

JSC Isbank Georgia

Pillar 3 Report

2017

Contents

Pillar 3 Report introduction	3
Management responsibility	3
Main figures	4
Shareholder structure	6
Corporate governance	8
Risk management	11
Remuneration	13

Pillar 3 Report introduction

The report is prepared based on the Pillar 3 requirements of transparency, established by the Basel committee on Banking supervision and N575/2013 directives of the European Union, for which relevant requirements is prepared and introduced by the National Bank of Georgia under the “Disclosure requirements for commercial banks within Pillar 3”.

Management responsibility

Senior management of the bank ensures fair presentation and accuracy of the information provided within Pillar 3 disclosure report. The report is prepared in accordance with internal review and control processes coordinated with the board. The report meets the requirements of the decree N92/04 of the Governor of the National Bank of Georgia on “Disclosure requirements for commercial banks within Pillar 3” and other relevant decrees and regulations of NBG.

Main figures

	2017	2016
Regulatory capital (amounts, GEL)		
<i>Based on Basel III framework</i>		
Common Equity Tier 1 (CET1)	33,798,891	30,447,466
Tier 1	33,798,891	30,447,466
Total regulatory capital	77,346,318	32,346,802
Risk-weighted assets (amounts, GEL)		
Risk-weighted assets (RWA) (Based on Basel III framework)	176,975,780	160,843,147
Capital ratios as a percentage of RWA		
<i>Based on Basel III framework</i>		
Common equity Tier 1 ratio (≥ 7.0 %) **	19.10%	18.93%
Tier 1 ratio (≥ 8.5 %) **	19.10%	18.93%
Total regulatory capital ratio (≥ 10.5 %) **	43.70%	20.11%
Income		
Total Interest Income / Average Annual Assets	6.81%	6.46%
Total Interest Expense / Average Annual Assets	3.80%	3.42%
Earnings from Operations / Average Annual Assets	0.86%	1.01%
Net Interest Margin	3.01%	3.04%
Return on Average Assets (ROAA)	1.10%	0.29%
Return on Average Equity (ROAE)	9.74%	2.11%
Asset Quality		
Non Performed Loans / Total Loans	3.69%	1.71%
LLR/Total Loans	3.27%	3.33%
FX Loans/Total Loans	83.61%	82.01%
FX Assets/Total Assets	80.23%	85.98%
Loan Growth-YTD	-14.22%	21.78%
Liquidity		
Liquid Assets/Total Assets	25.95%	29.52%
FX Liabilities/Total Liabilities	94.47%	98.30%
Current & Demand Deposits/Total Assets	6.28%	3.76%
Liquidity Coverage Ratio***		
Total HQLA	56,246,205	
Net cash outflow	22,317,977	
LCR ratio (%)	252.02%	

* Significant changes between these two reporting periods is due to changes in NBG's methodology of calculating Risk Weighted Risk Exposures, in particular excluding Currency induced credit risk (CICR) from RWRA, which will be reflected in Pillar 2 capital buffer requirements. For the further details see the link of NBG's official press-release: <https://www.nbg.gov.ge/index.php?m=340&newsid=3248&lng=eng>

** These includes Minimum capital requirements (4.5%, 6%, 8%) and Capital Conservation Buffer (2.5%) according to article 8 of the regulation on Capital Adequacy Requirements for Commercial Banks.

*** LCR calculated according to NBG's methodology which is more focused on local risks than Basel framework. See the table 14. LCR; Commercial banks are required to comply with the limits by coefficients calculated according to NBG's methodology. The numbers calculated within Basel framework are given for illustratory purposes.

Main figures (Continued)***Risk Weighted Assets****GEL*

	2017	2016
Risk Weighted Assets for Credit Risk	166,594,682	250,764,574
Balance sheet items	157,281,478	203,857,067
Including: amounts below the thresholds for deduction (subject to 250% risk weight)		
Off-balance sheet items	9,313,205	8,659,562
Currency induced credit risk*	-	38,247,945
Counterparty credit risk		
Risk Weighted Assets for Market Risk	2,495,223	1,983,607
Risk Weighted Assets for Operational Risk	7,885,874	7,885,874
Total Risk Weighted Assets	176,975,780	260,634,056

* CICR is excluded from RWA due to changes in NBG's methodology of calculating Risk Weighted Risk Exposures, in particular excluding Currency induced credit risk (CICR) from RWRA, which will be reflected in Pillar 2 capital buffer requirements. For the further details see the link of NBG's official press-release:
<https://www.nbg.gov.ge/index.php?m=340&newsid=3248&lng=eng>

Shareholder structure

Batumi Branch of JSC Isbank Turkey (the “Branch”) was registered on 13 July 2012 as a branch of a foreign bank Türkiye İş Bankası Anonim Şirketi (the “Parent” or the “Shareholder”) which was incorporated in Turkey in 1924. On 1 August 2015 the Branch was reorganized into JSC Isbank Georgia (the “Bank”).

As a result the Bank is economically dependent upon the Parent. In addition, the activities of the Bank are closely linked with the requirements of the Parent.

The Bank is ultimately controlled by Isbank Members’ Supplementary Pension Fund.

The shareholder owns the bank by 100%.

Türkiye İş Bankası Anonim Şirketi (the “Shareholder”) at a glance

The Parent is the biggest private bank in Turkey. The shareholder structure is as follow:

Isbank Pension Fund – 39.95%;

Ataturk Shares - 28.09%;

Free Float – 31.96%.

Stocks are quoted at BIST(Istanbul stock exchange) and also traded at LSE in the form of GDRs.

The shareholder is presented in 14 countries with 3 subsidiaries (Georgia, Germany, Russia) and 22 foreign branches (Northern Cyprus; London,UK.; Manama, Bahrain; Arbil and Baghdad, Iraq; Kosovo). Isbank AG (Germany) is presented with one branches in Amsterdam, Netherlands; Paris, France; Zurich, Switzerland; Sofia, Bulgaria.

International rating of the Parent is as follow:

S&P Global

FC Issuer Credit	BB / Negative / B
LC Issuer Credit	BB / Negative / B
Turkish National Scale	trAA- / trA-1

FitchRatings

FC Issuer Default Rating	BB+ / Stable / B
LC Issuer Default Rating	BB+ / Stable / B
National Long Term Rating	AA+(tur) / Stable
Viability Rating	BB+
Support Rating	4
Support Rating Floor	B+

MOODY’S

FC Bank Deposit	Ba2 / Negative/ Not-Prime
LC Bank Deposit	Ba1 /Negative/ Not-Prime
FC Issuer	Ba1 / Negative
FC Subordinated Debt	Ba3 / B1 (hyb)

** Long term / Outlook (if exists) / Short term*

Shareholder structure (Continued)

The shareholder of the Bank is one the biggest conglomerates in Turkey. It's core business is banking and financial service and non-core business is Glass production.

Glass production

Şişecam Glass Packaging group is producing specially designed glass packaging with various volumes and colours. **Şişecam** expands its production operations into neighbouring countries. Its first investment outside Turkey was acquisition of **the Mina Plant in Georgia, Ksani** in 1997. 65.47% share of **Şişecam** is held by the **Türkiye İş Bankası Anonim Şirketi (the "Shareholder")**.

Financial Service

Company Name	Field of Activity	Bank's Direct Share(%)	Risk Group Share (%)	Assets (USD 000) (3)	Shareholders' Equity (USD 000)(3)
Türkiye Sınai Kalkınma Bankası A.Ş.	Investment Bank	40.52	50	7,417,296	914,900
İşbank AG	Banking	100	100	1,526,789	145,150
JSC İşbank	Banking	100	100	225,896	66,885
JSC Isbank Georgia	Banking	100	100	119,340	12,677
Anadolu Anonim Türk Sigorta Şirketi	Insurance	-	64.31	1,876,907	382,944
Anadolu Hayat Emeklilik A.Ş.	Life Insurance & Private Pension	62	83	4,630,544	241,674
Milli Reasürans T.A.Ş.	Reinsurance	76.64	77.06	953,397	446,992
İş Yatırım Menkul Değerler A.Ş. (4)	Brokerage House	65.65	70.69	2,213,302	254,420
Yatırım Finansman Menkul Değerler A.Ş. (4)	Brokerage House	-	98.42	210,134	22,023
İş Yatırım Ortaklığı A.Ş.	Trust Company	-	38.66	66,514	65,534
İş Portföy Yönetimi A.Ş.	Portfolio Mngt.	-	100	26,473	25,261
İş Finansal Kiralama A.Ş. (4)	Leasing	27.79	57.39	2,475,482	258,164
İş Faktoring A.Ş.	Factoring	-	100	1,115,294	44,171
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	REIT	42.23	58.04	1,472,629	905,747
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Risk Venture	-	57.67	74,694	74,066
Efes Varlık Yönetim A.Ş.	Asset anagement	-	100	50,882	5,546
TOTAL				24,455,573	3,866,154

(1) As of June 30, 2017; total amount of funds (including state contribution) managed within private pension system is TL 69.7 billion while Anadolu Hayat Emeklilik accounts for 18.7% of this figure. The company's market share in life insurance market is 8.5% as of the same date.

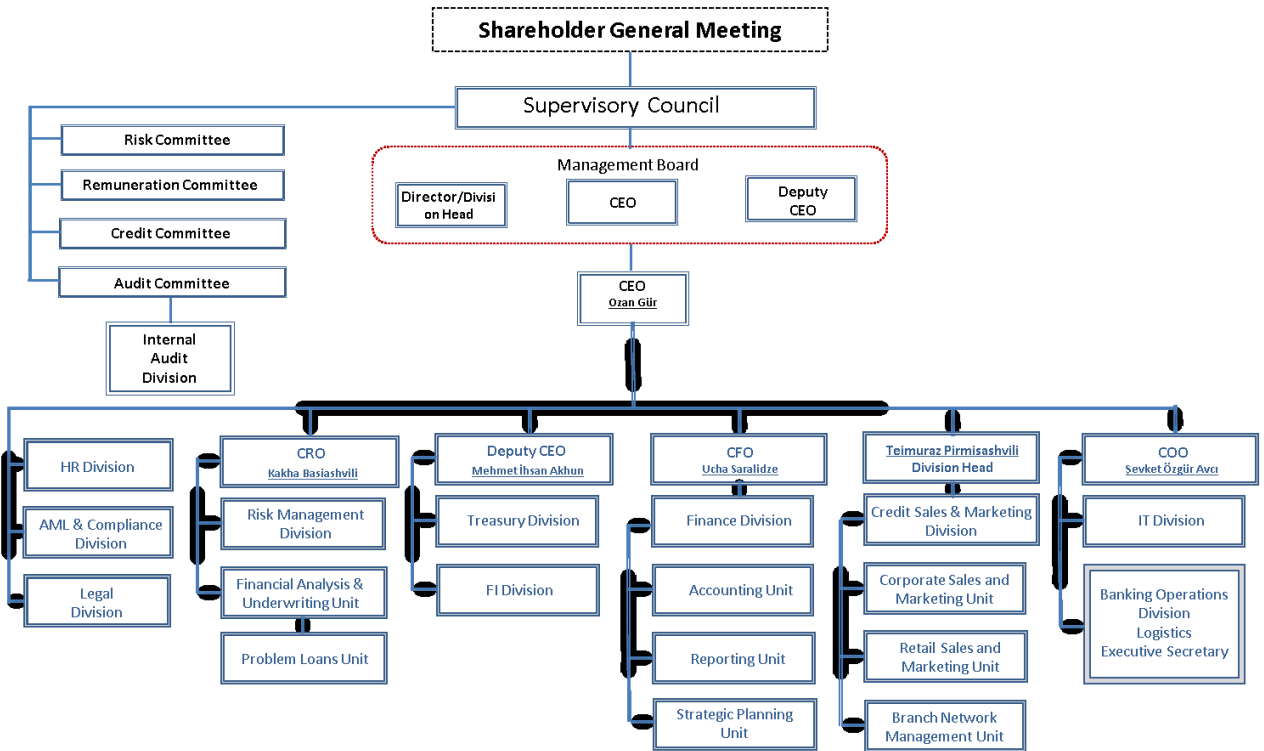
(2) Milli Reasürans T.A.Ş. is the only reinsurance company backed by national capital operating in Turkey with a market share of 8.3%. The rest 91.7% is shared by foreign reinsurance companies.

(3) As of 30.06. 2017

(4) Consolidated amount

Corporate governance

Organizational chart



Supervisory Board

#	Name, Surname	Title	Appointment Date	Citizenship	Position in the Parent
1	Murat Bilgiç	Chairman	23-Jun-16	Turkey	Deputy CEO
Education					
Start Date	End Date	Organization	Degree	Specialization	
1986	1990	Middle East Technical University	Bachelor	International Relations	
Work Experience					
Start Date	End Date	Organization	Position		
2016	current	İsbank Turkey	Deputy CEO		
2008	2016	İsbank Turkey	Head of Corporate Loans Underwriting Department		
2002	2008	İsbank Turkey	Region Manager in Corporate Loans Underwriting Department		
1999	2002	İsbank Turkey	Assistant Manager in Corporate Loans Underwriting Department		
1990	1999	İsbank Turkey	Assistant Inspector		
2	Can Yücel	Member	23-Jun-16	Turkey	Head of Corporate Loans Division
Education					
Start Date	End Date	Organization	Degree	Specialization	
1995	1999	Middle East Technical University	Bachelor	Economic and Administrative Sciences	
Work Experience					
Start Date	End Date	Organization	Position		
2016	current	İsbank Turkey	Head of Corporate Loans Division		
2011	2016	İsbank Turkey	Unit Manager in Corporate Loans Division		
2009	2011	İsbank Turkey	Assistant Manager in SME loans Division		
1999	2008	İsbank Turkey	Auditor		
3	Kemal Şahin	Member	23-Jun-16	Turkey	Unit Manager in the participations departments overseas banking unit
Education					
Start Date	End Date	Organization	Degree	Specialization	
1984	1988	Middle East Technical University	Bachelor	Business Administration	
Work Experience					
Start Date	End Date	Organization	Position		
2014	current	İsbank Turkey	Unit Manager in the participations departments overseas banking unit		
2007	2014	İsbank Turkey	Unit Manager		
1998	2007	İsbank Turkey	Assistant Manager to the participations department		
1988	1998	İsbank Turkey	Assistant Inspector		

Corporate governance (Continued)

4	Ahmet Naci Narşap	Member	23-Jun-16	Turkey	Regional Sales Manager- Overseas Banking
Education					
Start Date	End Date	Organization	Degree	Specialization	
2006	2008	Bilgi University	MBA		
1996	2000	University of Ankara	Bachelor	Arts in International Relations	
Work Experience					
Start Date	End Date	Organization	Position		
2013	current	Isbank Turkey	Regional Sales Manager- Overseas Banking		
2009	2013	Isbank Turkey	Assistant Sales Manager- Commercial Banking		
2006	2009	Isbank Turkey	Remote Auditing Project Manager		
2005	2006	Isbank Turkey	Sub Manager- Galata Branch		
2000	2005	Isbank Turkey	Auditor		
5	Cem Kayan	Member	23-Jun-16	Turkey	Director
Education					
Start Date	End Date	Organization	Degree	Specialization	
1991	1995	METU-Ankara	Bachelor	Industrial Engineering	
Work Experience					
Start Date	End Date	Organization	Position		
2012	current	Softtech A.S	Director		
2011	2012	Isbank Turkey	IT Procurement and contract management unit manager		
2009	2011	Isbank Turkey	Program Manager		
2007	2009	Isbank Turkey	Project Leader		
2003	2007	Isbank Turkey	IT Architect		
6	Yavuz Ergin	Member	23-Jun-16	Turkey	Advisor
Education					
Start Date	End Date	Organization	Degree	Specialization	
1981	1983	University of Louisiana/ USA	MBA	Economics and Finance	
1975	1979	Uludag University /Turkey	Bachelor	Business Administration	
Work Experience					
Start Date	End Date	Organization	Position		
2010	current	Isbank Turkey	Advisor		
1998	2009	BCP Bank Geneva	CEO		
1992	1998	Citibank/ Istanbul	Vice President		
1992	1998	Ferromin International Trade/NY	CEO		
1987	1990	The Bank of New York/ NY	Assistant Vice President		
7	Mehmet Sencan	Member	9-Jun-17	Turkey	Deputy CEO
Education					
Start Date	End Date	Organization	Degree	Specialization	
1986	1987	Istanbul Technical University		business engineering	
Work Experience					
Start Date	End Date	Organization	Position		
2017	current	Isbank Turkey	Deputy CEO		
2016	2017	Isbank Turkey Kozyatagi Corporate Branch	Branch Manager		
2011	2016	Baskent Corporate Branch	Branch Manager		
2007	2011	Bursa Corporate Branch	Branch Manager		
1997	2007	Antakya Branch	Branch Manager		

Board Of Directors

#	Name, Surname	Title	Appointment Date	Citizenship
1	Ozan Gür	CEO	22-Jun-16	Turkey
Education				
Start Date	End Date	Organization	Degree	Specialization
2005	2006	Istanbul Technical University	MBA	
1993	1998	Ankara University	Bachelor	Labor Economics and Industrial Relations
Work Experience				
Start Date	End Date	Organization	Position	
2016	current	Isbank Georgia	CEO	
2014	2016	Isbank Russia	Head of Retail Loans Department	
2012	2013	Isbank Turkey	Unit Manager (Underwriting)	
2011	2012	Isbank Turkey	Unit Manager (Card Payments System)	
2009	2011	Isbank Turkey	Project Manager	
2	Mehmet Ihsan Akhunü	Deputy CEO	21-Dec-16	Turkey
Education				
Start Date	End Date	Organization	Degree	Specialization
1993	1999	Eastern mediterranean University	Bachelor	International Relations
Work Experience				
Start Date	End Date	Organization	Position	
2016	current	Isbank Georgia	Director	
2015	2016	Isbank Georgia	Head of Treasury Division	
2014	2015	Isbank Turkey (Georgian Regional Division)	Assistant Manager	
2014	2014	Isbank Turkey (Tbilisi Branch)	Specialist	
2004	2014	Isbank Turkey (Bahrain Branch)	Specialist	
3	Teimuraz Pirmisashvili	Director	20-Jun-17	Georgia
Education				
Start Date	End Date	Organization	Degree	Specialization
2001	2006	The Tbilisi State University	Bachelor	International Relations
Work Experience				
Start Date	End Date	Organization	Position	
2017	current	Isbank Georgia	Director	
2016	2017	Isbank Georgia	Head of Corporate Sales Unit	
2008	2016	JSC TBC Bank	Corporate Banker	
2003	2008	British Embassy Tbilisi	Assistant Management Officer	
2002	2003	British Embassy Tbilisi	Receptionist/ Visa Assistant	

Corporate governance (Continued)

The Supervisory Board meeting is held at least four times a year. The board is making a decision regarding the general business strategy of the bank and is controlling the results on monthly basis.

The Board of Directors is responsible for the results of the bank. The main decision are made by ALCO.

The Board of Directors is controlled by the Supervisory Board through the following committee:

- Risk committee;
- Remuneration committee;
- Credit committee;
- Audit Committee

Risk committee is responsible to improve the effectiveness of internal control, audit and risk management of the Bank, enforcing managerial and supervisory functions of the Board of Directors in the frame of functioning of these systems. Committee cooperates within the competence with other committees of the Bank, audit organizations, executive bodies of the Bank, other management and control bodies, Internal audit, Internal control, securities market control, financial monitoring, analysis, planning, reporting and risk units, the Chief Accountant, settlement, accounting and registration units and, if necessary, with other departments of the Bank, working groups as well as with suppliers of the Bank. Committee operates through analysis of the Bank's activities within the competence of the Committee.

Remuneration committee is responsible to improve employees satisfaction, control the qualification of the managers, make decision about the salary fund, etc.

Credit committee is responsible to make development and proposal of credit policy for approval by the authorized body of the bank. The committee is setting the limits for:

- Borrowers – Legal entities and individuals
- Credit institutions, insurance companies and other financial institutions
- Setting, confirmation and cancelation of limits for banks-counterparties for operations on financial market
- Setting limits for taking credit risk on investment in securities and derivative financial instruments

Control over compliance with the limits established in accordance with the credit policy of the Bank. Considering loan requests, make restructuring of debts, deciding write off bad debts and make decision for all other events, related to the credit risk of the Bank.

Audit committee is independent body, which is controlling the bank's all activity, divisions. It is responsible to make recommendations for improving the processes and decrease all kind of risks to the minimum level. The committee is reporting directly to the Supervisory Board.

Besides above described committees, the bank has created several committees for effective controlling the processes. Such committees are as follow: Procurement committee, AML Compliance committee, Operational risk committee, IT committee. They are held at least one time a month, but in case of urgent issue, right away.

Risk management

Strategy

Every end of year the Bank is making detailed analysis of the bank and based on it defining the business strategy for the next three years. The strategy describes very detailed how the bank is going to achieve the main goals and results. At the beginning of the 2018, the bank defined the strategy for 2018 – 2020 period. To fulfil the goals for 2020, the bank is focusing on the following objectives:

- **Develop and offer wide range of digital products.** The bank is going to offer the customers latest developments of online banking, which is crucial for the customers, based on “Time is Money” principal.
- **Attract and extend the customer base** by offering a wide range of products with the competitive prices and flexible terms. As the bank is mainly dependent on the Parent, it is going to use the Parent high reputation and reliability, which helps the bank to attract financial resources with the competitive prices. That development requires high qualified employees in sales side, so the bank is going to make an investment in it.
- **Diversify and keep concentration risk on the minimum level,** as the management believes that it is a main and one of the important tools for achieving the sustainable development and growth.

The strategic framework for 2018 – 2020 was approved by the Supervisory board. Management has created a strategic implementation agenda for effective controlling of the integration process. To avoid the huge deviation from the defined time frame, management is frequently reporting the status of the process to the executive board and Supervisory board.

Main Risks

Based on the strategy of the Bank, management of risks is becoming the main challenge of the bank, as the environment in which is the bank operating has characteristics of the emerging markets. The major risks faced by the Bank are those related to market risk, credit risk, liquidity risk and operational risks.

The risk management policies aim to identify, analyze and manage the risks faced by the Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

Management has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large exposures.

Management is responsible for monitoring and implementing risk mitigation measures, and ensuring that the Bank operates within established risk parameters. The CRO is responsible for the overall risk management and compliance functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to management.

Credit, market and liquidity risks, both at the portfolio and transactional levels, are managed and controlled through a system of Credit Committees and Risk Management Division and ALCO.

Both external and internal risk factors are identified and managed throughout the organization. Particular attention is given to identifying the full range of risk factors and determining the level of assurance over current risk mitigation procedures.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest rate risk and other price risks. Market risk arises from open

positions in interest rate instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. The Bank manages its market risk by setting open position limits in relation to financial instruments, interest rate maturity and currency positions. These are monitored on a regular basis and reviewed and approved by management.

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. The Bank is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes, but may also reduce or create losses in the event that unexpected movements occur.

Currency risk

The Bank has assets and liabilities denominated in several foreign currencies. Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Bank constantly monitors that the NBG limits of currency positions against regulatory capital are maintained.

Credit risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank has policies and procedures in place to manage credit exposures (both for recognized financial assets and unrecognized contractual commitments), including guidelines to limit portfolio concentration and the establishment of a Credit Committee to actively monitor credit risk. The credit policy is reviewed and approved by management.

The credit policy establishes:

- Procedures for reviewing and approving loan credit applications;
- Methodology for the credit assessment of borrowers (legal entities and individuals);
- Methodology for the evaluation of collateral;
- Credit documentation requirements;
- Procedures for the ongoing monitoring of loans and other credit exposures.

The loans presented for approval are based on limits established by the credit policy. All loans are authorized by the Bank's Credit Committee first. The final decision authority for loans below USD 750,000 is the Bank's Board of Directors, the loans above USD 750,000 and below USD 1,500,000 are authorized by the Supervisory Council Credit Committee and loans over USD 1,500,000 are authorized by the Supervisory Council of the Bank.

For all loans to legal entities the Bank performs due diligence that focuses on the customer's business and financial performance. Exposure to credit risk is also managed, in part, by obtaining collateral and personal guarantees. Valuation of collateral is performed by independent experts for loans mentioned above. The maximum exposure to credit risk is generally reflected in the carrying amounts of financial assets in the statement of financial position and unrecognized contractual commitment amounts. The impact of the possible netting of assets and liabilities to reduce potential credit exposure is not significant.

The only mitigation option for the Bank is cash deposits, placed by the borrower or their related parties. Such deposits have the same maturity and amount, the risk to be fully mitigated.

Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched, since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honor all cash flow obligations as they become due. The liquidity policy is reviewed and approved by management.

The Bank seeks to actively support a diversified and stable funding base in order to be able to respond quickly and efficiently to unforeseen liquidity requirements.

The liquidity management policy requires:

- Maintaining a diverse range of funding sources;
- Managing the concentration and profile of debts;
- Maintaining debt financing plans;
- Monitoring liquidity ratios against regulatory requirements.

The liquidity position is monitored by the Finance Department and the Risk Management Division. Under the normal market conditions, information on the liquidity position is presented to the management on a weekly basis. Decisions on liquidity management are made by the Risk management Division and the Management and implemented by the Finance Department. In addition, the Bank monitors on a regular basis the liquidity ratio calculated in accordance with the NBS requirements.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of the Bank's operations. The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and innovation. In all cases, the Bank policy requires compliance with all applicable legal and regulatory requirements. The Bank manages operational risk by establishing internal controls that management determines to be necessary in each area of its operations.

Remuneration

Remuneration and related topics are decided by the Remuneration committee. The main principal of remuneration is to offer a competitive motivation to the employees, to be able to keep high qualified staff, which is crucial for achieving the goals. There is no any specific remuneration system in the bank for the time being, but the bank is working to implement motivation system for the sales and non-sales employee. All employees have fixed salary and health insurance package.

Table N	Content
20	Differences between accounting and regulatory scopes of consolidation
21	Consolidation by entities
22	Information about historical operational losses
23	Operational risks - basic indicator approach
24	Remuneration awarded during the reporting period
25	Special payments
26	Information about deferred and retained remuneration
27	Shares owned by senior management

Banks shall disclose information required by this Annex in annual Pillar 3 reports according to the decree N92/04 of the Governor of the National Bank of Georgia on “Disclosure requirements for commercial banks within Pillar 3” .

Bank: JSC Isbank Georgia
Date: 31-Dec-17

Table 20 Differences between accounting and regulatory scopes of consolidation

	Reconciliation with standardized regulatory reporting format																	
	f																	
	1	2	3	4	5	6.1	6.2	6	7	8	9	10	11	12				
Assets (as reported in published IFRS financial statements)	Carrying Values as reported in published IFRS financial statements	Carrying Values per IFRS under scope of regulatory consolidation (stand-alone)	Carrying values as reported in published stand-alone financial statements per local accounting rules (stand-alone)	Notes	Cash	Due from NBG	Due from Banks	Dealing Securities	Investment Securities	Total Loans	Less: Loan Loss Reserves	Net Loans	Accrued Interest and Dividends Receivable	Other Real Estate Owned & Repossessed Assets	Equity Investments	Fixed Assets and Intangible Assets	Other Assets	TOTAL ASSETS
Cash and cash equivalents	21,579,216	21,579,216	21,579,216		4,249,471	529,630	16,798,975						1,141					21,579,216
Amounts due from banks	434,027	434,027	434,027							434,027	0	434,027						434,027
Mandatory reserves at the National Bank of Georgia	28,896,553	28,896,553	28,896,553			28,896,553												28,896,553
Loans to customers	157,003,915	157,003,915	153,436,708	1					1,150,003	152,128,049	-5,012,979	148,265,072	5,171,636					153,436,708
Investment securities	24,633,134	24,633,134	24,348,701	2					23,983,662		-219,396	23,764,266	584,435					24,348,701
Property, equipment and intangible assets	1,528,270	1,528,270	1,871,942													1,871,942		1,871,942
Deferred tax assets	0	0	0															0
Other assets	3,498,100	3,498,100	3,512,100														3,512,100	3,512,100
Total assets	237,573,215	237,573,215	234,079,247		4,249,471	29,426,183	16,798,975	0	25,133,665	152,562,076	-5,232,375	172,463,365	5,757,212	0	0	1,871,942	3,512,100	234,079,247

	Reconciliation with standardized regulatory reporting format																	
	f																	
	13	14	15	16	17	18	19	20	21	22								
Liabilities (as reported in published IFRS financial statements)	Carrying Values as reported in published IFRS financial statements	Carrying Values per IFRS under scope of regulatory consolidation (stand-alone)	Carrying Values per local accounting rules under scope of regulatory consolidation (stand-alone)	Notes	Due to Banks	Current (Accounts) Deposits	Demand Deposits	Time Deposits	Own Debt Securities	Borrowings	Accrued Interest and Dividends Payable	Other Liabilities	Subordinated Debentures	Total Liabilities				
Deposits and balances from banks	54,456,412	54,456,412	54,456,412		51,351,416					3,000,000	104,996			54,456,412				
Current accounts and deposits from customers	74,022,914	74,022,914	74,022,915			14,706,880		55,995,534			3,320,501			74,022,915				
Other borrowed funds and subordinated liabilities	68,638,257	68,638,257	68,638,257							25,310,512	1,852,544		41,475,200	68,638,257				
Deferred tax liabilities	209,038	209,038	0											0				
Other liabilities	3,383,810	3,383,810	2,832,948									2,832,948		2,832,948				
Total liabilities	200,710,430	200,710,430	199,950,531		51,351,416	14,706,880	0	55,995,534	0	28,310,512	5,278,041	2,832,948	41,475,200	199,950,531				

	Reconciliation with standardized regulatory reporting format																	
	f																	
	23	24	25	26	27	28	29	30										
Equity (as reported in published IFRS financial statements)	Carrying Values as reported in published IFRS financial statements	Carrying Values per IFRS under scope of regulatory consolidation (stand-alone)	Carrying Values per local accounting rules under scope of regulatory consolidation (stand-alone)	Notes	Common Stock	Preferred Stock	Less: Repurchased Shares	Share Premium	General Reserves	Retained Earnings	Asset Revaluation Reserves	Total Equity Capital						
Share capital	30,000,000	30,000,000	30,000,000		30,000,000							30,000,000						
Statutory reserve	0	0	0									0						
Unrealised gains on investment securities	55,282	55,282	0	3								0						
Retained earnings	6,807,503	6,807,503	4,128,717	4						4,128,717		4,128,717						
Total equity	36,862,785	36,862,785	34,128,717		30,000,000	0	0	0	0	4,128,717	0	34,128,717						

1). The Main difference is because of loan loss provision calculation according to NBG and IFRS 39; Also Corporate Bond is added to Loans to customers in Audited report, but it is included in investment securities in the NBG Report

2). The corporate bond is included into the loans to customers part in Audited report, but it is included in the investment securities in the NBG Report

3). Investment securities are accounted as Held To Maturity in the NBG Report, but it is accounted as AFS with Fair Value in audited report

4). The main reason of difference is because of difference between NBG and IFRS 39 provisioning standards.

Bank: JSC Isbank Georgia

Date: 31-Dec-17

Table 22 **Information about historical operational losses**

		2017	2016	2015
1	Total amount of losses			
2	Total amount of losses, exceeding GEL 10,000			
3	Number of events with losses exceeding GEL 10,000			
4	Total amount of 5 biggest losses			

Bank: JSC Isbank Georgia
Date: 31-Dec-17

Table 23 **Operational risks - basic indicator approach**

		a	b	c	d	e
		2016	2015	2014	Average of sums of net interest and net non-interest income during last three years	Risk Weighted asset (RWA)
1	Net interest income	7,009,755	6,529,249	3,198,840		
2	Total Non-Interest Income	1,612,947	1,762,259	837,718		
3	less: income (loss) from selling property	-	-	-		
4	Total income (1+2-3)	8,622,702	8,291,508	4,036,558	6,983,589	13,094,230

Bank: JSC Isbank Georgia
 Date: 31-Dec-17

Table 24 Remuneration awarded during the reporting period

			Board of Directors	Supervisory Board	Other material risk takers
1	Fixed remuneration	Number of employees	3	7	
2		Total fixed remuneration (3+5+7)	848,266	241,033	0
3		Of which cash-based	848,266	241,033	
4		Of which: deferred			
5		Of which: shares or other share-linked instruments			
6		Of which deferred			
7		Of which other forms			
8		Of which deferred			
9	Variable remuneration	Number of employees			
10		Total variable remuneration (11+13+15)	0	0	0
11		Of which cash-based			
12		Of which: deferred			
13		Of which shares or other share-linked instruments			
14		Of which deferred			
15		Of which other forms			
16	Of which deferred				
17	Total remuneration		848,266	241,033	0

Bank: JSC Isbank Georgia
Date: 31-Dec-17

Table 25 **Special payments**

		Board of Directors	Supervisory Board	Other material risk takers
Guaranteed bonuses	Number of employees			
	Total amount			
Sign-on awards	Number of employees			
	Total amount:	0	0	0
	Of which cash-based			
	Of which shares			
	Of which share-linked instruments			
	Of which other instruments			
Severance payments	Number of employees			
	Total amount:	0	0	0
	Of which cash-based			
	Of which shares			
	Of which share-linked instruments			
	Of which other instruments			

Bank: JSC Isbank Georgia
 Date: 31-Dec-17

Table 26 Information about deferred and retained remuneration

		a	b	c	d	e
		Total amount of outstanding deferred remuneration	Of which Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of reduction during the year due to ex post explicit adjustments	Total amount of reduction during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
1	Board of Directors	0	0	0	0	0
2	Cash					
3	Shares					
4	Share-linked instruments					
5	Other					
6	Supervisory Board	0	0	0	0	0
7	Cash					
8	Shares					
9	Share-linked instruments					
10	Other					
11	Other material risk takers	0	0	0	0	0
12	Cash					
13	Shares					
14	Share-linked instruments					
15	Other					
16	Total	0	0	0	0	0

Bank: JSC Isbank Georgia

Date: 31-Dec-17

Table 27 Shares owned by senior management

		a	b	c	d	e	f	g	h	i	j	k	l	m
		Amount of shares at the			Changes during the reporting period							Amount of shares at the end of the reporting period		
		Unvested	Vested	Total (a+b)	Awarded during the period		Vesting	Reduction during the period		Other Changes		Unvested (a+d-f-g)	Vested (b+e+f-h+i-j)	Total(k+l)
					Of which: Unvested	Of which: Vested		Unvested	Vested	Purchase	Sell			
Senior management														
1	Total amount:	0	0	0	0	0	0	0	0	0	0	0	0	0
1.1				0								0	0	0
1.2				0								0	0	0
1.3				0								0	0	0
1.4				0								0	0	0
1.5				0								0	0	0
1.6				0								0	0	0
.....				0								0	0	0
Other material risk takers														
2	Total amount:											0	0	0

Pillar 3 quarterly report		
1	Name of a bank	JSC Isbank Georgia
2	Chairman of the Supervisory Board	Murat Bilgiç
3	CEO of a bank	Ozan Gür
4	Bank's web page	www.isbank.ge

Senior management of the bank ensures fair presentation and accuracy of the information provided within Pillar 3 disclosure report. The report is prepared in accordance with internal review and control processes coordinated with the board. The report meets the requirements of the decree N92/04 of the Governor of the National Bank of Georgia on “Disclosure requirements for commercial banks within Pillar 3” and other relevant decrees and regulations of NBG.

Table N	Table of contents
1	Key ratios
2	Balance Sheet
3	Income statement
4	Off-balance sheet
5	Risk-Weighted Assets (RWA)
6	Information about supervisory board, senior management and shareholders
7	Linkages between financial statement assets and balance sheet items subject to credit risk weighting
8	Differences between carrying values of balance sheet items and exposure amounts subject to credit risk weighting
9	Regulatory Capital
9.1	Capital Adequacy Requirements
10	Reconciliation of regulatory capital to balance sheet
11	Credit risk weighted exposures
12	Credit risk mitigation
13	Standardized approach - effect of credit risk mitigation
14	Liquidity Coverage Ratio
15	Counterparty credit risk

Bank: JSC Isbank Georgia
Date: 31-Dec-17

Table 1 Key metrics

N		4Q 2017	3Q 2017	2Q 2017	1Q 2017	4Q 2016
	Regulatory capital (amounts, GEL)					
	<i>Based on Basel III framework</i>					
1	Common Equity Tier 1 (CET1)	33,798,891	33,304,366	29,831,161	30,196,908	30,447,466
2	Tier 1	33,798,891	33,304,366	29,831,161	30,196,908	30,447,466
3	Total regulatory capital	77,346,318	75,053,024	70,706,826	72,368,323	32,346,802
	Risk-weighted assets (amounts, GEL)					
4	Risk-weighted assets (RWA) (Based on Basel III framework)	176,975,780	260,634,056	230,633,570	252,581,192	160,843,147
5	Risk-weighted assets (RWA) (Based on Basel I frameworks)	186,862,069	162,563,166	130,630,798	160,979,708	82,950,771
	Capital ratios as a percentage of RWA					
	<i>Based on Basel III framework</i>					
6	Common equity Tier 1 ratio ($\geq 7.0\%$) **	19.10%	12.78%	12.93%	11.96%	18.93%
7	Tier 1 ratio ($\geq 8.5\%$) **	19.10%	12.78%	12.93%	11.96%	18.93%
8	Total regulatory capital ratio ($\geq 10.5\%$) **	43.70%	28.80%	30.66%	28.65%	20.11%
	<i>Based on Basel I framework</i>					
9	Common equity Tier 1 ratio ($\geq 6.4\%$)	16.44%	18.88%	23.47%	19.03%	36.10%
10	Total regulatory capital ratio ($\geq 9.6\%$)	27.42%	31.20%	35.88%	29.65%	38.22%
	Income					
11	Total Interest Income / Average Annual Assets	6.81%	7.12%	7.46%	6.27%	6.46%
12	Total Interest Expense / Average Annual Assets	3.80%	3.80%	3.83%	3.74%	3.42%
13	Earnings from Operations / Average Annual Assets	0.86%	1.30%	1.47%	0.39%	1.01%
14	Net Interest Margin	3.01%	3.32%	3.63%	2.53%	3.04%
15	Return on Average Assets (ROAA)	1.10%	1.21%	-0.56%	-0.40%	0.29%
16	Return on Average Equity (ROAE)	9.74%	11.18%	-5.49%	-3.88%	2.11%
	Asset Quality					
17	Non Performed Loans / Total Loans	3.69%	4.81%	1.96%	1.67%	1.71%
18	LLR/Total Loans	3.27%	4.72%	5.29%	3.32%	3.33%
19	FX Loans/Total Loans	83.61%	79.43%	77.71%	81.12%	82.01%
20	FX Assets/Total Assets	80.23%	82.65%	84.47%	86.35%	85.98%
21	Loan Growth-YTD	-14.22%	-32.49%	-7.65%	7.13%	21.78%
	Liquidity					
22	Liquid Assets/Total Assets	25.95%	36.17%	33.43%	30.12%	29.52%
23	FX Liabilities/Total Liabilities	94.47%	95.11%	97.29%	97.06%	98.30%
24	Current & Demand Deposits/Total Assets	6.28%	6.03%	4.09%	7.22%	3.76%
	Liquidity Coverage Ratio***					
25	Total HQLA	56,246,205				
26	Net cash outflow	22,317,977				
27	LCR ratio (%)	252.02%				

* Significant changes between these two reporting periods is due to changes in NBG's methodology of calculating Risk Weighted Risk Exposures, in particular excluding Currency induced credit risk (CICR) from RWRA, which will be reflected in Pillar 2 capital buffer requirements. For the further details see the link of NBG's official press-release:
<https://www.nbg.gov.ge/index.php?m=340&newsid=3248&lng=eng>

** These includes Minimum capital requirements (4.5%, 6%, 8%) and Capital Conservation Buffer (2.5%) according to article 8 of the regulation on Capital Adequacy Requirements for Commercial Banks.

*** LCR calculated according to NBG's methodology which is more focused on local risks than Basel framework. See the table 14. LCR; Commercial banks are required to comply with the limits by coefficients calculated according to NBG's methodology. The numbers calculated within Basel framework are given for illustratory purposes.

Bank: JSC Isbank Georgia

Date: 31-Dec-17

Table 2 **Balance Sheet** *in Lari*

N	Assets	Reporting Period			Respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
1	Cash	1,513,832	2,735,639	4,249,471	890,239	2,975,260	3,865,499
2	Due from NBG	519,746	28,906,437	29,426,183	422,610	46,607,006	47,029,616
3	Due from Banks	1,501,391	15,297,583	16,798,975	2,200,122	37,606,552	39,806,674
4	Dealing Securities	-	-	-	-	-	-
5	Investment Securities	14,140,877	10,750,392	24,891,269	1,002,442	-	1,002,442
6.1	Loans	24,999,294	127,562,782	152,562,076	32,003,536	145,848,637	177,852,173
6.2	Less: Loan Loss Reserves	(1,993,674)	(2,996,305)	(4,989,979)	(2,643,058)	(3,271,981)	(5,915,039)
6	Net Loans	23,005,620	124,566,477	147,572,096	29,360,478	142,576,656	171,937,134
7	Accrued Interest and Dividends Receivable	611,772	5,145,439	5,757,212	317,409	2,327,196	2,644,605
8	Other Real Estate Owned & Repossessed Assets	-	-	-	-	-	-
9	Equity Investments	-	-	-	-	-	-
10	Fixed Assets and Intangible Assets	1,871,942	-	1,871,942	2,537,220	-	2,537,220
11	Other Assets	3,118,184	393,915	3,512,100	1,299,297	1,121,195	2,420,493
12	Total assets	46,283,364	187,795,883	234,079,247	38,029,818	233,213,865	271,243,682
	Liabilities						
13	Due to Banks	-	51,351,416	51,351,416	-	173,272,309	173,272,309
14	Current (Accounts) Deposits	5,229,401	9,477,479	14,706,880	3,113,698	7,071,940	10,185,638
15	Demand Deposits	-	-	-	-	-	-
16	Time Deposits	244,080	55,751,454	55,995,534	33,100	53,401,264	53,434,364
17	Own Debt Securities	-	-	-	-	-	-
18	Borrowings	3,000,000	25,310,512	28,310,512	-	-	-
19	Accrued Interest and Dividends Payable	12,611	5,265,430	5,278,040	701	2,090,903	2,091,604
20	Other Liabilities	2,566,394	266,555	2,832,948	936,365	274,139	1,210,504
21	Subordinated Debentures	-	41,475,200	41,475,200	-	-	-
22	Total liabilities	11,052,485	188,898,045	199,950,530	4,083,864	236,110,554	240,194,418
	Equity Capital						
23	Common Stock	30,000,000	-	30,000,000	30,000,000	-	30,000,000
24	Preferred Stock	-	-	-	-	-	-
25	Less: Repurchased Shares	-	-	-	-	-	-
26	Share Premium	-	-	-	-	-	-
27	General Reserves	-	-	-	-	-	-
28	Retained Earnings	4,128,717	-	4,128,717	1,049,264	-	1,049,264
29	Asset Revaluation Reserves	-	-	-	-	-	-
30	Total Equity Capital	34,128,717	-	34,128,717	31,049,264	-	31,049,264
31	Total liabilities and Equity Capital	45,181,202	188,898,045	234,079,247	35,133,128	236,110,554	271,243,682

Bank: JSC Isbank Georgia
Date: 31-Dec-17

Table 3

Income statement

in Lari

N		Reporting Period			Respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
	Interest Income						
1	Interest Income from Bank's "Nostro" and Deposit Accounts	620,668	407,098	1,027,766	1,250,977		1,250,977
2	Interest Income from Loans	4,036,089	13,264,473	17,300,562	13,635,218	0	13,635,218
2.1	from the Interbank Loans	0	0	0	0		0
2.2	from the Retail or Service Sector Loans	3,363,154	11,101,802	14,464,956	10,552,209		10,552,209
2.3	from the Energy Sector Loans			0			0
2.4	from the Agriculture and Forestry Sector Loans			0	47,905		47,905
2.5	from the Construction Sector Loans			0			0
2.6	from the Mining and Mineral Processing Sector Loans			0			0
2.7	from the Transportation or Communications Sector Loans			0			0
2.8	from Individuals Loans	672,935	2,162,671	2,835,606	3,035,104		3,035,104
2.9	from Other Sectors Loans	0	0	0	0		0
3	Fees/penalties income from loans to customers	198	0	198	29		29
4	Interest and Discount Income from Securities	662,099	0	662,099	15,904		15,904
5	Other Interest Income	0		0	0		0
6	Total Interest Income	5,319,054	13,671,572	18,990,625	14,902,129	0	14,902,129
	Interest Expense						
7	Interest Paid on Demand Deposits	42,525	0	42,525	50,004		50,004
8	Interest Paid on Time Deposits	1,643,877	918,180	2,562,057	1,845,841		1,845,841
9	Interest Paid on Banks Deposits	4,260	4,470,994	4,475,254	5,996,203		5,996,203
10	Interest Paid on Own Debt Securities	0	0	0	326		326
11	Interest Paid on Other Borrowings	28,415	3,486,726	3,515,141	0		0
12	Other Interest Expenses	0		0	0		0
13	Total Interest Expense	1,719,077	8,875,900	10,594,977	7,892,374	0	7,892,374
14	Net Interest Income	3,599,977	4,795,672	8,395,649	7,009,755	0	7,009,755
	Non-Interest Income						
15	Net Fee and Commission Income	830,427	0	830,427	164,831	0	164,831
15.1	Fee and Commission Income	1,708,280	0	1,708,280	1,346,801		1,346,801
15.2	Fee and Commission Expense	877,852	0	877,852	1,181,970		1,181,970
16	Dividend Income	0		0	0		0
17	Gain (Loss) from Dealing Securities	0		0	0		0
18	Gain (Loss) from Investment Securities	0		0	0		0
19	Gain (Loss) from Foreign Exchange Trading	718,857		718,857	957,190		957,190
20	Gain (Loss) from Foreign Exchange Translation	89,090		89,090	232,221		232,221
21	Gain (Loss) on Sales of Fixed Assets	0		0	0		0
22	Non-Interest Income from other Banking Operations	38,052	212,079	250,132	258,705		258,705
23	Other Non-Interest Income	4,988	0	4,988	0		0
24	Total Non-Interest Income	1,681,415	212,079	1,893,494	1,612,947	0	1,612,947
	Non-Interest Expenses						
25	Non-Interest Expenses from other Banking Operations	0		0	0		0
26	Bank Development, Consultation and Marketing Expenses	275,211		275,211	407,029		407,029
27	Personnel Expenses	4,568,170		4,568,170	3,614,859		3,614,859
28	Operating Costs of Fixed Assets	23,476		23,476	24,346		24,346
29	Depreciation Expense	666,468		666,468	665,931		665,931
30	Other Non-Interest Expenses	2,265,271		2,265,271	1,347,661		1,347,661
31	Total Non-Interest Expenses	7,798,597	0	7,798,597	6,059,826	0	6,059,826
32	Net Non-Interest Income	(6,117,182)	212,079	(5,905,102)	(4,446,879)	0	(4,446,879)
33	Net Income before Provisions	(2,517,205)	5,007,751	2,490,546	2,562,876	0	2,562,876
34	Loan Loss Reserve	(925,060)	0	(925,060)	1,713,996	0	1,713,996
35	Provision for Possible Losses on Investments and Securities	242,396	0	242,396	0	0	0
36	Provision for Possible Losses on Other Assets	(8,964)	0	(8,964)	138,149	0	138,149
37	Total Provisions for Possible Losses	(691,628)	0	(691,628)	1,852,145	0	1,852,145
38	Net Income before Taxes and Extraordinary Items	(1,825,577)	5,007,751	3,182,174	710,731	0	710,731
39	Taxation	102,723		102,723	46,540		46,540
40	Net Income after Taxation	(1,928,300)	5,007,751	3,079,452	664,191	0	664,191
41	Extraordinary Items			0			0
42	Net Income	(1,928,300)	5,007,751	3,079,452	664,191	0	664,191

Bank: JSC Isbank Georgia
Date: 31-Dec-17

Table 4

in Lari

N	On-balance sheet items per standardized regulatory report	Reporting Period			Respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
1	Contingent Liabilities and Commitments	1,176,340	8,475,884	9,652,224	1,593,783	8,612,778	10,206,560
1.1	Guarantees Issued	1,081,100	8,462,923	9,544,023	1,284,560	8,439,326	9,723,886
1.2	Letters of credit Issued			0			0
1.3	Undrawn loan commitments	95,240	12,961	108,201	309,223	173,451	482,674
1.4	Other Contingent Liabilities			0			0
2	Guarantees received as security for liabilities of the bank			0			0
3	Assets pledged as security for liabilities of the bank	0	0	0	0	0	0
3.1	Financial assets of the bank			0			0
3.2	Non-financial assets of the bank			0			0
4	Guarantees received as security for receivables of the bank	0	67,140,974	67,140,974	0	110,759,055	110,759,055
4.1	Surety, joint liability		65,994,396	65,994,396		110,193,695	110,193,695
4.2	Guarantees		1,146,578	1,146,578		565,360	565,360
5	Assets pledged as security for receivables of the bank	33,600	469,832,518	469,866,118	10,156,400	705,371,761	715,528,161
5.1	Cash	33,600	50,173,518	50,207,118	32,000	135,187,452	135,219,452
5.2	Precious metals and stones			0			0
5.3	Real Estate:	0	230,092,074	230,092,074	0	420,183,129	420,183,129
5.3.1	Residential Property		18,416,547	18,416,547		17,362,056	17,362,056
5.3.2	Commercial Property		182,830,759	182,830,759		372,072,764	372,072,764
5.3.3	Complex Real Estate		1,503,703	1,503,703		1,758,799	1,758,799
5.3.4	Land Parcel		27,229,465	27,229,465		28,903,451	28,903,451
5.3.5	Other		111,599	111,599		86,057	86,057
5.4	Movable Property		675,942	675,942		649,616	649,616
5.5	Shares Pledged		9,032,980	9,032,980	10,124,400	135,501,320	145,625,720
5.6	Securities		0	0		0	0
5.7	Other		179,858,005	179,858,005		13,850,244	13,850,244
6	Derivatives	0	0	0	0	0	0
6.1	Receivables through FX contracts (except options)			0			0
6.2	Payables through FX contracts (except options)			0			0
6.3	Principal of interest rate contracts (except options)			0			0
6.4	Options sold			0			0
6.5	Options purchased			0			0
6.6	Nominal value of potential receivables through other derivatives			0			0
6.7	Nominal value of potential payables through other derivatives			0			0
7	Receivables not recognized on-balance	22,923	42,388	65,311	0	0	0
7.1	Principal of receivables derecognized during last 3 month			0			0
7.2	Interest and penalty receivable not recognized on-balance or derecognized during last 3 month			0			0
7.3	Principal of receivables derecognized during 5 years month (including last 3 month)			0			0
7.4	Interest and penalty receivable not recognized on-balance or derecognized during last 5 years (including last 3 month)	22,923	42,388	65,311			0
8	Non-cancelable operating lease	21,950	2,288,521	2,310,471	0	0	0
8.1	Through indefinit term agreement			0			0
8.2	Within one year	17,000	1,084,206	1,101,206			0
8.3	From 1 to 2 years	3,450	617,590	621,040			0
8.4	From 2 to 3 years	1,200	319,326	320,526			0
8.5	From 3 to 4 years	300	178,266	178,566			0
8.6	From 4 to 5 years		89,133	89,133			0
8.7	More than 5 years			0			0
9	Capital expenditure commitment	0	0	0	0	0	0

Bank: JSC Isbank Georgia
Date: 31-Dec-17

Table 5

Risk Weighted Assets

in Lari

N		4Q 2017	3Q 2017
1	Risk Weighted Assets for Credit Risk	166,594,682	250,764,574
1.1	Balance sheet items	157,281,478	203,857,067
1.1.1	Including: amounts below the thresholds for deduction (subject to 250% risk weight)		
1.2	Off-balance sheet items	9,313,205	8,659,562
1.3	Currency induced credit risk*		38,247,945
1.4	Counterparty credit risk		
2	Risk Weighted Assets for Market Risk	2,495,223	1,983,607
3	Risk Weighted Assets for Operational Risk	7,885,874	7,885,874
4	Total Risk Weighted Assets	176,975,780	260,634,056

* CICR is excluded from RWA due to changes in NBG's methodology of calculating Risk Weighted Risk Exposures, in particular excluding Currency induced credit risk (CICR) from RWRA, which will be reflected in Pillar 2 capital buffer requirements. For the further details see the link of NBG's official press-release:

<https://www.nbg.gov.ge/index.php?m=340&newsid=3248&lng=eng>

Bank: JSC Isbank Georgia

Date: 31-Dec-17

Table 6 Information about supervisory board, directorate, beneficiary owners and shareholders

Members of Supervisory Board	
1	Murat Bilgiç
2	Ahmet Naci Narşap
3	Cem Kayan
4	Yavuz Ergin
5	Jan Yucel
6	Kemal Şahin
7	Mehmet Şencan
8	
9	
10	
Members of Board of Directors	
1	Ozan Gür
2	Mehmet Ihsan Akhun
3	Teimuraz Pirmisashvili
4	
5	
6	
7	
8	
9	
10	
List of Shareholders owning 1% and more of issued capital, indicating Shares	
1	Türkiye Is Bankası A.S. 100%
List of bank beneficiaries indicating names of direct or indirect holders of 5% or more of shares	
1	Türkiye Is Bankası A,S, Employees" Pension Fund 39.95%
2	Turkey Republican People"s Party 28.09%

Bank: JSC Isbank Georgia

Date: 31-Dec-17

Table 7 Linkages between financial statement assets and balance sheet items subject to credit risk weighting

		a	b	c
	Account name of standardized supervisory balance sheet item	Carrying values as reported in published stand-alone financial statements per local accounting rules	Carrying values of items	
			Not subject to capital requirements or subject to deduction from capital	Subject to credit risk weighting
1	Cash	4,249,471		4,249,471
2	Due from NBG	29,426,183		29,426,183
3	Due from Banks	16,798,975		16,798,975
4	Dealing Securities	0		0
5	Investment Securities	24,891,269		24,891,269
6.1	Loans	152,562,076		152,562,076
6.2	<i>Less: Loan Loss Reserves</i>	<i>-4,989,979</i>		<i>-4,989,979</i>
6	Net Loans	147,572,096		147,572,096
7	Accrued Interest and Dividends Receivable	5,757,212		5,757,212
8	Other Real Estate Owned & Repossessed Assets	0		0
9	Equity Investments	0		0
10	Fixed Assets and Intangible Assets	1,871,942		1,871,942
11	Other Assets	3,512,100		3,512,100
	Total exposures subject to credit risk weighting before adjustments	234,079,247	0	234,079,247

Bank: JSC Isbank Georgia

Date: 31-Dec-17

Table 8 **Differences between carrying values per standardized balance sheet used for regulatory reporting purposes and the exposure amounts** *in Lari*

1	Total carrying value of balance sheet items subject to credit risk weighting before adjustments	234,079,247
2.1	Nominal values of off-balance sheet items subject to credit risk weighting	9,652,224
2.2	Nominal values of off-balance sheet items subject to counterparty credit risk weighting	0
3	Total nominal values of on-balance and off-balance sheet items before any adjustments used for credit risk weighting purposes	243,731,471
4	Effect of provisioning rules used for capital adequacy purposes	2,314,623
5.1	Effect of credit conversion factor of off-balance sheet items related to credit risk framework	(54,100)
5.2	Effect of credit conversion factor of off-balance sheet items related to counterparty credit risk framework (table CCR)	
6	Effect of other adjustments	
7	Total exposures subject to credit risk weighting	245,991,993

Bank: JSC Isbank Georgia

Date: 31-Dec-17

Table 9 Regulatory capital

N		in Lari
1	Common Equity Tier 1 capital before regulatory adjustments	34,128,716
2	Common shares that comply with the criteria for Common Equity Tier 1	30,000,000
3	Stock surplus (share premium) of common share that meets the criteria of Common Equity Tier 1	
4	Accumulated other comprehensive income	
5	Other disclosed reserves	
6	Retained earnings (loss)	4,128,716
7	Regulatory Adjustments of Common Equity Tier 1 capital	329,825
8	Revaluation reserves on assets	
9	Accumulated unrealized revaluation gains on assets through profit and loss to the extent that they exceed accumulated unrealized revaluation losses through profit and loss	
10	Intangible assets	329,825
11	Shortfall of the stock of provisions to the provisions based on the Asset Classification	
12	Investments in own shares	
13	Reciprocal cross holdings in the capital of commercial banks, insurance entities and other financial institutions	
14	Cash flow hedge reserve	
15	Deferred tax assets not subject to the threshold deduction (net of related tax liability)	
16	Significant investments in the common equity tier 1 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions that are outside the scope of regulatory consolidation	
17	Holdings of equity and other participations constituting more than 10% of the share capital of other commercial entities	
18	Significant investments in the common shares of commercial banks, insurance entities and other financial institutions (amount above 10% limit)	
19	Investments in the capital of commercial banks, insurance entities and other financial institutions where the bank does not own more than 10% of the issued share capital (amount above 10% limit)	
20	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	
21	The amount of significant investments and Deferred Tax Assets which exceed 15% of common equity tier 1	
22	Regulatory adjustments applied to Common Equity Tier 1 resulting from shortfall of Tier 1 and Tier 2 capital to deduct investments	
23	Common Equity Tier 1	33,798,891
24	Additional tier 1 capital before regulatory adjustments	0
25	Instruments that comply with the criteria for Additional tier 1 capital	0
26	Including: instruments classified as equity under the relevant accounting standards	
27	Including: instruments classified as liabilities under the relevant accounting standards	
28	Stock surplus (share premium) that meet the criteria for Additional Tier 1 capital	
29	Regulatory Adjustments of Additional Tier 1 capital	0
30	Investments in own Additional Tier 1 instruments	
31	Reciprocal cross-holdings in Additional Tier 1 instruments	
32	Significant investments in the Additional Tier 1 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions	
33	Investments in the capital of commercial banks, insurance entities and other financial institutions where the bank does not own more than 10% of the issued share capital (amount above 10% limit)	
34	Regulatory adjustments applied to Additional Tier 1 resulting from shortfall of Tier 2 capital to deduct investments	
35	Additional Tier 1 Capital	0
36	Tier 2 capital before regulatory adjustments	43,547,427
37	Instruments that comply with the criteria for Tier 2 capital	41,475,200
38	Stock surplus (share premium) that meet the criteria for Tier 2 capital	
39	General reserves, limited to a maximum of 1.25% of the bank's credit risk-weighted exposures	2,072,227
40	Regulatory Adjustments of Tier 2 Capital	0
41	Investments in own shares that meet the criteria for Tier 2 capital	
42	Reciprocal cross-holdings in Tier 2 capital	
43	Significant investments in the Tier 2 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions	
44	Investments in the capital of commercial banks, insurance entities and other financial institutions where the bank does not own more than 10% of the issued share capital (amount above 10% limit)	
45	Tier 2 Capital	43,547,427

Bank: JSC Isbank Georgia

Date: 31-Dec-17

Table 10

Reconciliation of balance sheet to regulatory capital

in Lari

N	On-balance sheet items per standardized regulatory report	Carrying values as reported in published stand-alone financial statements per local accounting rules	linkage to capital table
1	Cash	4,249,471	
2	Due from NBG	29,426,183	
3	Due from Banks	16,798,975	
4	Dealing Securities	0	
5	Investment Securities	24,891,269	
6.1	Loans	152,562,076	
6.2	Less: Loan Loss Reserves	-4,989,979	
6	Net Loans	147,572,096	
7	Accrued Interest and Dividends Receivable	5,757,212	
8	Other Real Estate Owned & Repossessed Assets	0	
9	Equity Investments	0	
9.1	Of which above 10% equity holdings in financial institutions		
9.2	Of which significant investments subject to limited recognition		
9.3	Of which below 10% equity holdings subject to limited recognition		
10	Fixed Assets and Intangible Assets	1,871,942	
10.1	Of which intangible assets	329,825	Table 9 (Capital), N10
11	Other Assets	3,512,100	
12	Total assets	234,079,247	
13	Due to Banks	51,351,416	
14	Current (Accounts) Deposits	14,706,880	
15	Demand Deposits	0	
16	Time Deposits	55,995,534	
17	Own Debt Securities	0	
18	Borrowings	28,310,512	
19	Accrued Interest and Dividends Payable	5,278,040	
20	Other Liabilities	2,832,948	
21	Subordinated Debentures	41,475,200	
21.1	Of which tier II capital qualifying instruments	41,475,200	Table 9 (Capital), N37
22	Total liabilities	199,950,530	
23	Common Stock	30,000,000	Table 9 (Capital), N2
24	Preferred Stock	0	
25	Less: Repurchased Shares	0	
26	Share Premium	0	
27	General Reserves	0	
28	Retained Earnings	4,128,716	Table 9 (Capital), N6
29	Asset Revaluation Reserves	0	
30	Total Equity Capital	34,128,716	

Bank: JSC Isbank Georgia
 Date: 31-Dec-17

Credit Risk Weighted Exposures
 (On-balance items and off-balance items after credit conversion factor)

Table 11

Exposure classes	a		b		c		d		e		f		g		h		i		j		k		l		m		n		o		p		q						
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount									
1 Claims or contingent claims on central governments or central banks	24,503,408																																29,505,333	29,505,333					
2 Claims or contingent claims on regional governments or local authorities																																		0	0				
3 Claims or contingent claims on public sector entities																																		0	0				
4 Claims or contingent claims on multilateral development banks																																			0	0			
5 Claims or contingent claims on international organizations/institutions																																			0	0			
6 Claims or contingent claims on commercial banks					1,501,391																														16,033,029	16,033,029			
7 Claims or contingent claims on corporates																																			157,779,840	157,779,840			
8 Retail claims or contingent retail claims																																			2,949,664	2,949,664			
9 Claims or contingent claims secured by mortgages on residential property									2,321,970																										1,538,022	2,350,711			
10 Past due items																																			1,101,102	1,101,102			
11 Items belonging to regulatory high-risk categories																																			0	0			
12 Short-term claims on commercial banks and corporates																																			0	0			
13 Claims in the form of collective investment undertakings ('CIU')																																			0	0			
14 Other items	4,249,471																																		5,384,041	5,384,041			
Total	28,752,879	0	1,501,391	0	2,321,970	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	202,667,630	9,598,123	1,150,000	0	0	0	215,103,721

Bank: JSC Isbank Georgia
Date: 31-Dec-17

Table 13 Standardized approach - Effect of credit risk mitigation

		a	b	c	d	e	f
		On-balance sheet exposures	Off-balance sheet exposures		RWA before Credit Risk Mitigation	RWA post Credit Risk Mitigation	RWA Density f=e/(a+c)
Asset Classes			Off-balance sheet exposures - Nominal value	Off-balance sheet exposures post CCF			
1	Claims or contingent claims on central governments or central banks	54,008,741			29,505,333	29,505,333	55%
2	Claims or contingent claims on regional governments or local authorities						#DIV/0!
3	Claims or contingent claims on public sector entities						#DIV/0!
4	Claims or contingent claims on multilateral development banks						#DIV/0!
5	Claims or contingent claims on international organizations/institutions						#DIV/0!
6	Claims or contingent claims on commercial banks	17,234,142			16,033,029	16,033,029	93%
7	Claims or contingent claims on corporates	147,606,717	9,652,224	9,598,123	157,779,840	109,270,802	70%
8	Retail claims or contingent retail claims	2,949,664			2,949,664	2,949,664	100%
9	Claims or contingent claims secured by mortgages on residential property	3,859,991			2,350,711	2,350,711	61%
10	Past due items	1,101,102			1,101,102	1,101,102	100%
11	Items belonging to regulatory high-risk categories						#DIV/0!
12	Short-term claims on commercial banks and corporates						#DIV/0!
13	Claims in the form of collective investment undertakings ('CIU')						#DIV/0!
14	Other items	9,633,512			5,384,041	5,384,041	56%
	Total	236,393,870	9,652,224	9,598,123	215,103,721	166,594,682	

Bank: JSC Isbank Georgia
Date: 31-Dec-17

Table 11 Liquidity Coverage Ratio

		Total unweighted value (daily average**)			Total weighted values according to NBG's methodology* (daily average**)			Total weighted values according to Basel methodology (daily average**)		
		GEL	FX	Total	GEL	FX	Total	GEL	FX	Total
High-quality liquid assets										
1	Total HQLA				18,395,522	37,850,683	56,246,205	16,894,132	29,893,625	46,787,758
Cash outflows										
2	Retail deposits	851,895	49,905,069	50,756,964	256,217	2,524,487	2,780,704	62,565	705,432	767,998
3	Unsecured wholesale funding	6,843,002	130,007,757	136,850,760	3,595,394	17,755,695	21,351,090	2,187,432	22,735,959	24,923,390
4	Secured wholesale funding			-			-			-
5	Outflows related to off-balance sheet obligations and net short position of derivative exposures	1,242,544	13,746,744	14,989,288	135,637	1,919,338	2,054,975	65,437	950,880	1,016,318
6	Other contractual funding obligations			-			-			-
7	Other contingent funding obligations	12,612	5,265,430	5,278,041			-			-
8	TOTAL CASH OUTFLOWS	8,950,053	198,925,000	207,875,053	3,987,249	22,199,520	26,186,769	2,315,434	24,392,271	26,707,706
Cash inflows										
9	Secured lending (eg reverse repos)	-	-	-	-	-	-			-
10	Inflows from fully performing exposures	29,535,161	164,568,243	194,103,404	2,433,458	1,206,584	3,640,042	3,934,847	16,494,089	20,428,936
11	Other cash inflows	2,171,413	3,677,036	5,848,448	228,750	-	228,750	228,750	-	228,750
12	TOTAL CASH INFLOWS	31,706,574	168,245,278	199,951,852	2,662,208	1,206,584	3,868,792	4,163,597	16,494,089	20,657,686
					Total value according to NBG's methodology* (with limits)			Total value according to Basel methodology (with limits)		
13	Total HQLA				18,395,522	37,850,683	56,246,205	16,894,132	29,893,625	46,787,758
14	Net cash outflow				1,325,041	20,992,936	22,317,977	578,859	7,898,183	8,477,041
15	Liquidity coverage ratio (%)				1388.30%	180.30%	252.02%	2918.52%	378.49%	700.74%

* Commercial banks are required to comply with the limits by coefficients calculated according to NBG's methodology. The numbers calculated within Basel framework are given for illustratory purposes.

** Instead of daily average, values are given for the last day of reporting period

