

Annual report
Disclosure of qualitative information by 2017
JSC "Silk Road Bank"

Corporate Management

The equity capital of the Bank amount 30 000 000 (thirty million) GEL by December 31, 2017 and was divided into 300 000 (three hundred thousand) common registered stocks. The par value of each ordinary registered stock shall be 100 GEL. The 99.99% of bank's shares are owned by JSC Silk Road Financial Group. Beneficiaries of 5% or more shares of the bank are:

1	Uranus Holdings (Malta) Limited - (C67480)	99,99%
1.1	Giorgi Ramishvili	61,99%
1.2	Alexi Topuria	28,50%
1.3	David Franz Borger, Germany	9,50%

The governing bodies of the Bank are:

a) The General Meeting of the Shareholders shall be the supreme governing body of the Bank

The Shareholders' General Meeting shall be the supreme decision - making body of the Bank. The Shareholders General Meeting shall hold two kinds of sessions: the regular and extraordinary sessions of the Shareholders' General Meeting. Any holder of the common registered stocks shall be eligible for participation in the Shareholders' General Meeting.

The Shareholders' General Meeting shall be entitled to:

- change the Articles of Association of the Company or approve the new edition thereof, change the chartered capital, firm name and legal address of the Bank, reorganize and liquidate it under the effective laws;
- elect or dismiss the Supervisory Board members, approve the Supervisory Board resolutions and decisions, approve the Directorate and the Supervisory Board reports;
- approve the regulation of the Supervisory Board;
- elect an independent auditor for an annual audit.

b) The Supervisory Board shall be in charge of general management /control and supervision of the

Bank

Members of the Supervisory Board are elected on the meeting of the shareholders, taking into consideration their education and professionalism.

At this stage in the process of development is the internal policy that determines the selection of the members of the Supervisory Board and their independence.

1. VASIL KENKISHVILI- The Chairman of the Supervisory Board - Education has been taken at different times at American University of Washington Law College, Institute of State and Law of the International Academy of Sciences, Ivane Javakhishvili Tbilisi State University, Faculty of Law, From 2004 till now he has worked in various leadership positions in following organizations: "Georgian Railway" Ltd and Ltd "SRG Investment";
2. GIORGI MARR - The member of the Supervisory Board - Education has been taken at different times at ESM - Tbilisi, Mosbakh Academy, Germany, INSEAD, Phonenblo and Singapore, Master of Business Administration. From 2004 till now he has worked in various leadership positions in following organizations: Ltd "SRG Investment", Price Waterhouse Cooper Moscow, Ltd. "TCP Management";
3. MAMUKA SHURGAIA - The member of the Supervisory Board - Education has been taken at Caucasus School of Business Finances, From 2006 till now he has worked in various positions in following organizations: Ltd "SRG Investment" and Ernst & Young Ltd, Tbilisi;
4. DAVID FRANZ BORGER - The member of the Supervisory Board - Education has been taken at London School of Economics, United Kingdom, Doctor of Philosophy (PhD) in Accounting and Finance, Witten / Herdek University, Germany, Business Economics Course. From 2006 till now he has worked in various positions in following organizations: LTD "Silk Road Service", Ltd.

"Terracotta Group", Boston Consulting Group, Munich, Germany, London School of Economics, United Kingdom.

Within its exclusive competence, the Supervisory Board shall:

- determine the Bank's business policy, adopt and approve the policy guidelines, approve an annual plan of activities submitted by the Directorate (including the operational budget), prepare the recommendations for the Shareholders' General Meeting and follow the instructions thereof;
- elect the Directorate members (including the Director General);
- approve the internal policy guidelines for the credit, investment, currency, asset and liability management, the asset evaluation and classification and the creation of the adequate reserve regarding a possible loss;
- discuss and approve the accounts for the business transactions of a financial year submitted by the Directorate and prepare the Bank's annual account for submission to a Shareholders' General Meeting, control the activities of the Bank Directorate;
- adopt the resolutions on the acquisition, alienation, exchange or/and encumbrance of the assets of the Company (movable etc. intangible assets) the value;
- According to the Charter, the Supervisory Council sessions are held at least once a quarter. During the year 2017, the Supervisory Board meeting was held 27 times in which all members of the Supervisory Board took part. Sessions covered such issues as the branch to close, Employees' material encouragement, lease extensions, the real property to sold, Decision to start brokerage activities within the banking license, changes in the the bank's Board of Directors, Development of Silkloan loan product and increase its awareness in terms of promotional activities, Attracting subordinated loans by JSC Silk Road Bank and etc.;
- The Supervisory Board members shall conduct the Bank's affairs in good faith and care for the Bank as a person of integrity and sound-mind in a similar position would in the interest of the Bank's stability;
- Each decision of a Supervisory Board member shall be in the interest of the Bank. The Board members shall conduct affairs reasonably and independently;
- Audit Committee is created with the Supervisory Board and composed of three members and whose main function is to facilitate the functioning of internal and external bank auditors.
- A formal normative document regulating the work of the Audit Committee under the supervisory board is in development.

c) Directorate (directors) shall be vested with the managerial and representative powers.

The members of the Bank's Directors are elected by the Supervisory Board taking into account their education and professionalism. Bank's Directors are:

1. ALEXANDER DZNELADZE – General Director, control Directions in the bank is: Financial Director, Risk Director, Corporate Secretariat, Internal Audit Office, Department of Corporate, Small and Medium Business, Retail Loans Department, Information Technology Division, Security Service, Human Resources Service, Administration. Education has been taken at different times at Tbilisi State University, Georgian Technical University, USAID's Small and Medium Enterprises Support Projects and Banking-Finance Academy. In 2005-2010 He has worked in the positions of Heads of JSC "IntellectBank" and JSC "BTA Bank";
2. NATIA MERABISHVILI- Financial Director, control Directions in the bank is: Operations Department, Central Back Office, Call Center, Central Branch, Poti Representation, Accounting and Reporting Department, Logistics, Treasury. Education has been taken at different times at Tbilisi Ivane Javakhishvili State University, Faculty of Macroeconomics, Ferrara University - Italy, Certified and Corporate Accountants Association (ACCA) trainings for professional accountants. In 2007-2011 worked in the positions of Heads at JSC "BTA Bank";
3. GEORGE GIBRADZE – Risk Director, control Directions in the bank is: Risk Management Department, Property Assessment Group, Court Enforcement Department, Legal Department. Education: Tbilisi Secular University "GANATI", Master of Law. From 2006 to 2017 he worked on

the following positions: JSC Kakheti Energy Distribution, JSC "People's Bank of Georgia, JSC BTA Bank", JSC Silk Road Bank.

In accordance with the business policy determined by the Supervisory Board, these Articles, the internal documents of the Bank and the effective laws, the Bank Directorate shall manage and implement the Bank's day-to-day activities;

Within its scope the Bank Directorate (director) shall:

- develop the Bank's annual business-plan, appoint/dismiss the Bank employees, conclude or cancel their labor contracts, define their remuneration (salary, bonus). for the purpose of the Bank activities, approve the Bank's internal documents including the regulations of the Bank's structural units. approve the policies for attraction and application of the financial resources required to the Bank, approve the regulations of the structural units of the Bank and job descriptions, approve the regulations governing the relationships between the structural units of the Bank;
- according to the effective laws, adopt the resolutions over commissioning and closure of the Bank's structural units, such as divisions, service centers, extra cash offices, exchange stations and, the other internal subdivisions (save the Bank branches and representations);
- discuss the periodic appraisals and results regarding the efficiency of the internal control;
- prepare monthly reports that the Supervisory Board may request from time to time;
- in accordance with the policy determined by the Supervisory Board and guidelines of the Bank, the Directorate shall manage the business transactions of the Bank;
- the Directorate shall supply the relevant information to the National Bank of Georgia, Financial Monitoring Service etc. authorities.

Executive Level Committees:

a) Assets and Liabilities Management Committee

The general scopes and objectives are:

- Determining the effective management process of the bank's assets and liabilities;
- Formation of a flexible and efficient system for determining the rates and tariffs of the banking products, the market conditions and the customer requirements of the Bank;
- Determining the general behavior of active and passive operations directed towards the growth of the bank's interest and non-interest income in maintaining the adequate level of liquidity, fulfilling the requirements of normative acts and normative acts and minimizing market risks;
- Complex management of financial risks for the purpose of achieving optimum ratio between risks and revenue, coordinate activities in the field of risk management;
- Consolidated monitoring of financial risks (liquidity, interest and currency risk);
- Control of compliance with the requirements of the prudent normative and equity.

b) Credit Committees

The general scopes and objectives are:

- Rules, regulations and procedures established under the competence of the bank's customer service at a bank loan products, decisions, individual and group lending process organization and management, credit products related to a specific action plans, the Committee on the issues of a final decision on the control.

c) Procedural Committee

The general scopes and objectives are:

- The objective of the Committee is to organize, structure and optimize the business processes in the bank through the creation and updating of the normative base based on the vision and plans agreed with the Board of Directors.

In order to achieve the objectives, the Committee shall resolve the following tasks:

- Identify the business processes taking place in the bank, which are beyond the regulation of the internal normative documents of the bank and create their regulatory procedures.
- To administer the process of making changes of the internal normative documents of the

derivative category and making changes;

- Ensure timely and high quality execution of the decision taken.

The Board of Directors approves the amendments to the Committee's Regulations, its Regulations and the Documents;

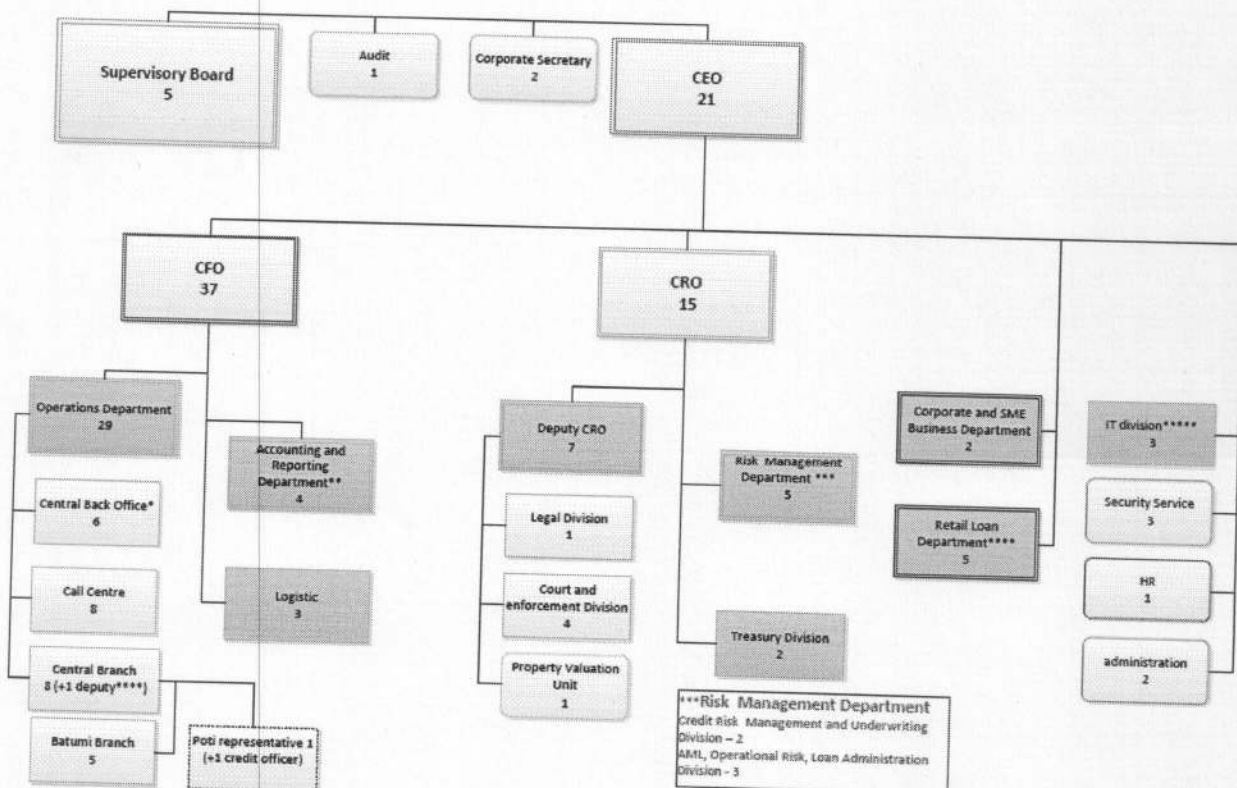
Risk Management

The main risks facing the Silk Road Bank are - credit risk, liquidity and market risks (including interest and currency risk) and operational risk. The Bank also recognizes the existence of reputation and compliance risk.

The Risk Management Process should provide the following: To ensure transparency of the risk management and the resulting trust from stakeholders, promote the sustainable growth rate and resiliency through prudent risk management, the ability of the bank to follow strategy, ensure that risk management represents competitive advantage for the Silk Road Bank.

Risk management policies are approved in each direction at the Supervisory Board and reviewed at least once a year.

Structurally, everyday risk management function is independent and is subordinated to risk management director.



Credit risk - the most material risk type for the bank and is expressed in a loss which is due to non-payment of debt to the bank. The Bank is mainly engaged in traditional borrowing and has a simple balance structure. The bank's credit risk control is carried out by the Credit Risk Department and the decisions are made by the Credit Committee, which includes the Directors of the Bank. Certain credit

decisions are made by the Supervisory Board in accordance with internal policies and the National Bank's Risk Policy.

Liquidity risk - Liquidity risk is inherent in banking operations. The bank is less likely to be at risk of market liquidity because it is not actively involved in securities trading. With the risk of funding, the bank constantly tries to maintain high liquidity levels. Daily liquidity is managed by the Treasury Department.

Market Risks - The Bank does not have a trading portfolio and is not involved in speculative trading. Accordingly, it faces mainly interest and currency risk caused by traditional banking activities.

Interest Rate - The bank faces the interest risk caused by traditional banking activities related to the revaluation of mismatch between interest bearing assets and liabilities. The daily risk management process of interest risks is carried out by Treasury Department in accordance with the framework set by the Treasury Actual Assets and Commitments Committee (ALCO).

Currency risk - the bank understands the risk of loss of losses due to the revaluation of the assets and liabilities caused by the exchange rate change. The bank's strategy towards currency risk is not to get involved in speculative activity through an open currency position. The daily FX Risk management process of interest risks is carried out by Treasury Department in accordance with the framework set by the Treasury Actual Assets and Commitments Committee (ALCO).

Operational Risk - The bank understands possible losses resulting from inadequate and faulty processes, as well as result of employees, systems or external events. This also includes legal risks. Operational Risk Control is carried out by the Operating Risk Department which is in the Risk Management Department.

Reputation risk - is the loss of possible reputable capital for the bank and reduction of the value of the organization in general. It involves negative events related to ethics with security, quality and innovation.

Compliance Risk - the bank is subject to local regulations and therefore gives great attention to the risk of compliance. It is top priority of board of directors and management to be in compliance at all times and plan ahead for future regulatory developments.

Financial Director

Of JSC Silk Road Bank


N. Merabishvili