, innovation and human resource development.

Shareholders:

The Company is fully owned by the members of the Shareholders' Group. There is no sole controlling party[5] of the Company. As of September 30, 2022, the shares of the Company were owned by the following shareholders that comprise the Shareholders' Group:

Shareholders (ordinary shares)	**30-June-2022**	**31-Dec-2021**	**31-Dec-2020**
Agrif Cooperatief U.A.	38.7%	38.7%	38.7%
DWM Funds S.C.A. – SIVAC - SIF	12.4%	12.4%	12.4%
Archil Bakuradze	14.3%	14.3%	14.3%
Malkhaz Dzadzua	11.1%	11.1%	11.1%
Davit Bendeliani	6.8%	6.8%	6.8%
Other	16.7%	16.7%	16.7%
Total	**100%**	**100%**	**100%**

[5] Defined according to IFRS 10, which defines control as a case when each of the following conditions are met: an investor has power over the company - has the rights to significantly influence the company's earnings; an investor has the right to receive variable income depending on the involvement in the company; an investor has the ability to influence the investor's returns with his power.

Shareholders (preffered shares)	30-June-2022	31-Dec-2021	31-Dec-2020
Agrif Cooperatief U.A.	53.12%		53.12%
DWM Funds S.C.A. – SIVAC - SIF	46.88%		46.88%

It is noted that none of the other shareholders, whose share is 16.7% of the total issued shares, has more than 5%. A shareholder with a direct or indirect stake of more than 5% does not have a different voting right. Shareholders have voting rights in proportion to their shares.

As of September 30, 2022, the main shareholders of the group are Agrif Cooperatief U.A. and DWM Funds S.C.A.-SICAV SIF 38.7% and 12.4% respectively.

agRIF is the successor fund of Rural Impulse Fund I and Rural Impulse Fund II, which invest in the financial inclusion of the rural sector. agRIF takes this model one step further and specifically focuses on the agricultural sector and small and medium farmers as well as rural micro-entrepreneurs. In addition to the fund's targeted equity investments, agRIF provides debt investments in agricultural SMEs and agricultural-focused financial intermediaries (like Crystal). agRIF is managed by Incofin Investment Management (Country: Belgium, S/N: 0815.870. 958).

DWM Funds S.C.A.-SICAV SIF (S/N: 805-3121651100) is based in Luxembourg. Its parent company is DWM ASSET Management LLC. DWM Asset Management LLC operates as an investment company. The company invests in equity, bonds and loans. DWM Asset Management serves clients in the United States.

The funds mentioned above are not related to each other, therefore the company does not have a monetary owner.

Supervisory Board:

Members:

Archil Bakuradze: Chairman of the Supervisory Board - Chairman of the Supervisory Board and Assets and Liabilities Committee. He was the Chairman of the Microfinance Association, and is currently a member of its board. Archil Bakuradze is the Chairman of the Board of Crystal Foundation and works in the management of various non-profit organizations. He holds a Master's Degree in Business Administration from Lancaster University (2004), is a John Smith Foundation Fellow (2000) and a winner of the International Van Heuven Goedhart Award (2003) of the Dutch Refugee Foundation "Stichting Vluchteling". During the last 5 years, Archil Bakuradze was a member of the Supervisory Board of Company "Microfinance Center". He is also a member of the board of the "Georgian Microfinance Association" and the charity humanitarian center "Apkhsazeti". He was also the Chairman of the Supervisory Board of "Mobile Finance Eurasia".

Jan Dewijngaert: a member of the Supervisory Board - Chairman of the Strategy, Data and Innovations Committee. Since 2015 he 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, Senior Executive Investment Manager and Director at Gimv (1989-2011); Advisor at KBC Bank (1983-1989). Mr. Dewijngaert graduated as a Civil Engineer in Construction and in Industrial Policy at the Catholic University of Leuven (Belgium) and Corporate Financial Strategy at Insead, France. During the last 5 years, Jan Dewijngaert was also a member of the supervisory board in "Inecobank", "Bank Arvand", "Lovcen Banka" and "Araratbank". He held the position of a member of the board of directors in the company "Arnur Credit".

Lilit Garayan: an independent member – financial expert, member of the Supervisory Board of Crystal since July 11, 2018. She has an extensive experience of working in the banking sector both in management positions and in the position of a consultant in the direction of financial management, risk management and operational management. Since 2015, she has been participating in the implementation of SDC, KfW and AFD projects in Georgia and Armenia. She studied at the American University of Armenia with an MBA specialization in finance, is a graduate of the Academy of Higher Management of Procredit Corporation, a member of ACCA, and received a master's degree from Yerevan State University. For the last 5 years, Lilit Garayan has been a member of the supervisory board in the company "Oilredit International" and the managing director in the company "ADWISE Consulting LLC".

Aleem Remtula: a member of the Supervisory Board – the Partner and Head of DWM's private equity team. Mr. Remtula has been a board member and shareholder representative on the DWM side since 2011. He currently chairs the Environment and Social Committee. Mr. Remtula started his career in Investment Banking at JPMorgan and has more than 20 years of experience investing globally through entrepreneurial and venture capital. He received Master's Degree in Business Administration from Harvard Business School and BA in Economics and Finance from Princeton University. Aleem Remtula has also been a board member of Age Khan Foundation in USA and member of supervisory board of Suryoday SFB, SMILE and Ashv Finance for the last 5 years.

Giorgi Arveladze: a member of the Supervisory Board – supervisory boad member of "Crystal" since 2022. Giorgi is a successful banker and financier with 16 years of experience in banking, financial markets, monetary policy, healthcare and pharmaceuticals. At the beginning of his career, Giorgi joined the National Bank of Georgia, where he worked his way up through the ranks to become the bank's main dealer. He was a member of the International Reserve Management Committee and the Monetary Policy Commission. In 2008, Giorgi joined BNP Paribas Structured as a member of the Central and Eastern Europe and South Africa team. In 2009-2015, Giorgi worked at Liberty Bank, first as Deputy CEO, and since 2013 as CEO. For the last 5 years Giorgi Arveladze was a managing partner in "Moped Depot LLC", "Delaware Properties LLC", "Ninoshvili Properties LLC", "Bilderz LLC", "TBS Capital", "Baobab Invest LLC". and Engreen LLC. Asve held the position of an independent member of the Supervisory Board in the company "State Deposit Insurance Agency"

Suma Swaminathan: an alternate member – Vice President of Private Equity at DWM. Suma Swaminathan is an alternate member of Crystal's Supervisory Board and shareholder representative from DWM since 2020. Prior to joining DWM, Suma worked as a consultant at Empire Valuation Consultants, a boutique consulting firm in New York. She has experience managing equity, debt and complex asset/securities valuations of public and private companies for potential investment, financial reporting and corporate planning purposes. She also worked as a technologist at Capital One Auto Finance from Infosys Technologies. Suma holds an MBA from NYU's Stern School of Business, where she became a Faculty Fellow in Social Enterprise based on her work in handloom cooperative communities in the Indian textile industry. Suma holds a Bachelor's Degree in Electrical Engineering from Osmania University (Hyderabad, India). During the last 5 years Suma Swaminathan was also a member of the Supervisory Board of Ashv Finance and Inecobank.

Robert Kossmann: a member of the Supervisory Board - has been working for 33 years in the field of retail, small and medium banking services, in 13 different countries of Central and Eastern Europe. From 2004 to

2020, he held the position of Deputy Chairman of the Board of Directors of Retail/SME Banking in the Ukrainian office of Raiffeisen Bank International, managed SME risks in Austria, held the positions of CIO and COO. Prior to Raiffeisen, Robert Kosman worked as a senior development banker with EBRD, World Bank, Asian Development Bank (ADB) and USAID in the restructuring of large financial institutions. Currently, he is actively working as a "Fintech Angel" investor, as well as an advisor/mentor for many startups in Ukraine. He joined the company Crystal from the second half of 2022. For the past 5 years, Robert has been the Deputy Chairman of the Board in Retail Banking.

Matangi Gowrishankar: a member of the Supevisory Board - 40 years of experience in business and human resources in management positions in India and abroad with leading corporations in various industries including Standard Chartered Bank, Reebok, GE and Cummins Inc. Many years of experience in collaboration, executive coaching, human resource management and effective team building. Most recently, he was employed by BP plc, where he held the position of Head of Global Capability Development and Director of the Global Leadership Academy. He joined the company Crystal from the second half of 2022. For the past 5 years, Matang has been an Independent Executive Member of Altum Credo Home Finance Pvt Ltd, Arohan Financial Services Ltd, Ashv Finance Ltd, Cyient Ltd, Gabriel India Ltds in "Greenlam Industries Ltds", "Gujarat Pipavav Ports Ltd", "Intellecap Advisory Services Pvt Ltd", "Premium Transmissions Pvt Ltd", "Premium Motion Pvt Ltd" and "AAVISHKAAR" Foundation".

Management team

Ilia Revia - Chief Executive Officer - He is a successful project manager and IT management specialist with impressive experience in management, IT management and banking sector. He started his career as a web developer, in 2007-2009 worked in IT project management at a US law firm, and in 2009 at DPK Consulting. Ilia Revia joined the Bank of Georgia in 2009, where he was appointed Deputy Chief Information Officer in 2014 and headed a number of complex projects of the company, including the acquisition of PrivatBank Georgia and its rapid transformation initiative. Since June 2019, Ilia Revia has been appointed as a chief executive officer of the microfinance organization Crystal. Ilia is a Certified Project Management Professional (PMP), holds a Master's degree in Project Management from George Washington University and a Master's degree in IT and Business Innovation from Jönköping University, Sweden. He also received a Bachelor's degree in mathematics from the Technical University of Georgia.

Davit Bendeliani - Chief Financial Officer - from August 2004 to 2011, held the position of financial manager of Crystal Fund. From April 1997 to July 2004, he worked as a financial manager at the Abkhazia charity humanitarian center. He studied at the Faculty of Economics of Ivane Javakhishvili University of Tbilisi, received certificates in treasury management of microfinance organizations, strategic planning and change management, microfinance product development, risk management methodology, internal audit development, human resources management and strategic planning program. During the last 5 years, he was also a member of the board of the charity humanitarian center "Abkhazia".

Melania Kuchukhidze - Senior Business Officer - Senior Business Officer of microfinance organization Crystal. She is an accomplished senior executive and management expert with 14 years of managerial experience in the financial sector. In 2006-2010, she worked as a Head of Retail and Small Business Development of VTB Bank of Georgia. In 2010-2015, Melania was a Head of the Network Management Department of Bank Constanta, after which, until 2016, she worked at TBC Bank, in the micro business management team. In 2018, Melania joined

Crystal as a head of network management. Before that, for 2 years, she was the commercial director of the Green Lisi urban development project. In 2019, Melania was appointed as Crystal's Deputy Chief Business Officer, and since May 2020, she has been the Chief Business Officer. Melania is a master's student in management at VTB Bank's corporate university. She received a Bachelor's Degree in economics and management from Georgia Subtropical Business University.

Manuchar Chitaishvili - Senior Innovations Officer - in 2005, he was the head of Kutaisi Self-Government Department. Since 2001, he has worked in various positions in the private and public sectors. Manuchar joined Crystal in 2006. He graduated from the Georgian Institute of Public Affairs, holds a Master's Degree in public administration and Master of Law degree from Kutaisi A. Tsereteli University. He has completed a training course in Strasbourg, at the Council of Europe.

Beka Tsitskishvili - Senior Information Officer - Senior Information Officer since 2018. He was the Senior Information Officer of Adjara Group, worked in the managarial positions in ICT at Aviator LLC and Bank Republic, is the co-founder of Next Step LLC. He received a Master's Degree in business administration from the Grenoble School of Business and Caucasus Business School, a Master's Degree in computer science from Ivane Javakhishvili Tbilisi State University, Faculty of Applied Mathematics and Computer Sciences. During the last 5 years, Beka Tsitskishvili was not in the management or supervisory board of another company.

Giorgi Megeneishvili – Chief Risks Officer. Since 2005, he held various positions. Made a significant contribution to the development of the company and the formation of the classical line of risk management. He is a certified risk manager, a certified international microfinance manager (Frankfurt School of Finance and Management) and holds a bachelor's degree in economics from Akaki Tsereteli State University of Kutaisi. During the last 5 years, Giorgi Megeneishvili was not in the management or supervisory board of another company.

Kakha Gabeskiria - Chief Executive Officer, JSC Crystal Leasing – Joined the Crystal team in 2009 and held various executive positions such as Senior Credit Officer, Senior Operations Officer and Senior Business Officer. Since 2020, he has been appointed as a Chief Executive Officer of Crystal Leasing, a subsidiary of MFO Crystal. Mr. Gabeskiria has 20 years of experience in the MSME sector in managerial positions at Procredit Bank. He has a Bachelor's Degree in economics from the Institute of Subtropical Agriculture of Georgia. In addition, he is certified in project management, business analysis, human resource management, product development, credit portfolio planning and management, and credit and operational risk management. During the last 5 years, Kakha Gabeskiria has not been in the management or supervisory board of another company.

Giorgi Janelidze - Chief Executive Officer, Crystal Consulting LLC - For the past nine years, he has worked at MFO Crystal in various positions and is currently an executive in business consulting. Giorgi has been working in non-governmental organizations and the private sector since 2008. He has experience in microfinance, marketing, IT, project management and MSE sector. Giorgi has developed several startups from business idea to final product. By education, he is an IT specialist, a certified project manager and a digital marketer. Giorgi holds a Master's Degree in IT and Economics and is currently progressing towards a Ph.D. During the last 5 years, Giorgi Janelidze was not in the management or supervisory board of another company.

About the members of the supervisory board and management, the job positions for the last 5 years are fully presented in the companies whose management, supervisory board or board of directors member was the mentioned person. The members of the Supervisory Board and the management had no work experience other than the one presented in the last 5 years.

The term of office of the Supervisory Board members is until April 19, 2025.

The contacts of the management members are lifelong.

There was/is no conflict of interest between the persons listed above and the duties/responsibilities related to the issuer.

In relation to these persons, there is no restriction on the disposal of their shares in the issuer's securities.

As of the date of this prospectus, none of the members of the issuer's supervisory board and executive management during the previous five years:

- has not been convicted of fraud, economic crime or money laundering;
- did not have an executive function, as a member of management or supervisory bodies in any company during bankruptcy or liquidation (except for voluntary liquidation); or
- Not subject to any official indictment and/or by any government or regulatory body (including any professional body) and has never been disqualified by a court of law for serving as a member of the management or supervisory body of any company.

Related party transactions

Related parties or transactions with related parties, according to the IAS 24 “Related Party Disclosures,” are:

a) Parties that directly or indirectly, through one or several intermediates, control a company or are controlled or jointly controlled with a company (including own a share with a parent company and its branches, giving them a significant influence and a joint control over a company);

b) Key management personnel of a company or its parent company;

c) Family members of those listed in (a) or (b) paragraph;

d) Parties that are entities controlled or jointly controlled by persons listed in (c) or (b) paragraph, or these persons exercise significant control over the entities, or directly or indirectly exercise the right of vote in those entities.

Amounts carried in the statement of profit and loss in regard with transactions with related parties as of 31 December were:

Profit and loss statement	6 months 2022 GEL ‘000	2021 GEL '000	2020 GEL '000
Commision expenses	180	298	521

Monetary and non-monetary benefits in relation to members of board of directors and managers were:

	6 months 2022 GEL '000	2021 GEL '000	2020 GEL '000
Short-term benefit	857	1,678	1,644

Short-term benefit is the remuneration (bonuses) paid to the directors and members of the board of directors of the company, which amounted to 857 thousand GEL as of the 6th month of 2022.

Statement of Financial Position

Statement of financial position (000' GEL)	30-June-2022 Unaudited	31-Dec-2021 Audited	31-Dec-2020 Audited
Assets			
Cash and cash equivalent	21,477	19,127	17,884
Loans to clients	359,752	347,941	315,880
Other assets	5,517	4,684	8,167
Deferred profit tax	799	1,699	2,628
Intangible assets	4,157	4,494	2,611
Right-of-use of assets	6,799	8,295	11,309
Leased property	8,723	5,662	2,246
Property and equipment	4,413	4,277	5,349
Total assets	**411,637**	**396,179**	**366,074**
Liabilities			
Borrowings	332,796	314,405	292,693
Lease liabilities	7,335	9,127	12,522
Other liabilities	9,845	12,452	2,848
Total liabilities	**349,976**	**355,984**	**308,063**
Equity			
Share equity	3,635	3,635	3,635
Share premium	22,110	22,110	22,110
Retained earnings	35,916	34,450	32,266
Total equity	**61,661**	**60,195**	**58,011**
Total liabilities and equity	**411,637**	**396,179**	**366,074**

Statement of profit and loss

Profit and loss statement (GEL '000)	30-June-2022 (Unaudited)	30-June-2021 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)
Interest income	51,895	46,122	95,124	80,948
Interest expenses	(16,326)	(14,831)	(31,744)	(29,236)
Net interest income	**35,569**	**31,291**	**63,380**	**51,712**
Loan impairment charge	(3,744)	(1,353)	(2,693)	(5,300)
Net interest income after provision for loan impairment	**31,825**	**29,938**	**60,687**	**46,412**
Net gain/(loss) from foreign currency sale and purchase transactions	(5,874)	(10,664)	(14,980)	(1,690)
Net foreign exchange loss	(9,794)	1,517	(4,620)	13,699
Net gain/(loss) from foreign currency	8,895	4,579	7,569	(20,050)
Personnel expenses	(13,631)	(12,519)	(26,506)	(22,567)
Depreciation and amortization	(3,074)	(1,991)	(6,759)	(4,942)
General administrative expenses	(4,969)	(5,359)	(9,208)	(10,931)
Profit before tax	**3,378**	**5,501**	**6,183**	**(69)**
Profit tax expenses	(1,417)	(1,518)	(3,003)	(783)
Profit and total gross income for the reporting year	**1,961**	**3,983**	**3,180**	**(852)**

Cash flow statement

(GEL '000)	30-Jun-2022 (Unaudited)	30-Jun-2021 (Unaudited)	31-Dec-2021 (Audited)	31-Dec-2020 (Audited)
Cash from operating activities				
Profit before tax	**3,378**	**5,501**	**6,183**	**(69)**
Net (gain)/loss on financial assets and liabilities carried at fair value in profit and loss	9,794	(1,517)	4,620	(13,699)
Net loan modification	-	-	-	2,601
Depreciation and amortization	3,074	1,991	6,759	4,942
Interest income	(51,895)	(46,122)	(95,124)	(80,948)
Interest expenses			31,744	29,236
Impairment loss on interest-yielding assets	16,326	14,831	2,693	5,300
Gain/loss from currency exchange rate difference	3,744	1,353	(7,569)	20,050
Loss on disposal of property and equipment	(8,895)	(4,579)	3	56
Earnings from cancellation of lease	-	-	(9)	(5)
Cash flows from operating activity before changes in assets and liabilities	-	-	**(50,700)**	**(32,536)**
Net increase in financial liabilities/net decrease in financial assets	**(24,474)**	**(28,542)**	(2,110)	2,198
Increase in loans to customers	(10,693)	3,465	(36,529)	(22,672)
Net increase in lease investments	(14,038)	(30,539)	(3,500)	(2,266)
Increase/decrease in other assets	(3,196)	(1,885)	61	(671)
Increase/decrease in other liabilities	(682)	(27)	8,291	221
Increase/decrease in operating liabilities	**(30,439)**	**(30,124)**	**(33,787)**	**(23,190)**
Interest received	50,497	44,360	96,975	77,576
Interest paid	(15,549)	(14,830)	(31,459)	(28,040)
Profit tax paid	(1,642)	-	(5)	(476)
Cash from operating activities	**(21,607)**	**(29,226)**	**(18,976)**	**(6,666)**
Cash flows from investment activities				
Acquisition of property and equipment	(1,309)	(717)	(1,127)	(1,747)
Acquisition of intangible assets	(295)	(1,594)	(2,989)	(544)
Income from sale of property and equipment	226	124	190	88
Net cash used in investment activities	**(1,378)**	**(2,187)**	**(3,926)**	**(2,203)**
Cash from financial activities				
Cash from borrowings	99,021	115,987	185,290	122,701
Repayment of borrowings	(70,445)	(61,681)	(143,177)	(120,648)
Repayment of debt liabilities	-	(12,407)	(12,407)	-
Repayment of lease liabilities	(1,437)	(692)	(3,521)	(2,727)
Dividends paid	-	-	(999)	(769)
Net cash inflowed (used) from financial activities	**27,139**	**41,207**	**25,186**	**(1,443)**
Cash and cash equivalent at the end of period	**21,477**	**26,870**	**19,127**	**17,887**

Dividend policy

Holders of ordinary shares are entitled to dividends time and again and have the right to vote per share at an annual meeting of Group's shareholders.

Holders of preferred shares are entitled to dividends at an annual 10% interest rate. According to Georgian legislation, any promise of dividend is abolished and is based on annual profit and management's decision.

1. The dividend policy sets out how JSC Microfinance Organization Crystal distributes part of the Company's net profit among its shareholders in the form of dividends; the policy reflects the rules set forth in the statute and shareholders' agreement;
2. The dividend policy is based on Crystal's precondition to create a long-term value of shareholders, which rests on consumer-oriented corporate culture and the strategy of strong growth;
3. Crystal applies a residual dividend policy approach which is determined by the Company's operating considerations; while the Company tries to achieve predictable payment of dividends to its shareholders, a final decision is determined by Crystal's capital requirements;
4. Capital requirements follow from (a) need of capital for new investments; (b) to maintain adequate liquidity (capacity to pay short-term liabilities), and (c) capital base that affects leverage/loan capital ratio;
5. Dividends are paid from residual value after the Company meets future capital requirements;
6. If such residual value is sufficient, directors recommend the amount of dividend to shareholders, which must be up to 25% of net income received in the previous accounting period;
7. Crystal can announce dividends by the resolution of shareholders' meeting; shareholders' agreement specifies the procedure and criteria for the payment of dividends as follows:
   a) If in a fiscal year the Company attains return on capital of at least 17% after dividends (as the term is defined in Annex A of shareholders' agreement) for the given fiscal year, shareholders may approve an annual distribution. Dividends shall be paid to all shareholders in proportion to common shares held by them, at a coefficient of maximum 25% of the Company's net income (as the term is defined in Annex A) (each such distribution of common dividends is carried out by such course, "automatic common dividend").
   b) Announcement and distribution of any automatic common dividend for any fiscal year is subject to discussion and approval by shareholders at a general meeting or otherwise, in accordance with the procedure described in the Company's statute; provided that a consent of investors about the payment of dividends, as set forth in Article 10.1(d) of the shareholders' agreement, shall not be necessary for the payment of any automatic common dividend. Automatic common dividend shall not be more than once a year.
8. Crystal issues dividends by settlement in cash through transferring it to a bank account indicated by a receiver or in writing or by directors' decision;
9. Dividend is taxed by dividend income.

Litigation Statement

JSC microfinance "Crystal" conducts cases in court in order to recover problematic loans. Current disputes regarding problem loans are not material and their total value does not exceed 27,000 GEL. As for the cases brought against the company, they are related to the lawsuits of former employees, the total value of which does not exceed 8,000 GEL.

In addition to the disputes listed above, the company also has a tax dispute. The external tax audit of microfinance "Crystal" JSC for the period up to May 2015-2018 was completed with the tax audit act of December 24, 2018 of the Audit Department of the Ministry of Finance of Georgia and Based on it, tax request N094-269 of the Revenue Service of the Ministry of Finance of Georgia dated December 26, 2018 and order N38292 of the Audit Department of the Revenue Service dated December 26, 2018, on the basis of which Crystal was charged 484,000 GEL for the benefit of the budget, of which 472,000 GEL charged for profit tax was disputed.

On January 25, 2019, JSC microfinance organization "Crystal" appealed to the Disputes Council of the Revenue Service against the tax audit act issued by the Audit Department and the tax request issued on its basis. The content of the complaint was not satisfied by the Disputes Council and a judicial review was started, which ended with the decision of the Kutaisi City Court on October 8, 2020, which fully satisfied the request of JSC Crystal and canceled the imposed obligation. The Revenue Service and the Ministry of Finance appealed the decision, which was rejected by the Kutaisi Court of Appeal on April 13, 2021. The decision was appealed to the Supreme Court, the review of the admissibility stage began on July 12, 2021, and by the decision of the Supreme Court of Georgia on December 23, 2021, the disputed issue was declared inadmissible in favor of the Ministry of Finance, due to the impossibility of making a decision. The decisions of Kutaisi City Court and Kutaisi Court of Appeal remained in force. (The decision of the final instance was delivered to JSC Crystal on February 25, 2022, and the fine transferred in the mentioned case in the amount of 5,000 GEL was returned by the company on May 24, 2022.

Description of significant changes in the Issuer's financial or commercial condition

In 2022, despite recent regional upheavals, Crystal maintained a promising financial and operational profile, reflected in a stable credit rating. Funding profile, asset quality and capital position are key indicators that show positive results for Crystal in 2022.

Financially and operationally, the Company has remained stable despite economic and political upheavals, with Crystal showing solid growth and improved asset quality. In June, NPL was 7.77%, which is PAR>30, the sum of restructured loans and write-offs. Despite intense competition, the portfolio benefits are managed efficiently.

Change in the Company capital

In order to increase the authorized capital, the Company can issue shares (ordinary and/or preferred) and other securities convertible into shares. All conditions for the issue of new shares will be established in the agreement for the issue of shares and their purchase, which will be signed between the Company and an entity that expresses the desire to buy new shares.

The Company has the right to, based on the decision of the shareholders' meeting and the approval of NBG, at any time, redeem any number of preferred shares from any shareholder. The preferred shares will be redeemed at par value.

Duties and responsibilities

Duties of shareholders in the joint stock company, as well as the mutual obligations of the shareholders are determined by the applicable legislation of Georgia, this charter and the shareholders' agreement.

The obligations of the company towards the shareholder are determined by the applicable legislation of Georgia, this charter and the shareholders' agreement.

The company's liability to creditors is limited to its entire property.

Rights of shareholders

Shareholders are persons who own shares in JSC Crystal and are registered in the share register of JSC Crystal. Shareholders of the Company can be legal entities registered in Georgia and/or abroad, as well as citizens of Georgia and/or other countries.

The Company shareholders have the right to:

- To dispose of their own shares in accordance with the procedure established by the applicable law, the Company's charter and the shareholders' agreement, if any;
- In case of transfer of the right to the shares owned by the shareholder, the shareholders have the preemption right in proportion to the share owned by them;

- Personally or through a representative attend the general meeting of shareholders and in case of ordinary shares - participate in voting and exercise their rights in accordance with this charter and shareholders' agreement;
- Participate in the distribution of profits and receive dividends in proportion to the number of shares they own, taking into account the provisions of the shareholders' agreement;
- In case of liquidation of JSC Crystal, receive a share of the property or its value, which will remain after settlement with creditors, in proportion to their share;
- Any shareholder has the right to meet the auditors of JSC Crystal at any time and discuss with them the issues of business activities and audit of JSC Crystal;
- Shareholders owning 5% or more of the total number of shares have the right to request a special audit of the business activities or the annual balance sheet if they believe there is a violation;
- Shareholders owning 5% or more of the total number of shares have the right to request the convening of an extraordinary general meeting of shareholders in accordance with the applicable legislation;
- Any shareholder has the right to request clarifications from the Director and the Supervisory Board regarding each item on the agenda of the general meeting of shareholders;
- Shareholders owning 5% of the shares with voting rights have the right to request the copies of a transaction concluded on behalf of JSC Crystal and/or information about the pending transactions;
- Shareholders with the right to vote may use their voting rights for their own interests, except when the expected decision concerns the conclusion of a transaction with them or the approval of their account, in which case such shareholders shall refrain from participating in the voting.

The shareholders' agreement, if any, may provide for additional rights of shareholders and/or define other regulations applicable to the rights of shareholders.

The shareholders of JSC Crystal are obliged to comply with the obligations and other conditions stipulated by the Company's charter, the shareholders' agreement, if any, and the applicable legislation.

The Company shareholder is obliged to:

- Comply with the Company's charter;
- Act in accordance with the decisions of the general meeting of shareholders;
- In case of pledging shares as a collateral securing a claim, obtain the prior written consent of the Supervisory Board of the Company. In order to obtain a consent, a shareholder shall send a written notification to the Supervisory Board, which must include: detailed information on the pledger (creditor) and a party in whose favor the pledge of shares should be made, as well as other important conditions of the transaction of pledge of shares (type of obligation, prices, maximum amount of the claim, terms, etc.). The Supervisory Board will review the notification within 10 days and inform the shareholder of its approval or refusal. A share pledge agreement concluded without the approval of the Supervisory Board is considered invalid and the Company has the right to appeal to the court.

Right of Preemption

A shareholder who wishes to dispose of his/her own shares shall ensure the exercise of the right of preferential purchase of shares by shareholders owning ordinary shares. For this purpose, he/she shall send a written notification to the Supervisory Board, which must indicate: detailed information on a party wishing to purchase shares, the number of shares to be sold, the price, as well as the important conditions of the sale of shares. The Supervisory Board shall inform the shareholder(s) with the right of preemption within 10 days and forward the said notification to him/her/them. The shareholder(s) with the right of preemption shall notify the Supervisory Board of their decision (approval or refusal to purchase shares) within 10 days. In case of unsuccessful expiration of this period, it shall be considered that the shareholder refuses to exercise the right of preemption.

Preferential purchase and preemptive purchase requirements are granted to holders of both preferred and common shares.

If several shareholders with the right of preemption express their desire to purchase shares preferentially, they have the right to purchase shares in proportion to their share in the Company. In such a case, the relevant share of transferable shares and the shares of shareholders who do not exercise the right of preemption shall not be taken into consideration. Unless otherwise stipulated by the provisions of the shareholders' agreement, if any, in the event of transfer of ownership rights to the shares owned by a shareholder, shareholders have the right of pre-emptive purchase in proportion to their ownership interest in the total number of shares of JSC Cristall by sending a notice on transfer of title to shares. Shareholders who wish to exercise the right of preemption shall purchase shares within 20 days of the date of receipt of the notice. If the shareholders do not purchase the shares, the right of preemption will be considered canceled after the said period.

The list of documents that are referred to/indicated in the registration document

The registration document additionally specifies the following documents (in addition to the sources specified in the prospectus):

- Company charter (published on the public registry portal napr.gov.ge: search application number in the NAPR system: B)
- Extract from the register of entrepreneurs and non-entrepreneurial (non-commercial) legal entities (application registration number B22153027)
- Agreement between placement agent and issuer;
- Agreement between the calculation and payment agent and the issuer;
- The company's social/gender bond framework;
- Second Party Opinion (SPO) on the company's social bond framework issued by the rating agency Scope Ratings;

The documents listed above, in addition to the company's charter and extract, are confidential documents, which the issuer does not plan to publish, although the aforementioned documents can be made available to existing and potential investors in physical form at the address specified in the issuer's prospectus, as well as in electronic form, upon request from the issuer's e-mail address specified in the prospectus. Sharing of the latest available version of the mentioned documents to existing investors should be done in electronic form no later than 5 working days after the request is ma

Overview of the securities

Application for working capital

The company's working capital (current assets minus short-term liabilities) as of June 30, 2022 was 36,400 thousand GEL (31/12/2020: 77,597 thousand GEL), which is sufficient to finance the current operations of the company.

Description of the interest of individuals and legal entities involved in the implementation of the offer

There is no conflict of interest between the company and the placement agent (as well as the related bank), the parties are not related and/or affiliated companies.

Offer Terms, Expected Schedule and Procedures for Participating in the Offer

TERMS AND CONDITIONS OF THE BONDS

The following are the terms and conditions in the form in which they will be endorsed on the Bonds:

Bonds (as defined in the Prospectus) with the total principal amount of GEL 25,000,000 according to the Prospectus and Term Sheet. The Bonds are issued on the basis of the resolution of the Supervisory Board of the Issuer dated September XX, 2022. Terms of the Bonds and the rights of the Bondholders are governed by this Prospectus, including without limitation these "Terms and Conditions of the Bonds" (hereinafter referred to as the "**Terms and Conditions of the Bonds**" or the "**Terms and Conditions**" or the **"Conditions"**).

Payments of principal and interest in respect of the Bonds will be made in accordance with a Calculation and Paying Agency Agreement (same as the **"Fiscal Agency Agreement"**) between the Issuer and Galt & Taggart as its calculation and paying agent (the "**Calculation and Paying Agent**"). Each Bondholder is entitled to inspect a copy of the Fiscal Agency Agreement, which will be available at the specified office of the Calculation and Paying Agent (also in electronic form, in case requested from the Issuer from indicated email, as specified in the section "A list of documents mentioned/indicated in the registration document") and is deemed to have notice of, and be bound by, all the provisions of the Fiscal Agency Agreement applicable to them.

Offering Period: As determined by the Term Sheet (the **"Offering Period"**).

Transferability/Free circulation of the securities: For the securities represented/being offered by this Prospectus, there are no restrictions on the transferability/free float.

1. FORM, NOMINAL AMOUNT, TITLE AND COLLATERAL

The Bonds are issued in dematerialized, book-entry form. Nominal value of a single bond is GEL 50,000.

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 (the "**Registrar**") indicated in "Term Sheet" 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 Agent carries 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 Agent 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 can publish a notice on offering of Bonds on its web-site or other public sources. The Issuer, the Placement Agent 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 or other public sources) 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 the Placement Agent. It is possible to express such interest via electronic means of communication or any other means accepted by the Placement Agent. The deadline for accepting the application(s) for the Bonds is determined unilaterally by the Placement Agent. If such deadline is not a Business Day, the preceding Business Day will be deemed as the final day for accepting the application(s).

The Bonds are offered to a wide range of investors interested in investing in GEL denominated securities.

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 Agent must be notified of such decision immediately (no later than 14:00 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 Agent of such decision entitles the Placement Agent, at its 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 Agent makes an announcement on completion of the offering and notifies those investors (individually or as a group) whose applications (including those with corrected numbers) have been satisfied. Such notification must contain the final interest rate to be accrued on the Bonds and the number of Bonds in relation to which the purchase orders of potential investors have been satisfied. Potential investors may confirm the satisfied application or refuse to purchase the Bonds within two Business Days upon receiving such notification. In case potential investor does not refuse to purchase bonds within this time period, Bond application is considered to be confirmed by the investor. Prior to receiving such notice, the investor does not have the opportunity to start trading in securities. Upon announcement of the completion of the offering, the applications of potential investors that have been satisfied are irrevocable and binding upon such investors (the "**Subscribing Investors**"). The Issuer and/or the Placement Agent is empowered to issue the Bonds at the Deferred Placement Price after the Issue Date till the end of the Offering Period (including the end of the aforementioned date). Please, refer to Condition 2(e) for further details.

For more information on the placement of Bonds, please refer to section of these Terms and Conditions titled “Placement” below.

It is not yet known to the Issuer whether the Issuer's management, members of the board of directors or supervisory board and/or significant shareholders (partners) will participate in the Bond offering. Also, the Issuer has no information about any person referred to in the first sentence of this paragraph who wants to subscribe more than 5% (five percent) of the Bond offering. Also, according to the Georgian legislation, persons with management functions and persons related to them shall not, neither to their nor to other person’s benefit, enter into transactions on securities of this Issuer and/or other financial instruments related to the Issuer’s securities at least 30 (thirty) calendar days prior to the publication by the Issuer of mandatory semiannual or annual report.

In case of excess amount paid by the applicants, the surplus paid is kept in the applicant's brokerage account. This amount is refunded according to the Placement Agent’s standard procedures.

Final coupon rate determined throughout the book-building process shall be made publicly available through the publication of Final Term Sheet, which is approved by the National Bank of Georgia and represents integral part of the Final Prospectus.

(b) Purchase of Bonds by Strategic International Financial Institutions and Development Banks

At the time of submitting the Prospectus for approval, the Issuer has entered into framework (investment) agreement (the "ADB Policy Rights Agreement") with the development financial institution and multi-lateral development bank, ADB (The Asian Development Bank, a regional development bank with its headquarters located in Manila, the Philippines) pursuant to which ADB may purchase Bonds, subject to certain conditions as described in framework agreement. Among other things, the framework agreements include the Issuer's undertaking to comply with ADB's policy requirements relating to matters including, but not limited to, environmental and social matters, sanctions, anti-money laundering, anti-corruption and fraud. Even when such framework agreement are entered into, ADB is under no obligation to acquire any Bonds.

(c) Changes during Public Offering

If the Issuer decides to change information about the Bonds during public offering (period between the commencement of offering until the Issue Date), the Issuer shall take necessary steps set out by the Securities Legislation.

(d) 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 Bonds shall be valid only if the title change is registered in the relevant Registry. As soon as possible after placement of Bonds, the Issuer plans to submit an application to the Georgian Stock Exchange ("**GSE**") for the Bonds to be admitted to listing on the GSE's official list and to trading on 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.

(e) Price Setting

Final allocation to the potential investors is determined during the bond offering process, based on the interest expressed/demand for purchasing the bonds (as a result of book-building) as determined by the procedure set-out in Condition 2(a).

(f) Placement

The Issuer and/or the Placement Agent are empowered to issue the Bonds at the Deferred Placement Price after the Issue Date till the date of the expiry of the offer (including the end of the aforementioned date). The deferred placement of the Bonds will take place at the Deferred Placement Price. The investors are allowed to express interest to acquire the deferred Bonds by providing application/notice to the Placement Agent.

Notifying the agent about the willingness to purchase the Bonds is possible over electronic means of communication and/or by any other means allowed by the Placement Agent.

Unless otherwise instructed by or agreed with the Placement Agent, Subscribing Investors and those investors, who acquire the Bonds at the Deferred Placement Date (hereinafter, collectively, "Investors") must place the funds required for purchasing relevant number of Bonds on broker account in full no later than 2 Business Days before the Issue Date or before the Deferred Placement Date. The Investor shall open such brokerage accounts with the Placement Agent. The Issuer delivers the Bonds, purchased by the Investor, to the same brokerage account either on the Issue Date or the Deferred Issue Date. In exceptional cases, the Placement Agent may at its discretion allow the Investor to place funds required for purchasing Bonds on the nominal holding account of the Issuer held with the Placement Agent instead of the Investor's brokerage account with the Placement Agent. In such cases, the Bonds are delivered to the account of the Investor held with the Registrar or with other authorized Nominal Holder. For the avoidance of any doubt, deviations from the aforementioned paragraph are permitted for Strategic International Financial Institutions and Development Banks

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 defined in this Prospectus and/or annul all the issued Bonds (if any) by retuning the money paid by Bondholders for the purchase of the Bonds, if a minimum amount (same as "minimum placement lot") (if such is prescribed by the Term Sheet or the Prospectus) are not subscribed and placed on the Issue Date.

Unless the total number of Bonds, defined by final prospectus, are not placed by the end of the Offering Period, unplaced Bonds shall be annulled (cancelled) and the Issuer of Bonds will provide National Bank of Georgia with information about placed Bonds and stock exchange – if securities are admitted to stock exchange and will announce it in accordance with the Georgian legislation.

Within 1 month from the end of the Offering Period, the Issuer will submit to the NBG and publish information regarding the placement of the Bonds.

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 Conditions hall 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)), save for those claims that are preferred by mandatory provisions of applicable law.

4. Admission of Securities to Trading on the Stock Exchange

Once the Bonds have been placed, the Issuer intends to apply to the GSE for the admittance of the Bonds to the trading system and listing on the GSE.

5. COVENANTS

(a) Negative Pledge:

So long as any Bonds remain 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 Liens (or other legal limitation), other than Permitted Lien, on or over any of its or their assets, now owned or hereafter acquired, securing any Indebtedness, unless, in addition, the Issuer's obligations under the Bonds are secured at least equally 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 or are approved by an Extraordinary Resolution of the Bondholders.

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

(I) The Issuer shall, and shall procure that each of its Material Subsidiaries shall, take all necessary actions 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, licenses, approvals and authorizations necessary in that regard.

(II) The Issuer shall do all that is necessary to maintain in full force and effect all authorizations, approvals, licenses 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, ensure the legality, validity, enforceability or admissibility in evidence in Georgia of the Bonds.

(c) Mergers:

(I) The Issuer, without the prior written consent of the Bondholders, who own individually or collectively, (directly or through Nominal Holders) at least 85% (eighty five per cent) of outstanding Bonds, shall not (c.1) enter into any reorganization (whether by way of a merger, division, or transformation to another legal form) or undergo any other type of corporate reconstruction or (c.2) in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge, sell, convey, transfer, lease or otherwise dispose of, all or an important part of the Issuer's properties or assets (determined on a consolidated basis), unless, in any case:

(i) Immediately after the transaction referred to in (c.1) or (c.2) 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, executed and delivered to the Bondholders, all the rights and obligations of the Issuer under the Bonds in all material respect; 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, licenses, consents and authorizations 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; and

(iii) the relevant transaction referred to in (c.1) or (c.2) above does not result in a Material Adverse Effect.

(II) The Issuer shall ensure that none of its Material Subsidiries, without the prior written consent of the Bondholders who own individually or collectively (directly or through Nominal Holders) at least no less than 85% (eighty five per cent) of outstanding Bonds, shall not: (c.1) enter into any reorganization (whether by way of a merger, accession, division, separation or transformation) or undergo any other type of corporate reconstruction or (c.2) in a single transaction or a series of related transactions, directly or indirectly, consolidate or merge, sell, convey, transfer, lease or otherwise dispose of, all or substantially all of the relevant Material Subsidiaries' properties or assets, unless, in any case:

(i) Immediately after the transaction referred to in (c.1) or (c.2) above:

a. such Material Subsidiary shall be the Successor Entity; or
b. the Successor Entity (if not such Material Subsidiary) shall retain or succeed to all of the rights and obligations of the relevant Material Subsidiary under all of its material governmental permits, licenses, consents and authorizations 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; and

(iii) The relevant transaction referred to in (c.1) or (c.2) above shall not result in a Material Adverse Effect.

(III) Notwithstanding the foregoing, any Material Subsidiary is authorized to consolidate with, merge with (in any form of reorganization) the Issuer or a Subsidiary (which after the transaction described herein will be deemed to be a Material Subsidiary for the purposes of this Prospectus) or sell, alienate, transfer, lease or otherwise dispose of, in one transaction or a series of related transactions, directly or indirectly, all or substantially all of its assets.

(IV) Notwithstanding the foregoing, this Condition 5(c) shall not apply to (i) transactions between the Issuer and any of its wholly-owned Subsidiaries, (ii) the leasing, sale and disposal of assets in the ordinary course of conducting its business, or (iii) any present or future assets or revenues or any part thereof that are subject to any securitization or any receivables, asset-backed financing or similar financing structure whereby all payment obligations are to be discharged solely from such assets or revenues, provided that the value of such assets or revenues when aggregated with the total value of revenues does not, at any time, exceed 10% (ten 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.

(d) Disposals:

(I) Notwithstanding anything to the contrary under these Terms and Conditions and without limitation to and considering the Conditions 5(c) (Mergers) and 5(e) (Transactions with Affiliates), the Issuer, shall not, and shall ensure that none of its 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 or series of transactions throughout the most recently ended 4 (four) full fiscal quarters providing for a disposal of assets jointly constituting more than 10% (ten per cent) of the Consolidated Total 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 a written opinion from an Independent Appraiser to the effect that the transaction is at the Fair Market Value; and

(iii) With respect to any such transaction, the Issuer obtains the prior written consent of the Bondholders who own individually or collectively (directly or through Nominal Holders) at least no less than 85% (eighty five per cent) of outstanding Bonds.

(II) This Condition 5(d) (I) shall not apply to:

(i) Any transaction between the Issuer and any of its wholly-owned Subsidiaries;

(ii) Any lease, sale and disposal of assets in the ordinary course of conducting its business and operations;

(iii) 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 does not, at any time, exceed 10% (ten 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;

(iv) Any transaction net proceeds from such disposal, which to not exceed 10% (ten per cent) of the Consolidated Total 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.

(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 loans, investments and similar activities, unless the terms of such Affiliate Transaction are (taking into account the standing of the relevant Affiliate) no less favorable 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 the 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 any 12-month period in excess of 10% (ten per cent) of the Consolidated Total 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 a written opinion from an Independent Appraiser to the effect that such Affiliate Transaction (or series of Affiliate Transactions) is/are at Fair Market Value and is/are 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:

(i) 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;

(ii) Transactions between or among the Issuer and its wholly-owned Subsidiaries;

(iii) Payment of reasonable directors' fees to Persons who are not otherwise Affiliates of the Issuer;

(iv) Any loans or other form of financing from any direct or indirect shareholder(s) of the Issuer made available for the purpose of financing operations;

(v) Hedging Obligations entered into from time to time for bona fide hedging purposes and not for speculative purposes of the Issuer and the Material Subsidiaries and the unwinding of any Hedging Obligations;

(vi) transactions with customers, clients, suppliers, joint venture partners or purchasers or sellers or other providers of goods or services, or lessors or lessees of property, in each case in the ordinary course of business and otherwise in compliance with the terms of these Conditions which are fair to the Issuer or its Material Subsidiaries or on terms at least as favorable to the Issuer or its Material Subsidiaries as might reasonably have been obtained at such time from an unaffiliated party (in each case, as determined in good faith by a responsible accounting or financial officer of the Issuer);

(IV) The Issuer, shall not, and shall ensure that none of its Subsidiaries will carry out any transaction or series of transactions throughout the most recently ended 4 (four) full fiscal quarters set out by the Conditions 5 (e) (I-II), jointly constituting more than 10% (ten per cent) of the Consolidated Total 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, without the prior written consent of the Bondholders who own individually or collectively (directly or through Nominal Holders) at least no less than 85% (eighty five per cent) of outstanding Bonds,

(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 US$ 500,000 (five hundred) (or an equivalent amount in any other currency or currencies).

(g) Restricted Payments:

(I) 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) including repayment of the subordinated shareholder debt 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 (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; and

(ii) Such Restricted Payment, when aggregated with all other Restricted Payments, exceeds the sum of:

a. 50 per cent. of the Issuer's consolidated net profit (calculated in accordance with IFRS) aggregated on a cumulative basis during the period beginning on 30 June 2022 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 2022 from the issuance or sale of its share capital and the conversion or exchange subsequent to 31 December 2022 of any Indebtedness of the Issuer into or for share capital of the Issuer;

(II) Condition 5(g)(I) above will not prohibit Restricted Payments, which in an aggregate amount do not exceed US$ 1,000,000 (one million) (or an equivalent amount in any other currency or currencies) since the Issue Date, provided that:

(a) no Potential Event of Default or Event of Default has occurred and is continuing;

(b) no Restricted Payment hereunder can be financed from the Indebtedness.

(III) Condition 5(g)(I) above will not prohibit any payment or distribution relating to the Preferred Stocks.

(h) Additional Commitments

(I) The Issuer must be in compliance with the following financial covenants for any quarterly reporting period of each year (in accordance with the basis defined by the Condition 5 (h)(II)):

a) Liquidity Ratio (Current Ratio) of not less than one hundred per cent (100%) (Short-term Assets over Short-term Liabilities), defined as: (Current Assets <3M - Illiquid Current Assets <3M) / Current Liabilities < 3M to be >= 100%;

   i) For the aforementiond ratio, current Short-term Assets are defined as assets with less than 3 months maturity less illiquid assets with less than 3 months maturity;

   ii) For the aforementiond ratio, "Illiquid Assets" are defined as non financial assets with maturity of less than 3 months.

   iii) For the aforementiond ratio, current Short-term Liabilities are defined as liabilities with less than 3 months maturity;

b) Exposure Ratio for a single borrower or group of borrowers, calculated as total loans issued to single borrower or group of borrowers divided by gross total portfolio, of not more than fifteen per cent (15%);

   i) For the aforementiond ratio, "group of borrowers" is defined in accordance with NBG's "The law of supervision and regulation of activities of microfinance organizations" as "a relationship between two or more borrowers when borrowers represent one risk for the microfinance organization, they have in a common purpose for the borrowing facilities and/or collateral, and/or one of them directly or indirectly exercises control over the other or others, and/or when financial problem(s) of one of them will lead to financial problems of the other or all other borrowers";

c) Aggregate Open Foreign Currency Position of not more than fifteen per cent (15%) of the Regulatory Capital;

   i) For the aforementiond ratio, "Aggregate Open Foreign Currency Position" is defined as the highest figure in absolute terms of the following two terms: 'the sum of net long positions for all currencies' and the 'sum of net short position for all currencies'.

   ii) Net long/short position is the positive/negative sum of Net balance sheet (asset minus liabilities for that currency) and Net off balance sheet position expressed in GEL.

d) Regulatory Capital Adequacy Ratio imposed by the National Bank of Georgia which shall exceed the current minimum threshold set by the NBG by not less than one per cent (1%), prior to obtaining the Micro-bank license and 2% after obtaining the license;

   i) Regulatory Capital Adequacy Ratio is defined as per NBG in accordance with "The law of supervision and regulation of activities of microfinance organizations"

e) Net Non-Performing Loans Ratio divided by Gross Loans of not more than seven per cent (7%);

   i) Net Non -Performing loans defined as Non-performing loans minus loan loss provisions;

   ii) Non-performing loans defined as loans in arrears with more than 30 days (PAR30) plus all restructurings;

   iii) Loan loss provision defined as expected credit losses;

iv) Gloss loan portoflio defined as loans to customers (outstanding principal);

f) Related Party Exposure Ratio of not more than fifteen per cent (15%) of the Regulatory Capital;

i) For the aforementiond ratio, "Related Party exposure" is defined in accordance with NBG "The law of supervision and regulation of activities of microfinance organizations" and represents any exposure to Insiders", where "Insider" is defined as "subsidiary or parent enterprises of the microfinance organization, administrators, partners/shareholders/beneficial owners, their relatives Persons with a union, who, according to the Civil Code of Georgia, legally from the circle of heirs, and persons related to them including first and second degree of consanguinity.

g) Texas Ratio of not more than 35%, defined as:

i) Net Non-performing Loans and Investments in Leases divided by Total Capital;

ii) Total Capital is defined as Equity and Subordinated Debt.

h) Leverage Ratio of not more than 6.0x, defined as Debt excluding Hedges divided by Equity;

(II) For the purposes of this Condition 5 (h)(I), ratios indicated per sub-paragraphs (b) (c) (d) and (f) shall be calculated in accordance with the financial reports prepared for the National Bank of Georgia for the purposes of Supervision and Regulation of Microfinance Organizations; ratios indicated per sub-paragraphs (a), (e), (g) and (h) shall be calculated according to the IFRSs.

(III) Without prejudice to Condition 5 (h)(I) (Additional Commitments) the Borrower shall adhere to the mandatory prudential standards of operations promulgated by the NBG, unless expressly waived by the NBG in writing as permitted by law, as applicable from time to time during the duration of the Facility (unless any Authority in Georgia or any Applicable Law prescribes more stringent requirements, in which case the Borrower shall comply with those more stringent requirements).

(IV) The Borrower shall ensure that it is at all times in compliance with the following financial ratios within the thresholds required from time to time by (i) NBG Regulations or (ii) any express requirement of the NBG in relation to the Borrower, as permitted by Applicable Laws, and which thresholds as at the date of this Agreement are set out in the Order N143/04 of the president of the National Bank of Georgia on approval of the rule of supervision and regulation of activities of microfinance organizations, issued at 5th of July 2018.

(i) Information Disclosure:

(I) The Issuer hereby undertakes that:

(i) After the end of the financial year, but not later than 15th of May, it will disclose the Issuer's audited annual financial statements prepared in accordance with IFRS in accordance with the Securities Legislation;

(ii) After the end of the second quarter of each of the financial years, but not later than 15th of August, it will disclose the Issuer's unaudited interim financial statements for 6 (six) months, prepared in accordance with IFRS in accordance with the Securities Legislation;

(iii) After the end of each quarter of a financial year, prepare and disclose quarterly financial statements in accordance with the rules of Supervision and Regulation of the Microfinance Organizations of the National Bank of Georgia, to the extent and as required by the legislation.

(iv) Comply with other current or periodic reporting requirements as defined by Securities Legislation;

(II) For the purposes of Condition 5 (i)(I) of this Condition 5, the Issuer will be considered to have delivered aforementioned information to the Bondholders, if such information has been made publicly available in accordance with applicable legislation;

(III) If the Bondholders or Bondholders, who own (directly or through Nominal Holders) 25% or more of the Outstanding Bonds, shall assume, that the Event of Default has occurred, they can demand written information regarding the Event of Default or Potential Event of Default from the Issuer and the Issuer is obligated to disclose this information to these Bondholders. The written demand can be presented as one document signed by Bondholders or Nominal Holders or as many documents with the same contents. This type of demand can also be received through the decision of the Bondholders' meeting.

(j) 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.

(k) 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, directives of governmental authorities and regulations, including the anti-money laundering obligations applicable thereto;

(l) Change or Discontinuation of Business:

The Issuer shall procure that (i) 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; (ii) it shall ensure that no material part of its business is discontinued or suspended.

(m) Prohibited Investment Activities:

The Issuer shall not apply any part of the proceeds of the Bonds to Prohibited Investment Activities.

(n) **Prohibited Persons:**

The Issuer shall ensure that no person or group of persons acquires it shares if such person(s) qualify as the Prohibited Persons.

(o) **Compliance with the safeguards and social obligations:**

The Issuer shall ensure that it, at all times, complies with all the provisions of the ADB Policy Rights Agreement entered into with ADB on [●].

6. INTEREST

(a) **Interest Payment Dates:**

The Bonds shall bear interest in accordance with the dates specified in the Term Sheet.

All payments will be made on the Interest Payment Dates or the Maturity Date (as determined in the Term Sheet), as the case may be (subject to the Business Day Convention, as defined below), to the Bondholders calculated as of the Interest Determination Date. Interest will be calculated on the basis of the actual number of calendar days in the relevant Interest Period (as defined below) based on a 365-day year ("Actual/365 (Fixed)").

Interest will accrue from and including the previous Interest Payment Date or the Issue Date as the case may be, to but excluding the next Interest Payment Date or the Maturity Date as the case may be.

If an amount of interest payable in respect of the Bonds, as calculated in accordance with these Conditions does not constitute an integral multiple of 0.01 GEL, such amount shall be rounded down to the nearest integral multiple of 0.01 GEL (with 0.011 – 0.019 GEL being rounded down).

(b) **Interest Payments:**

Bonds will cease to bear interest from the due date of redemption unless, upon due presentation of evidence of any Bond, payment of principal is improperly withheld or refused, in which event interest shall not cease to accrue, but shall continue to accrue until whichever is the earlier of (i) the actual redemption of the Bonds and (ii) the date on which notice has been given to the Registered Holders to the effect that the necessary funds for redemption have been provided to the Calculation and Paying Agent.

(c) **Rate of Interest:**

The Reference Rate for determining the rate of interest of the Bonds in accordance with the Term Sheet shall be TIBR6M (as defined below) or the rate determined by the Calculation and Paying Agent in accordance with the Reference Rate Fallback Provisions (the "Reference Rate").

For purposes of this Condition 6:

“Business Day” means any day (other than a Saturday or Sunday) on which commercial banks and securities market participants settle transactions and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Tbilisi, Georgia;

“Business Day Convention” means Modified Following whereby the Interest Payment Date or the Maturity Date (as appropriate) shall be postponed to the next day which is a Business Day, unless it would thereby fall into the next calendar month, in which event such Interest Payment Date or the Maturity Date (as appropriate) shall be brought forward to the immediately preceding Business Day.

“TIBR6M” means the latest rate which appears as “TIBR6M” on the NBG (same as “National Bank of Georgia”) Screen Page under the title “Tbilisi Interbank Interest Rate – TIBR Index” as of 11:00 a.m. Tbilisi time on the Interest Determination Date in respect of an Interest Period.

“Interest Determination Date” means the date falling two (2) Business Days before the first day of the Interest Period.

“Interest Period” means each period beginning on an Interest Payment Date and ending on the day immediately before the next following Interest Payment Date, except in the case of the first period when it means the period beginning on the Issue Date and ending on the day immediately before the next following Interest Payment Date and except in the case of the last period when it means the period beginning on the penultimate Interest Payment Date and ending on but excluding the Maturity Date, or, in the case of the Bonds becoming due and payable, the date on which the Bonds become due and payable, subject to the Business Day Convention. For the avoidance of doubt, where the Interest Payment Date has been adjusted to the following Business Day, interest will accrue to (but excluding) such adjusted date. Furthermore, where the Interest Payment Date has been adjusted to the first preceding Business Day (on account of the initially adjusted Interest Payment Date falling in the next calendar month), interest will accrue to (but excluding) such earlier date.

NBG Screen Page means the display page designated https://nbg.gov.ge/en/monetary-policy/tibr or (i) any successor display page, other published source, information vendor or provider that has been officially designated by the administrator of the NBG Screen Page; or (ii) if such administrator has not officially designated a successor display page, another published source, service provider (as the case may be), the successor display page, other published source, service or provider, if any, designated by the relevant information vendor or provider (if different form the administrator) as specified by ADB’s Calculation and Paying Agent who immediately notifies the Calculation and Paying Agent, who will, in turn notify the Registrar, the Issuer, investors, the Georgian stock exchange in writing of the title, page, successor website and/or administrator specified by it.

“Reference Rate Fallback Provisions” means reference rate fallback provisions described below:

(i) If in respect of any relevant Interest Determination Date, ADB’s Calculation and Paying Agent determines that the TIBR6M is not available for any reason prior to 12:00 noon Tbilisi time on the NBG Screen Page, then the Reference Rate shall be equal to the “**Compounded TIBR**” which will be calculated on the relevant Interest Determination Date by ADB’s Calculation and Paying Agent as per the following formula, and the resulting percentage will be rounded (if necessary) to the second decimal place, with 0.005-0.009 GEL being rounded upwards:

$$\left[\prod_{i=1}^{d_o}\left(1+\frac{TIBR_i \times n_i}{365}\right)-1\right]\times\frac{365}{d}$$

Where:

"d" is the number of calendar days in the relevant Reference Period;

"d_0" is the number of Tbilisi Business Days in the relevant Reference Period;

"i" is a series of whole numbers from one to d_0, each representing the relevant Tbilisi Business Day in chronological order from, and including, the first Tbilisi Business Day in the relevant Reference Period;

"n_i" for any Tbilisi Business Day **"i"**, in the relevant Reference Period means the number of calendar days from and including such day "i" up to but excluding the following Tbilisi Business Day;

"**$TIBR_i$**" means the TIBR for the Tbilisi Business Day "i" in the relevant Reference Period (and published on the following Tbilisi Business Day).

"**TIBR**", in respect of any Tbilisi Business Day, is a rate equal to the daily Tbilisi Interbank Rate (TIBR) for such Tbilisi Business Day as provided by the NBG on the Relevant Screen Page, and displayed on the following Tbilisi Business Day or if such page is unavailable, as provided on the Successor Screen Page, on the Tbilisi Business Day immediately following such Tbilisi Business Day.

"ADB's Calculation and Paying Agent" means JSC Bank of Georgia (a joint stock company incorporated under the laws of Georgia, whose registered office is at 29A Gagarini Str., Tbilisi, Georgia, ID No. 204378869) or any substitute calculation and paying agent designated as such (on the terms and conditions of the Calculation and Paying Agency Agreement dated) by Asian Development Bank (ADB) (an international organisation established under the Agreement Establishing the Asian Development Bank, whose headquarters is at 6 ADB Avenue, Mandaluyong City 1550, Metro Manila, Philippines) in respect of its GEL 18,750,000 Floating Rate Notes due 11 February 2025 ("**ADB Bonds**") issued to finance the purchase of certain portion of the Bonds.

"Reference Period" means the period from and including the date falling four Tbilisi Business Days prior to the six month period preceding the first day of the relevant Interest Period (or any such date when the Bonds become due and payable) and ending on, but excluding, the date falling four Tbilisi Business Days prior to the first day of such Interest Period.

"**Relevant Screen Page**" means the Tbilisi Interbank Rate Index which appears daily as the rate for the preceding day under the title "TBILISI INTERBANK INTEREST RATE – TIBR INDEX" on page of the NBG's website designated https://nbg.gov.ge/en/monetary-policy/tibr.

"**Successor Screen Page**" means (i) any successor display page, other published source, information vendor or provider that has been officially designated by the administrator of the Relevant Screen Page; or (ii) if such administrator has not officially designated a successor display page, another published source, service or provider (as the case may be), the successor display page, other published source, service or provider, if any, designated by the relevant information vendor or provider (if different from the administrator).

For the avoidance of doubt, the formula for the calculation of Compounded TIBR only compounds TIBR in respect of days within a Reference Period, which are Tbilisi Business Days. The TIBR applied to a day that is a non-Tbilisi Business Day takes TIBR for the previous Tbilisi Business Day but without compounding. Furthermore, Compounded TIBR determined in accordance with clause (i) of the Reference Rate Fallback Provisions are calculated for the Reference Period, and not for a given Interest Period. Accordingly, such rates may differ from rates calculated for the Interest Period.

If, in respect of any Tbilisi Business Day in the relevant Reference Period, ADB's Calculation and Paying Agent determines that the TIBR is not available on the Relevant Screen Page or the Successor Screen Page (as appropriate), such TIBR shall be:

(a) (i) NBG's refinancing rate (the "**Base Rate**") prevailing at close of business on the relevant Tbilisi Business Day (as published on the NBG's website: https://nbg.gov.ge/en as "Refinancing rate"); plus (ii) the mean of the spread of the TIBR to the Base Rate over the previous five days on which a TIBR has been published, excluding the highest spread (or, if there is more than one highest spread, one only of those highest spreads) and the lowest spread (or, if there is more than one lowest spread, one only of those lowest spreads) to the Base Rate; or

(b) if the Base Rate is not published by the NBG at close of business on the relevant Tbilisi Business Day, the TIBR published on the Relevant Screen Page, or if such page is unavailable, as displayed on the Successor Screen Page, for the first preceding Tbilisi Business Day on which the TIBR was published on the Relevant Screen Page or the Successor Screen Page (as appropriate).

Notwithstanding the provisions above, if the NBG publishes guidance as to (i) how the TIBR is to be determined or (ii) any rate that is to replace the TIBR, ADB's Calculation and Paying Agent shall, to the extent that it is reasonably practicable, follow such guidance in order to determine TIBR for the purpose of the Compounded TIBR for so long as the TIBR is not available or has not been otherwise published by NBG or by a successor administrator.

(ii) If the TIBR ceases to exist or to be an industry accepted successor base rate for debt market instruments during the life of the Bonds, and ADB's Calculation and Paying Agent determines that there is no industry accepted successor base rate for debt market instruments linked to the TIBR, and that no substitute or other successor base rate is comparable to the TIBR, the Rate of Interest will be determined by ADB's Calculation and Paying Agent in its sole discretion and acting in good faith and in a commercially reasonable manner.

The relevant rate determined by ADB's Calculation and Paying Agent in accordance with these Interest Rate Fallback Provisions (that mirror the rate of interest fallback provisions of ADB Bonds mutatis mutandis) shall immediately be notified (in writing) to the Calculation and Paying Agent as well as the Registrar, the Issuer, investors and Georgian Stock Exchange .

7. REDEMPTION AND PURCHASE

(a) Redemption:

The Issuer may redeem the Bond(s) prior to their Maturity Date 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. In case of the consent of the Bondholder(s) to the said offer, the Bonds, in the relevant part, will be considered redeemed as a result of the principal amount unpaid by the Issuer on the date of withdrawal and the amount of accrued and unpaid interest. For avoidance of any doubt, the Bonds, in the relevant part, will be considered redeemed only with the consent of the relevant Bondholder(s) to the Issuer 's offer, and to accept or reject the said offer is the absolute and unconditional discretion of the respective Bondholder(s). Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount (nominal) at its Maturity Date, according to the Term Sheet. The Bonds may not be withdrawn at the discretion of the Issuer, except as provided in the Prospectus (including in accordance with these Terms and Conditions).

(b) 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 10 (a).

8. SETTLEMENT & PAYMENTS

(a) Method of Payment:

(I) Payments shall be made by transfer in GEL to the brokerage accounts opened with the Placement Agent of Bondholders and Nominal Holders as recorded in the Register on the Interest Determination Date. The Bondholders and Nominal Holders recorded in the Register shall procure that the Registrar has an 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 has failed to provide its bank account details to the Registrar, or to update its bank account details as of the Interest Determination Date, as requested by the Issuer or the Registrar.

(II) If the brokerage account of a Bondholder or Nominal Holder referred to in the previous subparagraph is not Placement Agent, then any 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 subparagraph is in any currency other than US dollars, 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) Processes and limitations with respect to Payments are additionally established by legislation, as well as rules of Registrar and other relevant capital market participants and based on agreement with Calculation and Paying Agent.

(b) Appointment of Agents:

The Calculation and Paying Agent, Placement Agent and the Registrar and their respective specified offices are listed in the Term Sheet as well as at the end of the Prospectus. The Calculation and Paying Agent, the Placement Agent, 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 to vary or terminate the appointment of Calculation and Paying Agent, Placement Agent or the Registrar and to appoint additional or other Calculation and Paying Agent, Placement Agent 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.

Notice of any such change or any change of contact details shall promptly be given to the Bondholders in accordance with the process set out in Condition 14 (“Notices”).

(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 in accordance with the Conditions 6 and 8 of the Terms and Conditions of the Bonds and notify the Issuer. the Issuer must place relevant funds in GEL on its bank account maintained with the Calculation and Paying Agent as per these Terms and Conditions 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 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 accordingly.

(d) Payments subject to Fiscal Laws:

All payments are subject in all cases to any applicable fiscal or other laws, and regulations of Georgia.

(e) Delay in Payment / Non-Business Days:

Bondholders will not be entitled to any interest, penalty or other payment for any delay in payment 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, unless provided otherwise by the Condition 6 of the Terms and Conditions.

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 tax withheld at source.

10. EVENTS OF DEFAULT

If any of the following events ("Events of Default") occurs and is continuing, each Bondholder, who own individually or collectively, (directly or through Nominal Holders) at least 10% (ten per cent) of outstanding Bonds at its discretion may, 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 when due and such failure to pay is not remedied within 5 (five) Business Days of the due date for payment; or

(b) **Breach of Other Obligations:**

the Issuer does not/cannot perform any one or more of its such obligations (other than the obligation envisaged in article 10(a) of the Terms and Conditions), undertakings, warranties or representations set forth in this Prospectus which in the substantiated opinion of the Bondholders' (b.i) is incapable of remedy and is material or repeated; or, (b.ii) is capable of remedy and it is not remedied within 30 (thirty) Business Days after notice of such default shall have been given to the Issuer by the Bondholders, except for Sections 5.02(a) (Use of Proceeds) or 5.02(b) (Sanctionable Practices), 5.02(c) or 5.02(d) of the ADB Policy Rights Agreement in case of which the Event of Default will be deemed to have occurred immediately upon the breach of these Sections without the cure period of 30 (thirty) Business Days; 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, as the case may be, within any originally applicable grace period,

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) (I) and (II) have occurred equals or exceeds US$ 2,000,000 (two million) or its equivalent in any other currency; or

(c) **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 120 (one hundred and twenty) calendar 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 shareholder(s)/partner(s) of the Issuer approve any plan for the liquidation or dissolution of the Issuer;

(d) **Unsatisfied Judgments, Governmental or Court Actions:**

The aggregate amount of unsatisfied 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 (five hundred thousand) or the equivalent thereof in any other currency or currencies, or any such unsatisfied 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% (twenty per cent) or more of the total book value) 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, authorization, exemption, filing, license, order, recording, registration or other authority) 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, its obligations under Condition 5 (Covenants) and its other material obligations under the Bonds, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds and the Prospectus as evidence in any dispute settlement body, is not discharged, obtained or adopted; or

(h) **Validity and Illegality**:

(I) the validity of the Bonds, or Prospectus is contested by the Issuer or the Issuer denies any of its obligations under the Bonds, or Prospectus 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, or Prospectus or any of such obligations becomes unenforceable or ceases to be legal, valid and binding.

(II) The Issuer has undertaken that:

(i) it will promptly upon becoming aware of the same inform the Bondholders 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").

(ii) 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, send to the Bondholders a certificate of the Issuer signed by its 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 Issuance Date or, if such an event had occurred, giving details of it; or

(i) **Moratorium on External Indebtedness:**

The government of Georgia, central bank of any relevant jurisdiction in Georgia declares a moratorium, standstill or similar suspension of payments in respect of Issuer's external indebtedness; or

(j) **Change of Control:**

Occurrence of a Change of Control, unless the Issuer has obtained the prior written consent of the Bondholders individually or in the aggregate, owning (directly or through Nominal Holders) not less than 90% (ninety per cent) of the outstanding "Bonds"; or

(k) **Limitation and Illegality of ADB investment in Bonds:**

In case and as long as the ADB represents a strategic investor of the Bonds pursuant to the framework (investment) agreement (the "ADB Policy Rights Agreement") referred in the Condition 2.b), The occurrence of any of the following events:

i) The country of the issuer has left the list of Asian Development Bank (ADB) member countries, or has been removed from this list.

ii) Investment in the Bonds become illegal under the Georgian laws or any other rules or regulations governing the investment activities of the ADB; or

(l) Material Adverse Effect:

An event or series of events occurs that has caused or may cause Material Adverse Effect.

11. MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

(a) **Meetings of Bondholders**:

The Conditions of the Bonds contain 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 by a majority of at least 90% (ninety per cent) of the attendees ("Extraordinary Resolution") of a modification of any of these Conditions. Such a meeting may be convened by Bondholders (and/or Nominal Holders acting on their behalf) holding not less than 10% (ten per cent) in principal amount of the Outstanding Bonds for the time being, to consider, inter alia, the following proposals: (i) to change any financial terms of the Bonds (ii) to change any date fixed for payment of principal or interest in respect of the Bonds; (iii) to alter the method of calculating the amount of any payment in respect of the Bonds; (iv) to change the amount of principal and interest payable in respect of the Bonds; (v) 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; (vi) to change the currency of payments under the Bonds (other than such change as may be required by Governing Law); (vii) to change the quorum requirements relating to Bondholders' meetings or the majority required to pass an Extraordinary Resolution; or, (viii) without prejudice to the rights under Condition 11(b) below to change the definition of Event of Default under these Terms and Conditions; in which case the necessary quorum will be 2 (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 Outstanding Bonds for the time being. Any Extraordinary Resolution duly passed shall be binding on 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 90% (ninety per cent) 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. Resolution adopted at the Bondholders' meeting will take effect upon its publication on the Issuer's webpage in accordance with Condition 14 of these Terms and Conditions ("Notices").

All other resolutions to be made by the Bondholders, not qualifying for passing of an Extraordinary Resolution, shall be adopted by Bondholders by a majority of at least 85% (eighty per cent) of the attendees ("Ordinary Resolution"). Such a meeting may be convened by the Issuer and/or by the Bondholders (and/or Nominal Holders acting on their behalf) holding not less than 10% (ten per cent) in principal amount of the Outstanding Bonds for the time being. The quorum for any meeting convened to consider an Ordinary Resolution will be 2 (two) or more persons holding or representing not less than 25% (twenty five per cent) of the aggregate principal amount of the Outstanding Bonds for the time being, or at any Adjourned Meeting 2 (two) or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented.

A resolution in writing signed by or on behalf of the Bondholders who for the time being hold 85% (eighty five per cent) or more of the Outstanding Bonds will take effect as if it were an Ordinary 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. Resolution adopted at the Bondholders' meeting will take effect upon its publication on the Issuer's webpage in accordance with Condition 14 of these Terms and Conditions ("Notices").

(b) **Convening of Bondholders' Meeting:**

the Issuer or the Bondholders, who collectively own no less than 25% (twenty five per cent) of the Outstanding Bonds, (the "Initiator of the Meeting") can at any time convene a meeting. The Initiator of the Meeting needs to give notice to the Bondholders and the Issuer at least 14 (fourteen) calendar days before. The notice must be sent according to Condition 14 ("Notices"). This shall contain information about the date, time and place of the meeting. The Issuer and/or its representative has the right to attend the meeting. The Bondholders and/or their representatives, who will attend the meeting, shall elect a chairperson among themselves; if unavailable, the Issuer shall choose the chairperson. The chairperson can, but does not have to be, a Bondholder or their agent. In case a third party is chosen as the chairperson, that third party must be independent. The chairperson of an adjourned meeting need not be the same person as the chairperson of the original meeting. No issue shall be discussed (except electing the chairperson) unless there is a quorum. If there is no quorum for 15 (fifteen) minutes from the start of the meeting, the meeting must disband and it shall be adjourned until the chairperson decides such dateno less than 14 (fourteen) nor more than 42 (fourty-two) calendar days after the first meeting.

(c) **Voting:**

All the issues set forth at the meeting must be decided by a show of hands, unless a secret ballot is demanded (before the show of hands or disclosing results) by the chairperson, Issuer or by one or more people, who represent 2% (two per cent) of the Outstanding Bonds. In case of a secret ballot, the results shall be announced by the chairperson.

If a secret ballot is demanded, it must be conducted in a manner (and according to the conditions described below) and either immediately or after such adjournment, as the chairperson decides. The results of a secret ballot shall be deemed to be a decision of the meeting, at which the secret ballot was demanded. The demand for the secret ballot shall not prevent the meeting continuing for the discussion about other topics.

A secret ballot that is demanded on a question of adjournment of the first meeting or on the election of a chairperson shall be held at once.

At the meeting, each person has 1 (one) vote on each unit of Bond that he or she owns or represents (in each case). A person who has more than 1 (one) vote is not obliged to use or cast all the votes uniformly. In the event of an equal number of votes, both in the event of a show of hands and a secret ballot, the chairperson shall have a casting vote in addition to the other votes he or she may have.

Documents shall be made about the progress of all meetings and of the decisions taken at it, and if required to be signed by the chairperson of the meeting or of the next successful meeting, it shall be considered as conclusive evidence in relation to the matters under consideration. Until the contrary is approved, each meeting for which the documents of the meeting have been drawn up and signed, shall be deemed to have been duly convened and conducted, and all decisions made or proceedings to have been properly carried out. Any decision taken at the meeting of the Bondholders shall enter into force upon the relevant decision being duly adopted and signed by its chairperson.

The issuer is obliged to notify the Bondholders of any decision at the meeting of the Bondholders (except in case of any change in the terms of the Bonds and/or any rights related to the Bonds) within 14 (fourteen) calendar days, but failure to comply with such obligations shall not invalidate the decision. And in the event of any change in the terms of the Bonds and/or the rights relating to the Bonds, the Issuer shall promptly disclose such information to the public, but failure to comply with such obligations shall not invalidate the decision.

(d) **Decision on declaration of the Event of Default**

Any Extraordinary Resolution rendered by the Bondholders with the aim of declaring an Event of Default and commencement of relevant enforcement proceedings should be rendered in accordance with the above described procedure. Such Resolution should also cover: (a) decision on the method of enforcement to be utilized by the Bondholders and the sequence thereof (e.g. should they utilize the right to commence enforcement on the basis of obtaining a notary enforcement writ; will they attempt to enforce any security mechanism and if yes – which one, etc.); (b) designation of the relevant person authorized/responsible for enforcement of the relevant resolution; and (c) any other issue that the Bondholders deem necessary for administrative purposes in relation to declaration of the Event of Default.

12. ENFORCEMENT

Following the declaration of the Event of Default, the Bondholder that initiated the process is authorized to commence relevant enforcement procedures. Each Bondholder acknowledges that the declaration of an Event of Default is an authority granted only to the Bondholder(s) holding at least 10% of Bonds then issued and outstanding.

13. INVALIDITY OF CLAUSE

The invalidity or invalidity of any provision of the Terms shall not affect the other provisions of the Terms. If any provision of these Terms is so broad as to be unenforceable, that provision will be enforced to the fullest extent and scope permitted by law.

14. NOTICES

The Issuer's notice to the Bondholders shall be made by either publication (including without limitation on the Issuer's web-site) or by sending it to the Nominal Holders of the Bonds at their respective electronic mail (e-mail) address or physical mailing address specified in this Prospectus through the Bondholders.

In case the Issuer's notice is made by publication or by sending it via e-mail, any such notice shall be deemed to have been given on the date of publication or at the date when the respective email was sent. If published or sent more than once, the notice shall be deemed to have been duly given on the first date on which publication is made (or e-mail is sent). In case the Issuer's notice is made by physical mailing, any such notice shall be deemed to have been given on the 4th Business Day after the date of mailing.

The Bondholders shall send notices to the Nominal Holder of Bond(s) at its respective e-mail or physical address as referenced in this Prospectus, unless duly notified otherwise in writing by the Nominal Holder of Bond(s) to the Bondholders.

For the avoidance of any doubt, in case of sending the notice provided for in this Condition in the material form to the appropriate address, the notice shall be deemed to have been duly sent and it shall not require additional mailing. The Issuer will provide the Nominal Holders with information on convening the Meeting of the Bondholders and/or will publish a notice through the Legislative Herald of Georgia.

For the purpose of disclosing regulated information, any public source defined by law (https://reportal.ge/; https://gse.ge/; Legislative Herald of Georgia, Issuer's website) will be used to publish regulated information, including the fulfillment of the obligations set forth in Article 9 of the National Bank of Georgia's Transparency Rule (181/04), as it may be amended from time-to-time:

a) Any changes in the public securities holder's rights, including changes in the terms of the securities that may have an indirect impact on the public securities owner's rights or that result from changes in loan terms and interest rates;

b) Information on interest rates on loan securities, periodic payments, conversion/exchange, purchase or cancellation rights, or repayment;

c) Information required for the proper exercise of the rights of holders of public securities;

d) Information on the place, time, agenda and right to participate in the Issuer's shareholders' meeting;

e) The Issuer plans to use the following sources for different types of regulated information, in case of changes of which it will inform the Bondholders accordingly:

   i. Periodic financial statements: https://reportal.ge/;

   ii. Information on meetings / decisions and other similar issues to the extent possible: website of the National Agency of Public Registry.

   iii. Other information listed above or current reports required by law within framework of transperancy: website of the Issuer or GSE.

15. DEFINITIONS

The expressions used in these Terms and Conditions (unless the context shall require otherwise) shall have the following meanings:

"**Restricted Payment**" has the meaning given to it in Condition 5(g) of the Terms and Conditions.

"**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, supervisory board member or officer of such specified Person, or of any Subsidiary of such specified Person or of any other Person described in (a).

“Deferred Placement Date” means any date after the Bond Issue Date until the end of the Offering Period when the Bond is issued at the Deferred Placement Price.

“Deferred Placement Price” means nominal value of the Bond plus interest accrued from the Bond Issue Date to the Deferred Placement Date.

"Issue Date" means the date when the Bonds are issued, as indicated in the Term Sheet.

"Adjourned Meeting" means a meeting of the Bondholders which continues a prior meeting at which a quorum was not present for the adoption of resolution.

"Independent Appraiser" means an audit firm or third-party expert in the matterto be determined and selected by the Issuer and (i) representing any of the Big 4 Accounting Firms (Deloitte & Touche, Ernst & Young, KPMG or PricewaterhouseCoopers and their member firms and affiliates), or (ii) subject to the approval of the Bondholders, any other audit firm or third-party expert, provided that it is not an Affiliate of the Issuer.

“Outstanding” refers to the Bonds that have been placed but have not been repaid, redeemed, repurchased or withdrawn to the date originally scheduled for the payment, or matured according to these "Terms & Conditions".

"Stated Maturity Date" or “Maturity Date” means, with respect to any instalment of interest or principal on any series of Indebtedness, the date on which the payment of interest or principal was scheduled to be paid in the documentation governing such Indebtedness as of the first date it was incurred in compliance with the terms of these Terms and Conditions, and will not include any contingent obligations to repay, redeem or repurchase any such interest or principal prior to the date originally scheduled for the payment thereof. In terms of Bonds, Maturity Date is determined by the Term Sheet.

"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;

"Change of Control" means any person or group of Persons Acting in Concert gains Control of the Issuer;

"**Control**" means:

a) the power (whether by way of ownership of shares, proxy, contract, agency or otherwise) to:

(i) cast, or control the casting of, more than one half of the maximum number of votes that might be cast at a general meeting of the Issuer; or

(ii) appoint or remove all, or the majority, of the members of the supervisory board, directors or other equivalent officers of the Issuer; or

(iii) give directions with respect to the operating and financial policies of the Issuer which the members of the supervisory board, directors or other equivalent officers of the Issuer are obliged to comply with; or

b) the holding of more than one-half of the issued share capital of the Issuer (excluding any part of that issued share capital that carries no right to participate beyond a specified amount in a distribution of either profits or capital);

"Persons Acting in Concert" means, a group of persons who, pursuant to an agreement or understanding (whether formal or informal, actively co-operate, through the acquisition by any of them, either directly or indirectly, of shares in the Issuer, to obtain or consolidate the control of the Issuer.

"Governing Legislation" means Georgian Legislation;

"Consolidated Total Assets" or "Consolidated Assets" means, with respect to any specified Person and as at any date of determination, the consolidated total assets of such Person and its consolidated Subsidiaries, shown in the most recently available consolidated accounts prepared by such Person in accordance with IFRS.

"Material Subsidiary" means any Subsidiary of the Issuer:

(a) whose revenues for the last "fiscal period" amounted to more than 5% (five per cent) of the consolidated revenues of the "group", or which at the end of the last "fiscal period" owned more than 5% (five per cent) of the consolidated total assets of the "group" (for the last "fiscal period" of "International Financial Reporting Standards according to the issuer's consolidated financial statements prepared accordingly); or

(b) to which are transferred virtually all assets and liabilities of that "subsidiary" of the issuer that was a "significant subsidiary" prior to such transfer.

"Parent" means any Person of which the Issuer at any time is or becomes a Subsidiary after the Issue Date, resulting in such Person possessing the direct or indirect power to direct or cause the direction of the management and policies of the Issuer, whether through ownership of voting securities, by contract or otherwise.

"Permitted Liens" means:

(a) Liens in existence on the Issue Date;

(b) Liens granted by any Subsidiary in favor of the Issuer or any wholly-owned Subsidiary of the Issuer;

(c) Liens 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 Liens (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) Liens already existing on assets or property acquired or to be acquired by the Issuer or a Subsidiary of the Issuer, provided that such Liens 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) Liens 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 Liens 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 Liens or having the benefit of such Liens, are to be discharged solely from such assets or revenues, provided that the aggregate value of assets or revenues subject to such Liens when added to the aggregate value of assets or revenues does not, at any such time, exceed 10% (ten 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) Liens 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) Liens 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;

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

(k) any Liens not otherwise permitted by the preceding subparagraphs (a) to (j), inclusive, provided that the aggregate principal amount of the Indebtedness secured by such Liens does not at any time exceed lower of 10% % (ten per cent) of the total consolidated assets of the "Group".

(l) Any "collateral arrangement" not otherwise specified / permitted in clauses (a) to (l) above, provided that the fair market value of the relevant collateral does not exceed the fair market value of the relevant collateral for the most recent "fiscal period" under "International Financial Reporting Standards" A percentage of 10% (ten per cent) of the total consolidated assets of the "Group" calculated according to the consolidated balance sheet prepared accordingly.

"Nominal Holder" means the nominal holder of the securities (“**Nominal Holder of the Securities**”) as such term is defined in the Securities Law;

"Bondholder" means the registered owner (the "**Registered Owner**", as such term is defined in the Securities Law) of the Bonds.

"Person" means any natural or legal person, corporation, firm, partnership, joint venture, association, trust, institution, organization or state entity, whether or not having separate legal personality.

"Event of Potential Default" means the occurrence of an event or circumstance that would, with the giving of notice, lapse of time and/or issue of a certificate, become an Event of Default.

"Prospectus", „Preliminary Prospectus", "Final Prospectus", "Term Sheet", "Final Term Sheet", "Preliminary Term Sheet", "offering" (same as public offering) and any other terms not specifically defined herein shall have the definitions attributed to them under the Securities Legislation.

"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 nature to any of the foregoing.

"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 without further enquiry or evidence.

"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.

"Lien" means, with respect to any asset, any mortgage, lien, pledge, charge, security interest or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected under applicable law, including any conditional sale or other title retention agreement, any lease in the nature thereof, any option or other agreement to sell or give a security interest in and any filing of or agreement to give any financing statement or anything analogous to any of the foregoing under the laws of any jurisdiction.

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

"Securities Legislation" means defined term "Legislation on Securities" under the **Securities Law**.

"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 and supplemented from time to time).

"Fiscal Period" means any fiscal period for which the Issuer has produced consolidated or individual financial statements in accordance with IFRS.

"Offer End Date" has the meaning set forth in the "Main Offer Terms".

"Subsidiary" means, in relation to any Person (the "First Person"), 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% (fifty per cent) of the capital, voting share or the share. For the purposes of these Terms and Conditions, Subsidiary shall not include the Issuer's indirect subsidiary Darchi LLC under any circumstances.

"Group" means the Issuer and its Material Subsidiaries and Subsidiaries taken as a whole.

"**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.

"GSE" means the Georgian Stock Exchange JSC.

Prohibited Investment Activities" means any of the following:

(a) production or activities involving harmful or exploitative forms of forced labor[1] or child labor;[2]

(b) production of or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements or subject to international phase-outs or bans, such as (a) pharmaceuticals,[3] pesticides, and herbicides,[4] (b) ozone-depleting substances,[5] (c) polychlorinated biphenyls[6] and other hazardous chemicals,[7] (d) wildlife or wildlife products regulated under the Convention on International Trade in Endangered Species of Wild Fauna and Flora,[8] and (e) transboundary trade in waste or waste products;[9]

(c) production of or trade in weapons and munitions, including paramilitary materials;

(d) production of or trade in alcoholic beverages, excluding beer and wine;[10]

(e) production of or trade in tobacco;[11]

(f) gambling, casinos, and equivalent enterprises;[12]

(g) production of or trade in radioactive materials,[13] including nuclear reactors and components thereof;

(h) production of, trade in, or use, of unbonded asbestos fibres;[14]

(i) commercial logging operations or the purchase of logging equipment for use in primary tropical moist forests or old-growth forests; and

(j) marine and coastal fishing practices, such as large-scale pelagic drift net fishing and fine mesh net fishing, harmful to vulnerable and protected species in large numbers and damaging to marine biodiversity and habitats.

1 Forced labor means all work or services not voluntarily performed, that is, extracted from individuals under threat of force or penalty.

2 Child labor means the employment of children whose age is below the host country's statutory minimum age of employment or employment of children in contravention of International Labor Organization

ConventionNo.138“MinimumAgeConvention”(www.ilo.org).

3 A list of pharmaceutical products subject to phaseouts or bans is available at http://www.who.int.

4 A list of pesticides and herbicides subject to phaseouts or bans is available at http://www.pic.int.

5 A list of the chemical compounds that react with and deplete stratospheric ozone resulting in the widely

publicized ozone holes is listed in the Montreal Protocol, together with target reduction and phaseout dates. Information is available at http://www.unep.org/ozone/montreal.shtml.

6 A group of highly toxic chemicals, polychlorinated biphenyls are likely to be found in oil-filled electrical transformers, capacitors, and switchgear dating from 1950 to 1985.

7 A list of hazardous chemicals is available at http://www.pic.int.

8 A list is available at http://www.cites.org.

9 As defined by the Basel Convention; see http://www.basel.int.

10 This does not apply to sponsors who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to the sponsor's primary operations.

11 This does not apply to sponsors who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to the sponsor's primary operations.

12 This does not apply to sponsors who are not substantially involved in these activities. Not substantially involved means that the activity concerned is ancillary to the sponsor's primary operations.

13 This does not apply to the purchase of medical equipment, quality control (measurement) equipment, and any equipment for which ADB considers the radioactive source to be trivial and adequately shielded.

14 This does not apply to the purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20% (twenty per cent).

"Prohibited Persons" means any person, organisation or vessel (i) designated on the OFAC list of Specially Designated Nationals and Blocked Persons, the Consolidated List of Persons, Groups and Entities Subject to EU Financial Sanctions, or the Consolidated List of Financial Sanctions Targets maintained by His Majesty's Treasury, or on any list of targeted persons issued by an Agency administering Sanctions; (ii) that is, or is part of, a government of a Sanctioned Country; (iii) owned or controlled by, or acting on behalf of, any of the foregoing; or (iv) located within or operating from a Sanctioned Country.

"**Material Adverse Effect"** means a material adverse effect on:

(a) the Issuer's business, operations, property, liabilities, condition (financial or otherwise), prospects or the carrying on business or operations of the Issuer or the Group;
(b) the payment of the Bonds or compliance with any of the obligations provided under this Prospectus;
(c) the validity or enforceability of Bonds or any of the obligations provided under this Prospectus.

"Preferred Stock" as applied to the Capital Stock of any Person, means Capital Stock of any class or classes (however designated), which is preferred as to the payment of dividends or as to the distribution of assets upon any voluntary or involuntary liquidation or dissolution of such Person, over shares of Capital Stock of any other class of such Person.

“Sanctioned Country” means any country or territory which is the subject to comprehensive or country-wide sanctions; i.e., those that go beyond imposing restrictions on individuals or entities, and restrict or limit dealings with the country or its government or institutions in general;

"Capital Stock" means:

(a) in the case of a corporation, corporate stock;

(b) in the case of an association or business entity, any and all shares, interests, participations, rights or other equivalents (however designated) of corporate stock;

(c) in the case of a partnership or limited liability company, partnership interests (whether general or limited) or, membership interests; and

(d) any other interest or participation that confers on a Person the right to receive a share of the profits and losses of, or distributions of assets of, the issuing Person, but excluding from all of the foregoing any debt securities convertible into Capital Stock, whether or not such debt securities include any right of participation with Capital Stock.

"OFAC" means the Office of Foreign Assets Control of the U.S. Department of the Treasury.

“EU” means European Union.

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:

(I) Any dispute arising out of or in connection with this Prospectus (including a dispute regarding the existence, validity or termination of this Prospectus or this clause or any non-contractual obligation arising out of or in connection with this Prospectus) shall be resolved by arbitration with seat (or legal place) in London, England conducted in the English language by a single arbitrator pursuant to the 2014 Rules of the London Court of International Arbitration (“LCIA”) (and not any amended rules subsequently adopted by the LCIA), except as modified by the provisions of this Agreement (such arbitration to also be administered by the LCIA in accordance with those rules).

(II) Number of arbitrators shall be one.

(III) The language to be used in the arbitral proceedings shall be English.

In any such arbitration (paragraphs I-III above), in the event of a declared public health emergency by either the World Health Organisation (the “WHO”) or a national Government, as a consequence of which it is inadvisable or prohibited for the parties and/or their legal representatives to travel to, or attend any hearing ordered by the tribunal, the following shall apply:

(i) any such hearing shall be held via video or telephone conference upon the order of the tribunal;

(ii) the parties agree that no objection shall be taken to the decision, order or award of the tribunal following any such hearing on the basis that the hearing was held by video or telephone conference; and

(iii) in exceptional circumstances only the tribunal shall have the discretion to order that a hearing shall be held in person, but only after full and thorough consideration of the prevailing guidance of the WHO and any relevant travel or social distancing restrictions or guidelines affecting the parties and/or their legal representatives and the implementation of appropriate mitigation.

(IV) Where disputes arise out of or in connection with this Agreement which, in the absolute discretion of the first arbitral tribunal to be appointed in any of the disputes, are so closely connected that it is expedient for them to be resolved in the same proceedings, that arbitral tribunal shall have the power to order that the proceedings to resolve that dispute shall be consolidated with those to resolve any of the other disputes (whether or not proceedings to resolve those other disputes have yet been instituted), provided that no date for the final hearing of the first arbitration has been fixed. If that arbitral tribunal so orders, the parties to each dispute which is a subject of its order shall be treated as having consented to that dispute being finally decided:

(i) by the arbitral tribunal that ordered the consolidation unless the LCIA decides that that arbitral tribunal would not be suitable or impartial; and

(ii) in accordance with the procedure, at the seat and in the language specified in the relevant agreement under which the arbitral tribunal that ordered the consolidation was appointed, save as otherwise agreed by all parties to the consolidated proceedings or, in the absence of any such agreement, ordered by the arbitral tribunal in the consolidated proceedings.

The paragraph IV above shall apply even where powers to consolidate proceedings exist under any applicable arbitration rules (including those of an arbitral institution) and, in such circumstances, the provisions of item (d) above shall apply in addition to those powers.

TAXATION OF BONDS IN GEORGIA

The following is a general description of certain material Georgian tax considerations relating to the Bonds, if applicable . 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 (resident and nonresident individuals and nonresident legal person) will be subject to withholding tax at the source of payment at the rate of 5% (five per cent). Further, the abovementioned interest taxed at source shall not be included by a recipient resident individual in his gross income.

Payments of interest on the Bonds will be exempt from withholding tax at the source and such payments will not be included in gross income of a Bondholder, it the Bonds are issued by a resident legal entity by public offering before 1 January 2023 and allowed on the organized market recognized by the NBG (listing A and B category of the GSE).

The interest accrued on the Bonds is exempt from withholding the income tax at the source and it shall not be considered a gross income of a Bondholder, it the Bonds are issued by a resident of Georgia and allowed to trade in a foreign country recognized stock exchange.

Interest paid to Bondholders that are registered in countries having preferential taxation systems and recognized as offshore jurisdictions by the Government of Georgia, will be subject to taxation at the rate of 15% (fifteen per cent).

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.

<u>Taxation of Bond Alienation</u>

Revenue received by a resident legal entity issued by the public offering in Georgia and from the Bonds issued, which are allowed to be traded on an organized market recognized by the National Bank of Georgia is exempt from taxation to a resident of Georgia and non-resident individuals and non-resident legal entities.

If the exemption mentioned above does not apply, the following tax liabilities may arise:

Taxation of profit from sale of Bonds by Non-Resident Legal Entity Bondholders:

Profit of non-resident legal entities (taxable object - difference between initial and sale prices) will be taxed at a 15% (fifteen per cent) tax rate. 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 profit from sale of Bonds by Non-Resident Individual Bondholders:

Profit of non-resident individuals (taxable object - difference between initial and sale prices) is taxed at a 20% (twenty per cent) rate. 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 2 (two) calendar years and not use them in economic activity.

Taxation of profit from sale of Bonds by Resident Legal Entity Bondholders:

The surplus income received by the resident legal entity of Georgia (the difference between the initial and sale prices) shall be taxed in accordance with the rules established by the legislation of Georgia, when distributing the profit (15% (fifteen per cent) rate).

Taxation of profit from sale of Bonds by Resident Individual Bondholders:

Income from resident individuals (taxable object - difference between initial and sale prices) will be taxed at a 20% (twenty per cent) rate. 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 2 (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 provided 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.