

**LEPL Pension Agency**

**Financial Statements**  
**of Pension Scheme defined by**  
**Law of Georgia on Funded Pensions**  
**for 2019**

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KPMG Georgia LLC  
GMT Plaza  
5th Floor, 4 Liberty square  
Tbilisi, Georgia 0105  
Telephone +995 322 93 5713  
Internet [www.kpmg.ge](http://www.kpmg.ge)

# Independent Auditors' Report

## To the Supervisory Board of LEPL Pension Agency

### Opinion

We have audited the financial statements of Pension Scheme defined by Law of Georgia on Funded Pensions (the "Pension Scheme") administered by LEPL Pension Agency (hereafter the "Agency"), which comprise the statement of financial position as at 31 December 2019, the statement of changes in net assets available for benefits for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Pension Scheme as at 31 December 2019, and changes in net assets available for benefits for the year then ended in accordance with International Financial Reporting Standards (IFRS): IAS 26 - *Accounting and Reporting by Retirement Benefit Plans*.

### Basis for Opinion

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

### Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Pension Scheme's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Pension Scheme or to cease operations, or has no realistic alternative but to do so. Those charged with governance are responsible for overseeing the Pension Scheme's financial reporting process.



### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

The engagement partner on the audit resulting in this independent auditors' report is:

Karen Safaryan

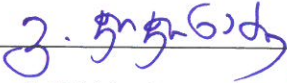
KPMG Georgia LLC  
Tbilisi, Georgia  
29 May 2020



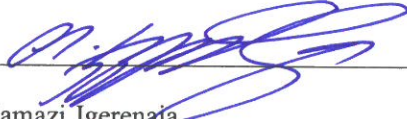
*Pension Scheme defined by the Law of Georgia on Funded Pensions*  
*Statement of Financial Position as at 31 December 2019*

GEL'000	Notes	<u>31 December 2019</u>
<b>ASSETS</b>		
<b>Cash and cash equivalent:</b>		
Funds at National Treasury account of Georgia	4	3,336
Funds at National Bank of Georgia	4	266,643
Funds at Georgian commercial banks	4	277,865
<b>Total net assets available for benefits</b>		<b><u>547,844</u></b>
<b>LIABILITIES</b>		
Liabilities to scheme members	5	508,031
Unallocated amounts	6	39,813
<b>Total liabilities</b>		<b><u>547,844</u></b>
<b>Surplus (deficit)</b>		<b><u>-</u></b>

The financial statements as set out on pages 5 to 15 were approved by management on 29 May 2020 and were signed on its behalf by:

  
 Giorgi Chichinadze  
 Acting Director of the Agency



  
 Tamazi Jgerenata  
 Head of Managerial Accounting  
 Group

*Pension Scheme defined by the Law of Georgia on Funded Pensions*  
*Statement of Changes in Net Assets Available for Benefits for 2019*

<b>GEL'000</b>	<b>Notes</b>	<b>2019</b>
<b>Increase in net assets:</b>		
Pension Scheme member contribution (Private employers and employees)		294,314
Pension Scheme member contribution (Public employers and employees)		88,663
Subsidy from the Government of Georgia		165,338
<b>Total scheme member contribution</b>	<b>5</b>	<b>548,315</b>
Interest income	5	17,038
Unallocated amounts	6	39,813
		<b>605,166</b>
<b>Decrease in net assets:</b>		
Payments/Opt-out payments	7	(57,322)
		<b>(57,322)</b>
<b>Net increase in net assets available for benefits</b>		<b>547,844</b>
Net assets available for benefits, beginning of the year		-
<b>Net assets available for benefits as at 31 December</b>		<b>547,844</b>

## **1. Background**

### **(a) Description of the Pension Scheme**

These financial statements are prepared for the Pension Scheme as defined below and by the “Law of Georgia on Funded Pensions” (hereinafter the Law), enacted on 6 August 2018. The Law regulates key terms and conditions of management and administration of the Pension Scheme by the LEPL Pension Agency (hereinafter the “Agency”) in the best interests of participants of the Pension Scheme.

The Agency was established on 15 August 2018 as a legal entity of public law in accordance with the Law and the Decree of the Government of Georgia #421 dated 15 August 2018 “On the approval of the charter of the Legal Entity of Public Law – Pension Agency”. The Agency is an independent legal entity of public law established for the purposes of management and administration of the pensions saving scheme (the “Pensions Scheme”) in the frame of which the Agency manages Pension Assets (as defined by the Law) owned by the participants of the Pension Scheme. All Pension Assets are hereinafter jointly referred to as the Pension Fund.

The governing bodies of the Agency are: the Director, the Supervisory Board and the Investment Board. Director is responsible for uninterrupted operations of the Agency, which includes, but is not limited to management of the process of collection of pensions’ contributions from the participants of the Pension Scheme. The Investment Board, which is composed of the members appointed by the Parliament of Georgia, is principally responsible for elaboration of the Investment Policy Document and monitoring of compliance of the investment activities, carried out by the Chief Investment Officer and the Investment Service of the Agency, with the Investment Policy Document. The Agency’s operations are supervised by the Supervisory Board, except for its investment activities, which is regulated by the National Bank of Georgia (the “NBG”). As per the Law, the Supervisory Board members of the Agency are the Minister of Finance, the Minister of Economy and Sustainable Development of Georgia, the Minister of Internally Displaced Persons from the Occupied Territories, Labour, Health and Social Affairs of Georgia and the Chairman of the Investment Board of the Agency. See note 12 - *Subsequent Events*.

The Pension Scheme is a defined contribution pension scheme. The Pension Fund comprises of the pension contributions made by the Employers (as this is defined by the Law), Employees (as this is defined by the Law) and the state of Georgia as well as any and all investment return, benefits and/or losses accrued to the Pension Assets.

Participation in the Pension Scheme is mandatory to all employed citizens of Georgia, as well as, employees who have permanent residence permits and for the tax purposes are residents of Georgia, except for: male employees aged 60 or above by the time the Law was enacted (6 August 2018) or female employees aged 55 or above by the time the Law was enacted. Besides, Employees aged 40 or above years old by the time the Law was enacted are entitled to opt out from the Pension Scheme, with the right of re-enrolment. In addition, Self-employed Individuals (as this is defined by the Law) are entitled to enrol in the Pension Scheme on a voluntary basis. Pension contributions made on behalf of and/or for the benefit of participants of the Pension Scheme, as well as any and all benefits/investment returns and/or losses accrued to the Pension Assets are reflected and maintained on the individual pension accounts opened and operated by the Agency. All participants are provided with usernames and passwords required for registration and obtaining access to the individual pension accounts, through the Employers. The individual pension accounts may be accessed through the electronic system for administration of pension contributions of the Agency (hereinafter the “Electronic System”) from the official web-page of the pension agency.

The principal activities of the Agency are implementation, management and administration of the Pension Scheme. Key operations of the Agency are described in note 3.

The Pension Scheme came into force from 1 January 2019 in accordance with the Law. As at 31 December 2019 the Scheme has 795 thousand participants.

The Pension Scheme keeps track of all its participant's savings using the Units system. Units are assets purchased and owned by participants of the Pension Scheme at the time of making contributions. Number of units owned by the participants of the Pension Scheme is reflected on their individual pension accounts. At any point in time, a unit of the Pension Asset has a price denominated in GEL, and any time a contribution is made to the Pension Scheme, units are purchased and allocated to the contributor's individual pension account. The starting price of a single unit was set to GEL 10. The first contributors purchased the units for GEL10 each. Since that day, at the end of each business day, unit price is recalculated as:

Net Asset Value / Total Number of Units (owned by all the participants in the Pension Scheme).

Purchase of units (new contributions) do not affect unit price, as they proportionally change the nominator and the denominator of the above formula. Only changes in Net Asset Value that are not due to new contributions (or payments) affect the unit price. These are revaluation of the portfolio that results in a gain (or a loss) without changing the underlying unit base. A person's net pensions savings is always their Unit Balance times the Current Unit Price.

The Agency's registered legal address is 7b, Kipshidze str., Tbilisi, Georgia.

## **2. Basis of preparation**

### **(a) Statement of compliance**

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (IFRS): IAS 26 – *Accounting and Reporting by Retirement Benefit Plans*.

### **(b) Basis of measurement**

The financial statements have been prepared on a historical cost basis, except for investments, which are remeasured at fair value through the statement of changes in net assets available for benefits.

The accounts have been prepared on an accruals basis except where otherwise stated.

The Pension Scheme is a defined contribution plan. Actuarial valuation are not required as the pension obligation equals the net assets available for benefits.

### **(c) Functional and presentation currency**

These financial statements are presented in Georgian Lari (GEL), which is also the Pension Fund's functional currency, as, being the national currency of Georgia, it reflects the economic substance of the majority of underlying events and circumstances relevant to them. All amounts has been rounded to the nearest thousands, except when otherwise indicated.

### **3. Key operations and significant accounting policies**

#### **(a) Investments of the Pension Assets and Pension contributions**

##### **(i) *Investment of the Pension Assets***

The Pension Assets may only be invested in accordance with requirements, restrictions and limitations envisaged by the Law considering the following principles of prudent investments:

- (a) maximization of real returns (considering inflation) in the long-term over appropriate investment of Pension Assets;
- (b) diversification of investment;
- (c) security of Pension Assets over long-term investment period;
- (d) maintenance of adequate liquidity.

Within the first 5 years of operation the Pension Assets will be invested only in lower risk investment portfolios. After expiration of the above referred 5 year period investments of Pension Assets shall be carried out through three investment portfolios (low risk, medium risk and higher risk portfolios as defined by the Law) having different risk and expected profitability, and Pension Assets of the participants shall be allocated to such portfolios in accordance with the Law.

##### **(ii) *Pension contributions***

As per the Law and respective normative act adopted by the Agency, pension contributions are made by the participants of the Pension Scheme upon payment of the salary in the following manner:

- Employer pays pension contribution in the amount of 2% of the taxable salary of its Employee and at the same time submits pension declaration through the electronic system of the Agency, which enables the Agency to allocate such pension contribution to the individual pension account of respective Employee.
- The Employer pays pension contribution in the amount of 2% of the taxable salary of its Employee, on behalf of and at the expense of such Employee and reflects such pension contribution in the above referred pension declaration for the purposes of allocation to the individual pension account of respective Employee.
- Self-Employed participant pays pension contribution in the amount of 4% of his or her annual income and submits respective pension declaration for the purposes of allocation of such contribution to its pension account; Self-Employed participants become members of the Scheme on voluntarily basis.
- The GoG pays the following amount of pension contribution for the benefit of the Employees and the Self-Employed participants, on the basis of submitted pension declarations, immediately upon submission of such declarations:
  - 2% of taxable salary and/or Income of the Self-employed – as long as such salary and/or income received during the year does not exceed GEL 24,000 for specific year.
  - 1% of the taxable salary and/or Income of the Self-Employed Participant – as long as the salary and/or income received during the year is above GEL 24,000, but does not exceed GEL 60,000.
  - 0% of the taxable salary and/or Income of the Self-Employed Participant – as long as the salary and/or income received during the year exceeds GEL 60,000.

The Agency is responsible for carrying out investment activities in accordance with the Law and the Investment Policy Document adopted by the Investment Board of the Agency. See note 3(a) for details about the investment activities.

Return of pensions contributions made by mistake are accounted for in the period when respective Pension Declarations are corrected and respective units are redeemed.

The Agency believes that in next years, considering that 2019 was the first year of operation of the Pension Scheme and due to increase of awareness of rules and procedures envisaged by the Law and normative acts of Pension Agency, number of such cases shall be reduced.

Pension contributions made by the participants of the Pension Scheme are accounted for on accrual basis.

Contributions made are accounted for when respective pension declaration is submitted by the Employer.

**(b) Payment of pensions and opt out payments**

Participants of the Pension Scheme are entitled to request appointment of pension in the following events:

- The participant of the Pension Scheme reaches the pension age, which is 65 for male participants and 60 for female participants;
- The participant of the Pension Scheme leaves Georgia on a permanent basis and presents a document evidencing his/her lawful right to permanently reside in any other country;
- The participant of the Pension Scheme obtains the status of disability as this is defined by applicable law of Georgia.

Besides, heirs of deceased participant of the Pension Scheme are entitled to request Pension Assets of the deceased participant.

Employees aged 40 or above years old by the time of the Law was enacted are entitled to opt out from the Pension Scheme, with the right of re-enrolment. The participant may opt out from the scheme within 2 months period commencing upon expiry of the 3 months term from the date of enrolment in the Pension Scheme, by submission of respective application to the Agency. If the participant is entitled to opt-out from the Pension Scheme, the Agency shall return to the respective Employer, Employee and the state of Georgia the pension contributions made by them and any and all benefits (if any) accrued to such contributions in accordance with rules and procedures envisaged by respective normative act of the Agency.

Pensions may be paid to the participants of the Pension Scheme in one of the following forms at the discretion of the participant:

- Lump-sum payment, when all Pension Assets accumulated on the individual pension account of the participant is transferred to the participant as a one-time, lump-sum payment. This form may be selected by the participant only in specific cases defined by the Law and respective normative act of the Agency;
- Programmed payment, when Pension Assets are paid on a monthly basis in portions, which is calculated as per the formula envisaged by respective normative act of the Agency. This option does not apply to the heirs of the deceased participants of the Pension Scheme.
- Procurement of insurance annuity product for the purposes of receipt of pension. This option is not applicable in case of leaving Georgia on permanent basis.
- Transfer of Pension Assets to the individual pension accounts of heirs of the deceased participants.

Payment of pensions to the participants of the Pension Scheme and/or transfer of Pension Assets to the heirs of deceased participants are accounted for in the period in which the redemption of respective units occurs.

Pension contributions returned to the participants of the Pension Scheme in the course of the opt-out procedures are accounted for in the period when the respective amount is withdrawn from the Pension Scheme.

**(c) Investment activities**

The Agency is responsible for carrying out investment activities in accordance with the Law and the Investment Policy Document adopted by the Investment Board of the Agency. See note 3(a) for details about the investment activities. During 2019, the Agency was not carrying out investment activities with the Pension Assets.

**(d) Interest income**

Interest income is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset.

**(e) Cash and cash equivalent**

Cash and cash equivalents comprise bank balances with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

**(f) Source of financing of the Agency**

The Pension Assets and activities of the Scheme are administered by the Agency. During 3 years from the date of adoption of the Law the only source of financing of the Agency and its activities is the state budget of Georgia. After expiration of the above referred 3-year term the source of financing of the Agency's activities shall be the Pension Fund. During 10 years from the date of expiration of the 3-year term the Agency may utilize up to 0.5% of the Pension Fund, while after expiration of this term such percentage shall be reduced to 0.25%.

## **4. Cash and cash equivalents**

For the year ended 31 December 2019 the Agency has not made any investments, but in order to ensure increase of the Pension Assets, in the best interests of the Participants of the Pension Scheme, with prior written approval by NBG, the Agency transferred the contributed funds from zero interest bearing accounts to non-zero interest bearing accounts in NBG and commercial banks of Georgia. As a result of such actions of the Agency the Pension Assets increased by GEL 17,038 thousand, which is the interest accrued to the Pension Assets held on interest bearing current accounts. The interest income was allocated between the Pension Scheme's members on pro-rata basis.

**GEL'000**

**Cash and cash equivalents:**

	<u><b>31 December 2019</b></u>
Interest bearing assets	506,932
Non-interest bearing assets	37,576
Funds on National Treasury account	3,336
	<u><b>547,844</b></u>

Cash and cash equivalents comprise financial assets held with NBG and commercial Georgian banks (ratings of the banks are stated in note 11(a)). Management does not expect any counterparty to fail to meet its obligations.

## 5. Liabilities to scheme members

Total liabilities to the participants of the Pension Scheme amount to the aggregate value of the Pension Assets reflected on individual pension accounts of participants. For details on participation see note 3 (a).

Considering that the pension contributions made by the participants of the Pension Scheme are reflected/allocated on the individual pension account of respective participants and becomes the property of such participants only upon submission of respective pension declaration, liabilities to participants does not include the amounts for which pension declarations are not submitted (the unallocated amounts, note 6).

<b>GEL'000</b>	<b>2019</b>
Balance at 1 January	-
Scheme member contribution	548,315
Interest income	17,038
Payments/opt outs	(57,322)
Balance at 31 December	<b>508,031</b>

## 6. Unallocated Amounts

As at 31 December 2019 GEL 39,813 thousand represent unallocated amounts, such amounts are not part of the Pension Assets. The unallocated amounts are accounted as unallocated amounts and are reflected on the balances on the accounts of respective Employers.

Upon submission of pensions declarations for the unallocated amounts, such amounts shall become liabilities to the participants.

## 7. Payments and Opt-out payments

As at 31 December 2019, 165 thousand participants exercised opt out right and the total pensions contributions returned to the employers, employees and the state of Georgia amounted to GEL 57,243 thousand. Mainly opt-outs have taken place in May-August 2019, when the option of leaving the Scheme became available. From September-December 2019 cases of opt outs have decreased significantly: the amount of pension contributions returned to the participants was GEL 1,455 thousand.

During 2019, the Agency made lump-sum payment of pensions in the amount of GEL 79 thousand to 184 participants.

## 8. Contingencies

### (a) Litigation

In the ordinary course of business, the Agency is subject to legal actions, litigations and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

## **9. Related party transactions**

The Pension Assets are administered by the Agency. During 2019 the Agency received financing from GoG of GEL 3,793 thousand, which was expensed in relation to: GEL 3,432 thousand for administration works of the Pension Scheme and GEL 361 thousand purchase of assets.

Key management of the Agency is considered to be: members of Supervisory Board, members of Investment Board, Director of the Agency and the Chief Investment Officer. In 2019 total remuneration paid by the Agency to the key management was GEL 460 thousand, which was included in above expenses incurred in 2019. The Supervisory Board members of the Agency do not receive any remuneration in exchange for their membership.

## **10. Fair values of financial instruments**

When measuring the fair value of an asset or a liability, the management uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: inputs other than quotes prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e., derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The estimated fair values of the Pension Assets as at 31 December 2019 approximate their carrying amounts and classified as Level 2.

The estimates of fair value are intended to approximate the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. However given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realisable in an immediate sale of the assets or transfer of liabilities.

## **11. Financial risk management**

The liabilities towards participants of the Pension Scheme are always equal to the value of participants' Pension Assets, i.e. no financing gap for future benefits exists, which is why no actuarial valuations are performed.

Presented below are standard risks to which Pension Scheme's financial instruments were directly exposed to on the reporting date:

- credit risk (a);
- liquidity risk (b);
- market risk (c).

**(a) Credit risk**

Credit risk is the risk of financial loss to Pension Scheme if a customer or counterparty to financial instruments fails to meet its contractual obligations.

On the reporting date 50.77% of total Pension Assets' balance was placed on current accounts in 10 commercial banks in Georgia. Out of the 10 banks, 3 banks had BB-, 3 banks had B+, one bank had B rating, one bank rating BB+ and two banks are unrated. The ratings were based on Fitch and S&P Global Agencies.

**(b) Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Prudent liquidity risk management implies maintaining sufficient cash, availability of funds through adequate credit facilities and ability to collect timely - within the terms established - the amounts due from third parties.

The average monthly redemptions from Pension Scheme through payment of pensions or return of pension contributions in the course of opt-out procedures for the year ended 31 December 2019 amounted to GEL 4,770 thousand, which is on higher side as the participants were entitled to opt-out the Pension Scheme in 2019. From September-December 2019 cases of opt outs have decreased significantly: the amount of pension contributions returned to the participants for September-December was GEL 1,455 thousand (see note 7). Average monthly incoming contributions for the year amounting GEL 42,234 thousand continued to be well in excess of monthly outgoings.

As at 31 December 2019 the Pension Assets are maintained in current accounts in National Bank of Georgia and commercial banks of Georgia and in National Treasury account. As a result the Pension Assets are considered to be readily realisable and can be quickly liquidated at amounts equal to their carrying value in order to meet liquidity requirements.

The Pension Scheme's ability to discharge its liabilities relies on its ability to realize an equivalent amount of assets within the same period of time. Funds available on current accounts in banks can all be redeemed in 1 days, so the Pension Assets do not bear liquidity risk. As of 31 December 2019 no investment activities have taken place and all assets are placed on current accounts.

**(c) Market risks**

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As at reporting date Pension Scheme does not have direct investments but only current accounts in banks. Interest rate risk based on the fixed interest rates on the accounts is presented below:

<b>'000 GEL</b>	<b>Interest rate</b>	<b>2019</b>
National Bank of Georgia and Commercial banks	8.5%-10%	506,932
Commercial banks	0%	37,576
National Treasury account	-	3,336
		<b>547,844</b>

**Currency risk**

An entity is exposed to currency risk to the extent that there is a mismatch between currencies in which transactions and operations are denominated and the functional currencies of the entity.

All Pension Assets and liabilities to scheme members as at 31 December 2019 were in GEL, as a result the Pension Scheme is not exposed to a currency risk for the year ended 31 December 2019.

## **12. Subsequent events**

### **COVID-19**

On 11 March 2020, the World Health Organisation (WHO) declared the COVID-19 coronavirus pandemic. The first case in Georgia was officially reported on 26 February 2020. As measures against spreading of the virus, Government of Georgia imposed various restrictions over activities within the country. The restrictions imposed at various times include ban on all cross-border travel, restriction over all travel within the country during specific hours, closing of all public transport, stopping all commercial activity except those which can be done distantly from home as well as except specific business (groceries, pharmacies, commercial banks, gas stations, post offices etc.).

The restrictions imposed by Government of Georgia do not apply to any of the Agency's operations. The Government of Georgia have stated, through public networks, that despite the economic difficulties in the country the assets of the Pension Scheme are ownership of the population of Georgia and will not be used for fulfilment of other liabilities of the Government.

In the beginning of 2020, Investment Board of the Agency elaborated investment policy document for cash and cash-like instruments, which has been duly approved by NBG in terms of compliance with the Law and finally approved by the Director of the Agency in accordance with the Law.

Interim chief investment officer (CIO) appointed by the Supervisory Board with respective nomination by the Investment Board, in accordance with the above referred policy and with respective approval of the Investment Board adopted decision on investment of the Pension Assets in Certificates of Deposit (the "CDs") of Georgian commercial banks and term deposits. As a result of such decision, Pension Assets amounting to GEL 575 million were invested in CDs issued by 6 Georgian commercial banks and GEL 15 million in term deposit of also one Georgian commercial bank. Average interest rate of such instruments amounts to annual 14.8% nominal rate, while tenure ranges from 2 to 5 years.

In April 2020, with respective nomination by the Investment Board, the Supervisory Board adopted decision on appointment of CIO.