

# FINCA Bank Georgia: creating brighter futures

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**VUSAL VERDIYEV**  
Chief Executive Officer of FINCA Bank Georgia

Vusal Verdiyev, Chief Executive Officer of FINCA Bank Georgia, has over 10 years of executive leadership in banking, microfinance, project management. Vusal Verdiyev joined FINCA Georgia from 2008 in COO role and from 2009 is appointed as CEO. He leads FINCA Bank Georgia management team, provides strategic leadership in risk management, human resources management, product development, marketing, project management, operations, finance, information technology. Mr. Verdiyev led transformation process, change of core banking software and other strategic initiatives. Prior joining FINCA Georgia, he worked in FINCA Azerbaijan, Citizens Development Corps, Netherlands Management Cooperation programs and CHF. He holds MBA in Agriculture Economics and Management and graduated ABA Stonier National Graduate School of Banking, University of Pennsylvania.

## How would you evaluate the period of 2014 and first half of 2015 for FINCA Bank? What were the key drivers and outcomes?

The year 2014 and the first half of 2015 have been productive enough for FINCA Bank Georgia. It was the time of transformation – a very important period for the bank (former MFI) to build strong institutional capacity to enable the bank to become competitive in the long run. The goal was achieved, number of critical banking functions has been created and important corporate governance changes have been introduced. Under this strong team, the bank was able to maintain sustainable growth and development despite transitional period – a number of borrowers grew by over 18%; the institution continued geographical expansion and as for now, FINCA Bank Georgia provides full banking services to more than 80 000 clients through 40 service centers all over the country. As a result of dynamic growth, number of employees has also been growing, reaching up to 750 as of the end of August, 2015.

In February, 2015 the bank has launched term and saving account products. It has been a very successful launch, judging based on the results of first seven months only. Impressive growth of deposit base during the first few months is also a sign of trust and confidence in FINCA, as a global financial institution.

FINCA Bank does its best to be the bank of top choice for its core segments and be attractive for other segments to strengthen its position in the market.

## Are there any new businesses lines that FINCA Bank is planning to launch in the nearest future?

FINCA Bank operations are heavily focused on providing financial services to the rural areas of Georgia, although a strong presence will be maintained through cities and regional centers aiming to promote economic and social development of the country. Therefore, we intend to offer full range of banking services, innovative loans, deposits and other banking products, including and not limited to flexible credit line solution and client-friendly remote service delivery channels. All initiatives of the bank are focused around fulfilling one promise – creating brighter futures for clients and employees. FINCA Bank Georgia places high importance on measuring impact of its products and services on customers. All new initiatives are screened for expected impact on the clients' life and support accomplishment of their life aspirations.

FINCA Bank Georgia launches personal banking services line, starting from September, 2015. The first personal banking Service Center opens its doors for customers in Tbilisi,

Chavchavadze Avenue, to offer personal banking services to existing and new customers. Partnering with FINCA Bank Georgia, clients of personal Banking business line will support the bank to expand its services to its mission segment, as well as it will mutually be beneficial partnership, where delivering exceptional experience to the clients is supreme goal.

## It is a two years since you received banking license, what is your assessment of the competition in the banking sector in Georgia?

Banking Sector is one of the most developed and highly competitive segments of the economy in Georgia. It is represented with 19 commercial banks and the sector's investment in loan financing, which is the biggest component of the total assets, is more than 50% of the country's GDP. Georgian banks offer a wide range of products to clients. They are innovative in terms of new product development and are trying to be in line with global trends in the industry. They are strong in retail as well as in corporate segments. FINCA Bank Georgia has a clear focus niche, delivering financial services to micro, small and medium sized businesses. Although the bank received banking license just two years ago, the institution has over 16 years of experience in Georgian market, with clear success track record. Considering that the bank serves over 80,000 clients in Georgian market, arguably it is among the leaders in the market in terms of number of clients served.

## What's the biggest challenge for the banking industry in Georgia?

The banking sector in Georgia is well capitalized and highly profitable, its CAR sets as 16.6% per BASEL III and its ROE and ROA are 15.9% and 2.6% respectively, that gives the sector to be stable against the internal and external shock, that itself is a guarantee for investors and depositors to invest and promote the sector and country development. Notwithstanding this

positive trend, the banking system faces some challenges of which the most significant is high Dollarization of the sector that itself is transmitted in overall economic vulnerability. 65% of loans and 66% of deposits are issued in foreign currency. The dollarization of deposits has significant increasing trend, while local currency is depreciating and majority of clients borrowing in foreign currency have income sources in local currency. Over 90 percent of foreign currency borrowers have incomes in local currency and are exposed to currency risks. This in return affects quality of loan portfolios of financial institutions, although overall it is still in a pretty strong shape.

## What is your outlook on Georgia's Micro and SME sector and what does FINCA offers in this field?

Micro and SME Sectors have big potential and can play the key role in the development of the country's economy. According to 2014 statistics the production in SME sector that covers formally registered business entities set as 15% of GDP. It is a good result, but real capacity of the sector is much higher. Especially taking into account the fact that share of agriculture in this SME production is just only 1%, while overall production in agriculture sector comprises 9% of GDP. This is primarily due to the reason that agricultural production relies on individuals, rather than established farming enterprises. This by itself is an indicator, showing necessity for reforms in agricultural sector.

Financing SMEs shows increasing trend during last few years and captures 8-10% of GDP and 22% of the banks' total loan portfolio financing, but it is still not enough. First, financing alone is not enough for a success. Reforms in legislative and tax environment support in acquiring new skills and knowledge, getting to know best practice, access to markets, i.e. support in all steps of business cycle is critically important, and access to finance is just one step of it. Never-

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theless, even in terms of micro and small segments access to affordable financial services, particularly outside of the major urban areas, remains as a challenge.

FINCA offers financial support based on needs and capacity of the clients, acts as a partner in doing business and not just only as a source of financing. Within the framework of SMART Client protection principles, FINCA Bank Georgia invests in and supports entrepreneurs acquire and improve their knowledge required for development and management of their businesses as a guarantee of financial well-being and sustainability. FINCA Bank Georgia aims also to bring best practices from around the world to Georgia in the microfinance industry, putting customers and ethical financial services at the heart of its business. This is the commitment of leadership and shareholders of this global network.

**Are you planning to reduce credit interest rates?**

Adjustment of interest rates isn't a one-time action. It is dependent on many variables. Of course as an institution with strong social commitment, FINCA tries to position in the attractive range for the customers. The best contribution to the social welfare is money left in the pocket of the clients. Besides, pricing decisions are affected with market trends, cost of funding, product cost structure, overall institutional performance. Ensuring comprehensible pricing structure and transparency is equally important, if not more. As a FINCA Bank Georgia, we are aiming to literate the clients/general audience on how the pricings are derived, so that the client can make an educated decision, based on effective interest rate.

**Is your success the result of having strong shareholders, or right market?**

Of course, being part of a global network and having strong shareholder

backing is a critical part of the success. This gives strong confidence to our clients, as well as ensures that best practices from different countries are shared among network participants. It is a major plus. But perhaps it goes even beyond this. I think one of the main guarantees of our success is strong, competent staff, who share institutional values and demonstrate strong commitment. Therefore, I believe focusing on institutional culture and strong corporate values is delivering its results. It was a right decision. The most sustainable investment is investment in people.

**What targets did you set for yourself at FINCA Bank Georgia?**

The targets any company sets can be met only if they are in alignment with the dreams and aspirations of its clients, staff and other key stakeholders of the business. We want to be inspired with achievements of our clients. We study impact of our services to clients and when we see that our services play significant role in development of our society, this is what keeps us motivated and inspired. Let me share some of the key findings with you. Over 80,000 people earn their livelihoods in the businesses that FINCA Bank Georgia finances, and 76% of this figure is a direct result of the loans that we are providing. 62% of total clients are from rural areas, who are potentially having limited access to financial services or to convenient financial services. Around 60% of clients fully achieved their business goals, after starting partnership with FINCA Bank Georgia. So the goal for the bank is not just to increase number of clients, balance sheet size and profitability. It is apparent, if we don't focus on needs of our clients/society, we cannot build sustainable growth pattern. After all, we are here for one vision – creating brighter future for all our stakeholders, but clients and employees at first! 



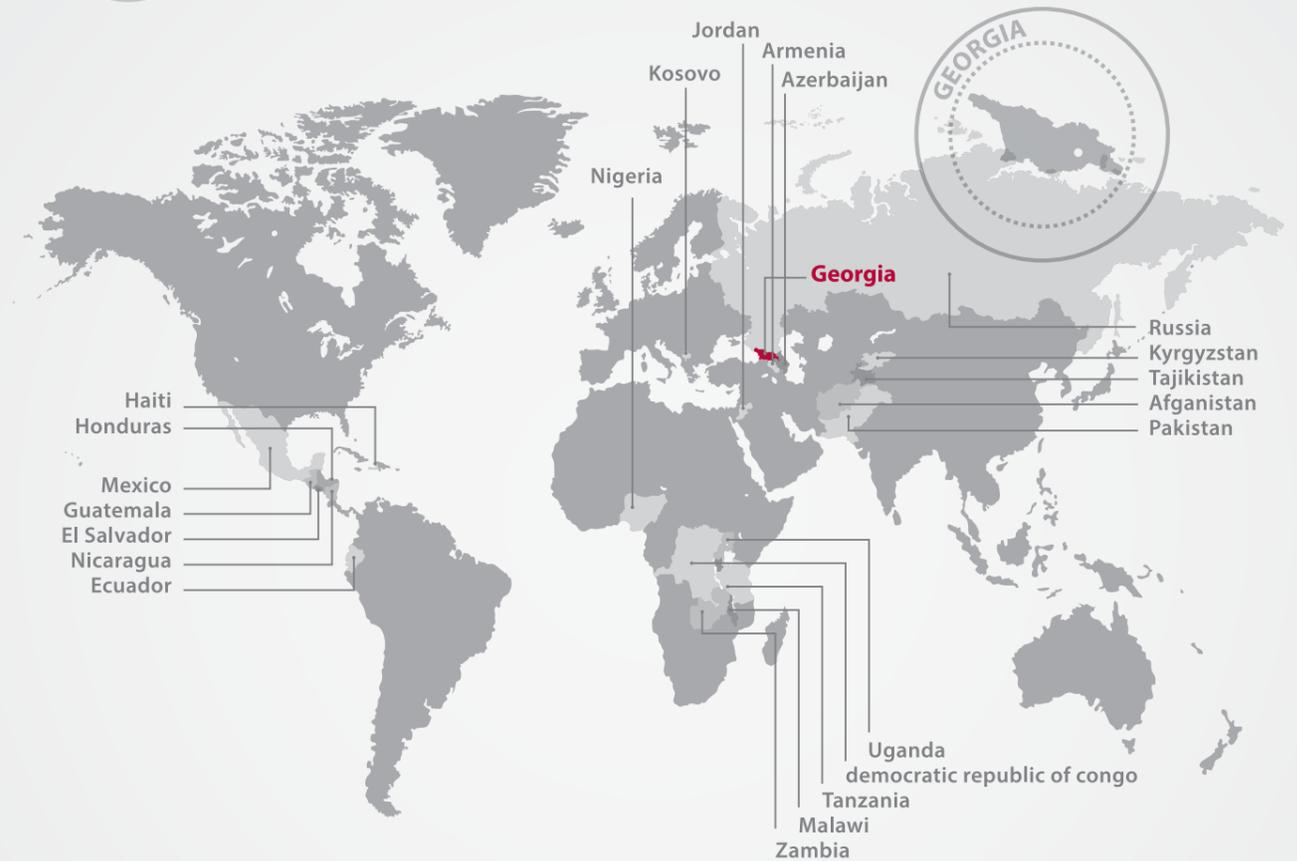
*It was the time of transformation – a very important period for the bank (former MFI) to build strong institutional capacity to enable the bank to become competitive in the long run.*

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