

JSC Isbank Georgia

Pillar 3 Report

2018

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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

	2018	2017
Regulatory capital (amounts, GEL)		
<i>Based on Basel III framework</i>		
Common Equity Tier 1 (CET1)	74,490,038	33,798,891
Tier 1	74,490,038	33,798,891
Total regulatory capital	77,883,632	77,346,318
Risk-weighted assets (amounts, GEL)		
Risk-weighted assets (RWA) (Based on Basel III framework)	290,138,010	176,975,780
Capital ratios as a percentage of RWA		
<i>Based on Basel III framework</i>		
Common equity Tier 1 ratio (≥ 9.31 %)	25.67%	19.10%
Tier 1 ratio (≥ 11.59 %)	25.67%	19.10%
Total regulatory capital ratio (≥ 20.38 %)	26.84%	43.70%
Income		
Total Interest Income / Average Annual Assets	6.37%	6.81%
Total Interest Expense / Average Annual Assets	2.72%	3.80%
Earnings from Operations / Average Annual Assets	0.89%	0.86%
Net Interest Margin	3.65%	3.01%
Return on Average Assets (ROAA)	0.63%	1.10%
Return on Average Equity (ROAE)	2.73%	9.74%
Asset Quality		
Non Performed Loans / Total Loans	3.26%	3.69%
LLR/Total Loans	3.64%	3.27%
FX Loans/Total Loans	68.77%	83.61%
FX Assets/Total Assets	64.91%	80.23%
Loan Growth-YTD	0.48%	-14.22%
Liquidity		
Liquid Assets/Total Assets	22.10%	25.95%
FX Liabilities/Total Liabilities	92.55%	94.47%
Current & Demand Deposits/Total Assets	4.60%	6.28%
Liquidity Coverage Ratio		
Total HQLA	68,091,162	56,246,205
Net cash outflow	46,919,640	22,317,977
LCR ratio (%)	145.12%	252.02%

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

	2018	2017
Risk Weighted Assets for Credit Risk	271,487,509	166,594,682
Balance sheet items	229,164,982	157,281,478
Including: amounts below the thresholds for deduction (subject to 250% risk weight)	-	-
Off-balance sheet items	42,322,527	9,313,205
Currency induced credit risk*	-	-
Counterparty credit risk	-	-
Risk Weighted Assets for Market Risk	346,493	2,495,223
Risk Weighted Assets for Operational Risk	18,304,008	7,885,874
Total Risk Weighted Assets	290,138,010	176,975,780

* 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 by the National Bank of Georgia (License N: 908) 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”), (License N: 368). The Bank is registered by the LEPL National Agency of Public Registry, and its identification number is 404496611.

The Bank decrease its dependency on upon the Parent but the activities of the Bank are closely link 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 Bank is the largest private bank in Turkey with total assets, loans and deposits volume. The total assets volume is \$ 78,965 million as of 31 December 2018, out of which 62.5% is loan portfolio. The shareholder structure is as following:

Isbank Pension Fund – 40.47%;

Ataturk Shares - 28.09%;

Free Float – 31.44%.

The shares are quoted on the Istanbul Stock Exchange and are traded on the London Stock Exchange in the form of GDRs. Bank’s shareholder is represented by 3 subsidiaries in the 12 countries (Georgia, Germany, Russia) and 22 international branches (North Cyprus; London, Great Britain; Manama, Bahrain; Arbil and Baghdad, Iraq, Prishtina and Prisaren, Kosovo), Isbank Germany is represented by 10 branches in Germany and by one branch in: Amsterdam, Holland; Paris, France; Isbank also has representation in Shanghai, China and Cairo, Egypt.

Rights and Obligations of Shareholder

The rights and obligations of shareholders are described in details in the Bank's Statute that protects the Bank's interests as an independent business entity and the shareholder's interests. The General Meeting of the Shareholders is the highest authority of the bank's governing body, which can be another and extraordinary. The next meeting will be convened within two months after the annual balance sheet. The Bank's Supervisory Board shall make a decision to invite the Extraordinary Meeting.

Shareholder is authorized to:

- a) Obtain exhaustive and timely information on the place, time and agenda of the General Meeting as well as sufficient information in connection with the issues to be discussed at the Meeting;
- b) Request explanation from the Executive Officers or the Supervisory Council on each item of the agenda of the General Meeting; also request any additional information that is reasonably necessary to make a decision on the issue. If a request for explanations is given in writing 10 days prior to the General Meeting, it shall be satisfied or discussed as one of the items of the agenda;
- c) Participate in the work of the General Meeting personally or through his representative, express ideas on the issues of consideration, put questions and put forward proposals;
- d) Participate in the management of the Bank by taking part into the General Meeting of Shareholders
- e) Purchase or/and transfer shares; receive dividends on the basis of the decision of the General Meeting of Shareholders;
- f) Request explanations from the Directors and the Supervisory Council on each item of the agenda of the General Meeting;
- g) Appeal against the resolution of the General Meeting (within two months upon drawing up the Minutes of the Meeting);
- h) Get acquainted with the annual, semi-annual and current reports of the Bank as well as with the information on important purchases and the securities beneficially owned by the management body;
- i) Receive oral and written explanations from the members of the management body on the past, current and future activities of and purchase and transfer of substantial assets by the management bodies of the Bank as well as on any issue within the scope of his interests. Any refusal to provide information or explanation can be given in case when it is prejudicial to the commercial interests of the Bank and the refusal is duly reasoned.
- j) To file an appeal against a third party on behalf and in favor of the Bank in order to satisfy the Bank’s claim, if the Bank has not implemented its claim. Exercising of this right shall be carried out as set out under the Laws of Entrepreneurs of Georgia.

Shareholder structure (Continued)

Holder of five or more percent of the shares of the Bank may also:

- a) Request special audit of business activities or the entire balance sheet; if the General Meeting dismisses the request, apply to the court with the same request. Audit shall be conducted by an expert chosen by the shareholder having the respective knowledge and experience. If any violations are uncovered, the expenses related to the special audit shall be borne by the Bank;
- b) Request, in accordance with the Bank's interests, the holding of the Extraordinary Meeting. The request shall be substantiated in writing. If the Executive Officers of the Bank do not convene the meeting within twenty days upon such request, the shareholder may apply to the court with the same request;
- c) Request that an item be included in the agenda of the meeting; in this respect, request the information and report of the Executive Officers and the Supervisory Council;
- d) Demand from the Management body a copy of transaction made on behalf of the Company and/or information on a transaction to be made on behalf of the Company.

A shareholder has no right to vote when the decision is related to signing a contract with him or approval of his report.

If a shareholder believes that his shareholding rights are violated for any reason, he may apply to the Supervisory Council. The Supervisory Council shall take measures to eliminate such violations or give a substantiated response to the shareholder in connection with his application.

In addition to the rights set forth above, the shareholders of the Bank have other rights as vested in them by the applicable laws and the internal regulations of the bank.

Ordinary shareholders exercise their rights (right to vote, right to receive information, right to convene the Extraordinary General Meeting) at the General Meetings.

The General Meeting is authorized to:

- a) Amend the Charter, increase or decrease Share Capital and decide on winding up;
- b) Make a decision on merger, demerger or reorganization;
- c) Annul fully or in part the shareholders' pre-emption right to purchase shares in case of increase of the Share Capital also during emission of shares convertible into securities;
- d) Accept or dismiss the proposal of the Supervisory Council and the Board of Directors) on utilization of profit or when these bodies fail to come up with an agreed proposal – make a decision on utilization of net profit;
- e) Elect Members of the Supervisory Council or remove them therefrom at any time prior to the end of their term of authority;
- f) Approve the report of the Supervisory Council and of the Board of Directors;
- g) Make a decision on remuneration to the members of the Supervisory Council;
- h) Elect an auditor and;
- i) Make decisions on participation in judicial proceedings against the Supervisory Council and Board of Directors, and appoint a representative for these proceedings;
- j) Make decisions on the contracts related to acquisition, alienation or exchange of the assets of the Bank (or such related contracts) the value of which exceeds 50% of the balance value of the assets of the Bank with the exception of those transactions which are implemented in the ordinary course of business;
- k) Make decisions in respect of other cases provided by the laws of Georgia and/or by this charter.

Decisions on the other issues are to be made by the Supervisory Council, unless otherwise provided by this Charter.

Shareholder structure (Continued)

The Bank's shareholder is one of the largest conglomerates in Turkey. Its main activities are related to banking and other financial services covering insurance, private pension fund, asset management, leasing and factoring, investment banking and brokerage services, and nonprofit activities related to glass production.

Glass Production

Sisecam Glass Group produces glass bottles with exclusive design, different size and color. **Sisecam** is expanding in neighbor countries. Its first investment abroad was the purchase of **Ksani Glass** Factory in 1997. 66.30% of **Sisecam** is owned by JSC Türkiye İş Bankası. Besides Georgia and Turkey, the Group has 11 factories (Germany, Italy, Slovakia, Romania, Bosnia and Herzegovina, Ukraine, Russia, Hungary, Bulgaria, Egypt, India).

Company Name	Field	Bank's Direct Share(%)	Risk Group Share (%)	Assets (USD 000) (3)	Equity (USD 000)(3)
Türkiye Sınai Kalkınma Bankası A.Ş.	Investment Bank	41.44	50.92	7,319,877	656,256
İşbank AG	Bank	100.00	100.00	2,069,192	232,694
JSC İşbank	Bank	100.00	100.00	199,968	57,941
JSC Isbank Georgia	Bank	100.00	100.00	95,738	28,336
Anadolu Anonim Türk Sigorta Şirketi	Insurance	-	64.31	1,338,597	267,057
Anadolu Hayat Emeklilik A.Ş.	Life Insurance and pension fund	62.00	83.00	3,334,853	143,005
Milli Reasürans T.A.Ş.	Re insurance	76.64	77.06	720,761	370,419
İş Yatırım Menkul Değerler A.Ş. (4)	Brokerage	65.65	70.69	1,285,513	168,550
Yatırım Finansman Menkul Değerler A.Ş. (4)	Brokerage	-	98.42	147,742	15,267
İş Yatırım Ortaklığı A.Ş.	Investment Activity	-	38.66	38,380	38,295
İş Portföy Yönetimi A.Ş.	Portfolio Management	-	100.00	17,712	16,570
İş Finansal Kiralama A.Ş. (4)	Leasing	27.79	58.29	1,540,213	179,915
İş Faktoring A.Ş.	Factoring	-	100.00	370,632	46,592
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	Real Estate Investment Company	47,44	63,24	984,399	630,530
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Investment Activity	-	57.67	43,898	43,573
Efes Varlık Yönetim A.Ş.	Asset Management	-	100.00	35,840	5,278
TOTAL				19,543,315	2,900,278

(1) as of 30.09. 2018

(2) consolidated amount

Shareholder structure (Continued)

International rating of the Parent is as follow:

S&P Global

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

FitchRatings

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

MOODY'S

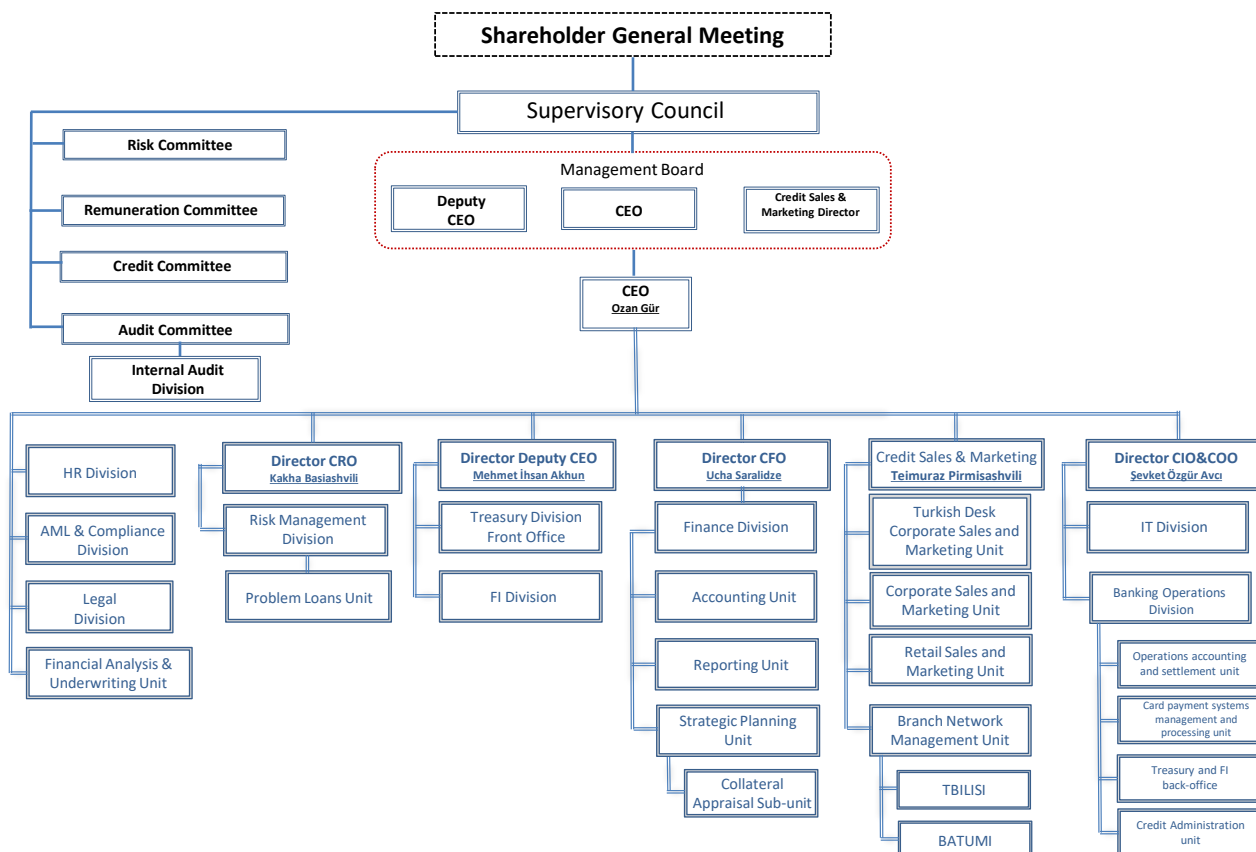
FC Bank Deposit	B2 / Negative/ Not-Prime
LC Bank Deposit	B2 /Negative/ Not-Prime
FC Issuer	B2 / Negative

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

Corporate governance

Organizational chart

İSBANK



Supervisory Council

The objectives and competence of the Supervisory Council are as follows :

- Control over the activity of the Board of Directors;
- At any time request from the Board of Directors the Bank's performance report including its relations with associated companies;
- Control over and examine the accounting books as well as the material objects of the Bank including the Cash Office of the Bank and the state of the Bank's securities and commodities, and assign its certain members or specific experts to do so;
- Convene the Meeting of Shareholders if so required by the needs of the Bank;
- Examine annual reports, proposal on utilization of profit and information on the Bank's standing and report the General Meeting thereon; The Supervisory Council shall indicate in the notice as to how and to what extent it has examined the Management of the Bank over the last business year, which particular part of the annual report or performance report it has examined and whether these examinations resulted in substantial changes in the final results;
- Appoint and at any time discharge the members of the Board of Directors, and sign and terminate contracts with them, appoint and at any time discharge the members of audit committee ;
- Approve, the Bank's structure, Regulations of the Bank and the Regulations of the structural units of the Bank;
- Represent the Bank in performing contracts with the members of the Board of Directors, and by resolution of the General Meeting sue members of the Board of Directors on behalf of the Bank;
- If the case involves the responsibility of any of Supervisory Council member, the Supervisory Council may sue its members without the resolution of the General Meeting of the Shareholders ;
- Defining mission and vision of the Bank;
- Defining and monitoring investment, finance, accounting, personnel, wages and salaries and the dividend policies of the Bank.

Corporate Governance (Continued)

Listed below are the activities that may be performed only by decision of the Supervisory Council:

- a) Acquisition or selling any shares, excluding shares bought or held for trading purposes, disposal, participate capital increase of any partnership, letting any restrictions on shareholdings;
- b) Establishment and liquidation of branches;
- c) Approving the annual budget and evaluation of obligations arising from the legal relations of a long-term obligation;
- d) Making a decision on purchase, disposal or exchange (or any such interrelated transactions) of the Company's property;
- e) Obtaining loans and credits exceeding the limits set by the Supervisory Council if any;
- f) Determining security of loans and credits if they do not belong to ordinary business activity. Such security in relation to the members of the Supervisory Council and the directors is not permitted;
- g) Engaging in a new or terminating the current type of bank activity;
- h) Determining the general principles of the business policy;
- i) Determining the principles for participation of the managerial staff into profit and other similar relations and payment of pensions thereto and submit them to the Shareholder meeting;
- j) Appointing and dismissing trade representative (procurators);
- k) Determining and approving the internal policy and procedure for credit, investment, currency, assets and liabilities management, assets evaluation and classification, and for formation of the reserve against possible loss of assets;
- l) Repurchasing the shares issued by the Bank in cases provided by law;
- m) Defining and approving minimum and maximum interest rates to be applied by the bank to credit resources and deposits;
- n) Defining and approving minimum and maximum interest rates to be applied by the bank to credit resources and deposits;
- o) The decision to sue any public agency, to determine the action to be taken by the Bank in case of a lawsuit or sanction against the Bank;
- p) The signing, modifying, renewal and termination of contracts with regulatory/official institutions, licenses and authorization certificates;
- q) Investment exceeding of 0.1% of the previous year's equity in a calendar year basis; total amount investment exceeding 0.5% of the previous year's solo equity.
- r) Purchasing goods and services exceeding 0,05% of the previous year's solo equity in a calendar year, total amount of purchasing goods and services exceeding 0,25% of the previous year's solo equity.
- s) Payment of any tax fine and administrative fines;
- t) Appoint Department Managers or equivalent, define their financial and non-financial rights and make decision regarding their remuneration and promotion;
- u) Making decisions on the issues that, by law and this Charter, does not fall within the scope of competence of the General Meeting and the board of directors.

In addition, the Supervisory Council makes decisions in the cases provided by law, the sub-legislative acts of the National Bank of Georgia and the internal regulations of the Bank.

The members of the Supervisory Council shall in good faith and with due diligence fulfill their duties. In particular, they shall care about the Bank and its stability in the same way as an ordinary reasonable person in similar capacity and under similar conditions would act with the belief that this action of theirs is the most beneficial for the Bank.

Corporate Governance (Continued)

Supervisory Council Members Background

Murat Bilgiç, Chairman of Supervisory Council

Mr. Murat Bilgiç was born in 1968, in Ankara, Turkey. He has graduated from Middle East Technical University, International Relations Department. He has a Master of Social Sciences Degree from University of Birmingham in Money, Banking and Finance Module.

Overall, Mr. Bilgiç has 28 years of working experience in Türkiye İş Bankası A.Ş. Mr. Bilgiç started his career at Türkiye İş Bankası A.Ş on the position of an Inspector in 1990. In 1999, he moved to Corporate Loans Department as an Assistant Manager and later, he became a Regional Manager. Mr. Bilgiç has been promoted to the Head of Corporate Loans Department in 2008.

Mr. Bilgiç has been serving as a member of Board of Directors in TSKB since 2005. Additionally, he has served as a Board Member at Türkiye Şişecam Fabrikaları A.S. from 2009 till 2012. Also, since 2012, Mr. Bilgiç is a Board Member of Isbank Russia and Isbank Germany.

Since 29th of June 2015, Mr. Murat Bilgiç became a Supervisory Council Member of Isbank Georgia. From 21st December of 2016, Mr. Bilgiç is the Chairmen of Supervisory Council of Isbank Georgia.

Mehmet Şencan, Deputy Chairman of Supervisory Council

Mr. Mehmet Şencan was born in Adapazarı, Turkey in 1964. He graduated from Management Engineering Department of Istanbul Technical University.

Mr. Şencan began his career at Türkiye İş Bankası A.Ş as an Officer at Galata Branch in 1988 and joined the Board of Inspectors as an Assistant Inspector in 1989. He was appointed to Bursa Branch as an Assistant Manager in 1997. Mr. Şencan served as the Manager of Antakya, Gebze, Denizli and Bursa Branches, and was appointed as the Manager of Bursa Corporate Branch in 2011 and Başkent Corporate Branch in 2016. Mr. Şencan was appointed as Deputy Chief Executive on 27 April 2017.

Since August, 2017 Mr. Şencan is a Deputy Chairmen of Supervisory Council of JSC Isbank Georgia.

Can Yücel, Member

Mr. Can Yücel was born on 15th of March, 1978 in Ankara, Turkey. He has graduated from Economics and Administrative Sciences Department of Middle East Technical University in 1999 and obtained Bachelor's degree.

Mr. Yücel started his career in 1999 as an Auditor of Türkiye İş Bankası A.Ş and after 8 years was assigned to SME loans underwriting Department as an Assistant Manager. In 2009, he was transferred to Corporate Loans Underwriting Department and in 2011 Mr. Yücel was promoted to the position of Project Finance Unit Manager in the same Department. In March, 2016 Mr. Yücel became a Head of Corporate Loans Underwriting Department.

Since 21st December 2016, Mr. Yücel is a Supervisory Council Member of JSC Isbank Georgia.

Yavuz Ergin, Member

Mr. Yavuz Ergin was born in November, 1957 in Zonguldak, Turkey. Mr. Ergin holds Bachelor's degree of Business Administration from Uludag University and Master's Degree in Business Administration from the University of Louisiana.

Overall Mr. Ergin has 35 years of working experience. He started his career as an Assistant Manager at Citibank, Ankara in 1983. In 1986 Mr. Ergin moved to the Federal Home Loan Bank as a Bank Examiner. After one year, he joined The Bank of New York as an Assistant Vice President. In 1990 Mr. Ergin became a Chief Executive Officer at Ferromin International in New York. In 1992 Mr. Ergin moved to Citibank in Istanbul, as a Vice President where he worked for 6 years. In 1998 he became a Chief Executive Officer at BCP Bank, Geneva. Since 2010 Mr. Ergin joined Türkiye İş Bankası A.Ş as an Advisor.

Since 29st June 2015, Mr. Ergin is a Supervisory Council Member of JSC Isbank Georgia.

Corporate Governance (Continued)

Onur Kütük, Member

Mr. Onur Kütük was born in 1976, in Eskisehir, Turkey. He has graduated from Statistics Department of Middle East Technical University in 1998 and obtained Bachelor's degree.

Mr. Kütük started his career in 1998, as a Research/Teaching assistant in Ankara University. In 2000, he has joined Türkiye İş Bankası A.Ş as a Specialist in Training Department. In 2006, Mr. Kütük moved to Bahrain Branch, first, as a Senior Specialist in Credit Underwriting Department, after 2 years he was transferred to Senior Dealer Position in Treasury Department, and later, in 2011, he was promoted to the Head of Treasury Operations. In 2014, Mr. Onur Kütük moved to Türkiye İş Bankası A.Ş head Office on the position of Deputy Head of Global Sales Department. In 2016, he became a Deputy Head of Cross-Border Banking Unit and in 2018 Mr. Kütük has been promoted to the Head of Cross-Border Banking Unit.

Since, 20th June, 2018 Mr. Onur Kütük is a Supervisory Council Member of JSC Isbank Georgia.

Sezgin Lüle, Member

Mr. Sezgin Lüle, was born in Trabzon, Turkey, in 1976. In 1998, he has graduated from Bogazici University, and received a Bachelor's degree in Industrial Engineering. In 2004, he obtained his MBA from the University of Birmingham, UK.

Mr. Lüle joined Türkiye İş Bankası A.Ş in 1999 as an Internal Auditor. From 2006 till 2009, he was working as a Program Manager of Bank's Customer-Centric Transformation Project. In 2009 he became a Unit Manager of the Change Management Department. In 2011, Mr. Lüle moved to Unit Manager Position in Enterprise Architecture Department. From 2014 till 2016, he was Change Leader of the Process Digitalization Initiatives and in parallel; from 2014 till 2017 he acted as the Chief Architect of the Bank's Transformation Program.

From 2017, Mr. Lüle is the Division Head of Enterprise Architecture.

Since, 20th June, 2018 Mr. Sezgin Lüle is a Supervisory Council Member of JSC Isbank Georgia.

Hüseyin Serdar Yücel, Member

Mr. Hüseyin Serdar Yücel was born in 1973, Istanbul, Turkey. He has graduated from Marmara University, and has Bachelor's degree of Arts in Economics.

In 1996 Mr. Yücel has started his career as an Officer of Correspondent Banking Unit in International Financial Institutions Division. In 1999 Mr. Serdar Yücel became a Specialist of Overseas Banking Unit in IFI Division. In 2008, he moved to the Assistant Manager Position in the same Unit. From 2013 till 2016, Mr. Yücel has been working in Subsidiaries Division. In 2016 he has been promoted to the Unit Manager Position of Overseas Banking Unit in Subsidiaries Division.

Since, 20th June, 2018 Mr. Hüseyin Serdar Yücel is a Supervisory Council Member of JSC Isbank Georgia.

Corporate Governance (Continued)

Board of Directors

The responsibilities and competence of the Board of Directors include the following:

- a) Carry out the Bank's day-to-day business operations in accordance with internal policies and business plan as determined under the Supervisory Council;
- b) Prepare proposals, draft resolutions, reports and any other information requested or to be presented to the Supervisory Council or the Board of Directors;
- c) Decide on selection, dismissal and remuneration of the staff, provided however that the Board of Directors shall adhere the recommendation of the Supervisory Council with respect to the top management of the Bank;
- d) Draft and present to the Supervisory Council for approval the annual business plan for the current year no later than within 1 month from the end of the previous fiscal year;
- e) Supervise all branches, units and departments of the Bank and ensure that the Bank provides proper service to its customers;
- f) Develop and draft any and all policies and internal regulations and submit them for the approval to the Supervisory Council;
- g) Provide information to the National Bank of Georgia in accordance with applicable Georgian law;
- h) Granting signature authority to the Company's employees
- i) Granting power of attorney to company employees and third parties either general or specific quality,
- j) Carry out any other action as assigned by the Supervisory Council, General Meeting of Shareholders or as envisioned under the applicable laws of Georgia.
- k) In order to secure the loans issued with the territory of Turkish republic, CEO and deputy CEO are authorized to issue power of attorney to the third parties in order to register mortgage in the registry, also to terminate the mortgage

Board of Director

Ozan Gür, CEO

Mr. Ozan Gür was born on 30th of May 1976 in Ankara, Turkey. He has graduated from the Department of Labor Economics and Industrial Relations of Ankara University and received Bachelor's degree. Later he obtained Master's degree in Business Administration of Istanbul Technical University.

Mr. Ozan Gür started his career in 1999 at as an Internal Auditor at Türkiye İş Bankası A.Ş., where he worked for almost 9 years. After, Mr. Gür moved to Private Banking Sales Coordinator position. In 2008, he moved to Retail Loans Department, first, as an Assistant Manager and later, as a Project Manager. Mr. Gür worked also on the Unit Manager position, first in Card Payment Systems and later in Retail Underwriting Department. In 2014, he moved to Moscow, and became a Head of Retail Loans Department at CJSC Isbank.

From May, 2016 Mr Gür became a Chief Executive Officer of JSC Isbank Georgia.

Mehmet Ihsan Akhun, Deputy CEO

Born on 5th of June, 1976 in Ankara, Turkey, Mr. Mehmet Ihsan Akhun has graduated from International Relations Department of Eastern Mediterranean University and obtained Bachelor's degree.

Mr. Akhun started his career in 1999 at Türkiye İş Bankası A.Ş. in the International Banking Division as an International Banking Assistant Specialist. From 2004, he moved to Türkiye İş Bankası A.Ş. Bahrain Branch on the Specialist position and worked there for 10 years. Since March 2014, Mr. Akhun joined Türkiye İş Bankası A.Ş. Tbilisi Branch as a specialist. Later, he became Assistant Manager of Türkiye İş Bankası A.Ş. Georgian Regional Division. From August 2015, Mr. Akhun continued working as a Head of the Treasury Division.

In December 2016, Mr. Ihsan Akhun was appointed as a member of Board of Directors. In May 2017, Mr. Ihsan was assigned on a Deputy Chief Executive officer position.

Corporate Governance (Continued)

Teimuraz Pirmisashvili, Director

Mr. Teimuraz Pirmisashvili was born on 22nd of August, 1983, in Tbilisi, Georgia. He has graduated from Social Sciences Department of Tbilisi State University and has Bachelor's Degree in International Relations.

Overall Mr. Teimuraz has 16 years of working experience out of which ten are in Banking. In 2008 Mr. Pirmisashvili started his career in JSC TBC bank as a Corporate Banker. In 2016, Mr. Pirmisashvili joined JSC Isbank Georgia as a head of Corporate Sales Unit.

From May 2017, Mr. Teimuraz Pirmisashvili was appointed as a member of Board of Directors.

The Supervisory Council Meetings are held at least four times in a year. The Supervisory Council makes decisions on the main strategy of the Bank and controls the set goals.

The Board of Directors is responsible for the results of the Bank. The main decisions are made by ALCO.

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

- Risk Committee;
- Remuneration Committee;
- Credit Committee;
- Audit Committee.

Information about the Chairman of Committees

Mr. Yavuz Ergin holds the position of **the Chairman of Audit Committee** of the JSC "İŞBANK GEORGIA". As Chairman of the Audit Committee, his responsibilities include all issues discussed by the Audit Committee. In addition, he is a Member of the Credit and Remuneration Committees.

Mr. Mehmet Sencan is **the Chairman of Risk Committee** of the JSC "İŞBANK GEORGIA", his responsibilities include improving the Bank's internal control and risk management effectiveness. **Mr. Mehmet Sencan** is also **the Chairman of Remuneration Committee**, which means taking decisions regarding payroll and motivation systems.

Mr. Can Yücel holds the position of **the Chairman of Credit Committee holds** of the JSC "İŞBANK GEORGIA". As Chairman of the Credit Committee, his responsibilities include approving of Credit Policies, Management and defining the Credit Limits. In addition, he is a Member of the Audit Committee.

Risk Committee is responsible for improving internal control of the Bank, audit and risk management effectiveness, execution of supervisory and managerial functions of the Board of Directors. The Committee cooperates with the Bank, External Audit Organizations, Bank Executives, Management and Control Bodies, Internal Audit, Internal Control, Securities Market Control, Financial Monitoring, Analysis, Planning, Reporting and Risk Management Units, Settlement, Accounting and Registration Units and, when necessary ith other Units of the Bank, Working Groups and Bank Suppliers. The Committee acts in the framework of the Committee's competence based on the analysis of the Bank's activities.

Remuneration Committee is responsible for improving the staff flexibility, controlling and improving of managers, making decisions about salary funds and etc.

Corporate Governance (Continued)

Credit Committee is responsible for establishing, developing, and offering Credit Policy for approval to the relevant body of the Bank. The Committee defines:

- The limits for borrowers - legal and physical persons;
- The limits for Credit institutions, insurance companies and other financial institutions;
- Determines, confirms or revokes limits for Bank's transactions on financial markets;
- Determines credit risk limits for investments in securities and other derivatives.

The Credit Committee monitors the Bank's compliance with the approved limits. Reviews the loans applications, makes decision on restructuring loans, write-off loans and all other possible facts related to the Bank's credit risk.

Audit Committee in an independent body, which controls the Bank's activities in every directions, at each level of the organization. The Committee is responsible for minimizing all possible risks for improvement of processes. The Audit Committee is directly under the supervision of the Supervisory Council .

In addition to the above mentioned Committees, the Bank has created several other Committees for controlling the processes more efficiently. These Committees are: Procurement Committee, Anti-Money Laundering and Compliance Committee, Operational Risk Management Committee and IT Committee.

The Supervisory Council Committees Members

<div style="display: flex; align-items: center;"> <div style="width: 10px; height: 10px; background-color: #333; margin-right: 5px;"></div> Chairman </div> <div style="display: flex; align-items: center;"> <div style="width: 10px; height: 10px; background-color: #ccc; margin-right: 5px;"></div> Member </div>	Audit Committee	Credit Committee	Risk Committee	Remuneration Committee
Murat Bilgiç				
Mehmet Sencan				
Can Yücel				
Yavuz Ergin				
Serdar Yücel				
Sezgin Lüle				
Onur Kütük				

Attendance to the Supervisory Council and SC Committees Meetings during 2018 Year:

Attendance to the Committee Meetings	Supervisory Council Authorized to Attend/Factual Attendance	Audit Committee Authorized to Attend/Factual Attendance	Credit Committee Authorized to Attend/Factual Attendance	Risk Committee Authorized to Attend/Factual Attendance	Remuneration Committee Authorized to Attend/Factual Attendance
Murat Bilgiç	13/13	-	22/22	2/2	-
Mehmet Sencan	13/13	-	22/22	5/5	1/1
Can Yücel	13/13	3/3	26/26	2/2	-
Yavuz Ergin	13/13	4/4	22/21	-	1/1
Serdar Yücel	5/5	3/3	14/14	3/3	1/1
Sezgin Lüle	5/5	-	15/15	3/3	-
Onur Kütük	5/5	-	15/15	-	1/1
Cem Kayan*	8/8	1/1	8/8	-	-
Kemal Şahin*	8/3	-	11/10	-	-
Ahmet Naci Narşap*	8/8	1/1	10/10	-	-

*Cem Kayan, Kemal Şahin and Ahmet Naci Narşap were the Supervisory Council Members of the JSC İŞBANK GEORGIA's until June, 2018.

Corporate Governance (Continued)

1. Kemal Şahin did not attend the Supervisory Council Meetings due to the personal reasons.
2. Cem Kayan and Ahmet Naci Narşap were the Audit Committee Members until June, 2018, but after June, 2018 Serdar Yücel and Can Yücel replaced them.
3. The Loans up to \$ 1.5 million must be approved by the Credit Committee and the Loans above \$ 1.5 million must be approved by the Supervisory Council.
4. Kemal Şahin and Yavuz Ergin did not attend the Credit Committee Meetings due to the personal reasons.
5. Murat Bilgiç and Can Yücel were the Risk Committee Members until June, 2018, but after June, 2018 Serdar Yücel and Sezgin Lüle replaced them.
6. Only one Remuneration Committee Meeting was held in 2018.

The Independent Member of the Supervisory Council

Mr. Yavuz Ergin holds the position of the Senior Management Advisor in Bank shareholder, JSC Türkiye İş Bankası (Istanbul, Turkey). His main responsibilities include consulting (non-executive) functions related to JSC Türkiye İş Bankası 's International Business Activities and Subsidiaries in Foreign Countries.

Based on the study of the biographical data of Mr. Yavuz Ergin, it is confirmed that he meets the criteria of the independent member of the Supervisory Council defined in the sub-paragraph "B" of the "Corporate Governance Code for Commercial Banks" approved by the National Bank of Georgia and there is no circumstances or factors for the candidate that he violates/not complies with any criteria. Accordingly, **Mr. Yavuz Ergin** was selected by the shareholder of the JSC İŞBANK GEORGIA as an independent member of the Bank's Supervisory Council.

Risk Management

Strategy

By the end of each year the Bank performs detailed assessment of the current situation and based on the analysis determines Bank's strategy for the forthcoming three years. The Bank's strategy describes in details the main principles based on which the Bank plans to achieve its main goals and results. In the beginning of the 2019 the Bank outlined strategy for 2019-2021 year. For achieving goals for 2021 the Bank is oriented on the following principles:

- Develop and provide wide range of digital products. The Bank plans to provide highly developed online service to its clients taking into account "Time is money" principle, which is critical for each client of the Bank.
- Expand customer base by offering wide range of products with flexible conditions and competitive prices. As the Bank is financially dependent on its mother company, the Bank is going to employ mother company's high reputation and reliability for raising funds with competitive prices. For this reason qualified staff at sales department is critically important; therefore, the Bank plans significant investments in this regard.
- Diversification and minimization of concentration risk, as the management believes that it is one of the most important and effective tool for sustainable growth.

The 2019-2021 strategy is approved by the Supervisory Board. For effective control of process the Bank defined strategy implementation plan. The management controls processes on the daily basis and informs executive and supervisory board on the current status to avoid delay in plan execution.

General risks

Based on the strategy of the Bank effective management of risks is an important challenge as the Bank operates in developing market. The main risks the Bank is exposed to are credit, market, liquidity and operational risks.

The aim of the risk management policy is determining, analyzing and management of risks the Bank is exposed to, setting respective limits and control mechanisms, constant monitoring of risk level and keeping limits. Risk management policy and procedures are regularly updated, so market conditions and changes in products and services offered on the market and best practices are incorporated in the policy and procedures. Supervising risk management system, controlling management of main risks, reviewing risk management policy and procedures and approval of big loans are responsibilities of the management.

The management is responsible for monitoring and implementing risk mitigation measures and ensuring that the Bank operates within the specified risk parameters. Risk management director is responsible for risk management and compliance function, for implementing general principles and methods for defining, assessing and reporting of financial and nonfinancial risks. Risk management director is directly responsible to the management.

Credit, market and liquidity risks on portfolio and on individual levels are managed and controlled by credit committee, risk management division and by ALCO.

Internal and external risks are managed on the level of the organization. Special emphasis is made on the determining of the risk levels and risk mitigation levels.

Risk management division provides detailed risk management report to directors and supervisory board on quarterly basis. The report includes all necessary information for assessing risks the Bank is exposed to. More specifically, the report includes macroeconomic analysis of Georgia, information about the trends in banking sector, credit risk, liquidity risk, open FX position, interest rate risk, operational risks, reputational risks, liquidity ratios, capitalization ratios and other ratios, changes in main risk profiles, information on reserves, structures of assets and liabilities, and information on changes in interest rate margins.

For each reporting period the Bank performs stress tests that include modelling of assessment of combinations of adverse scenarios. Stress tests are depreciation of GEL against USD, market competition driven decrease in interest rate margins, deteriorating quality of credit portfolio, increase price of borrowings and bank deposits. Stress test results are discussed in regard with Bank's profitability, capital adequacy and solvency. Stress testing incorporates factors that soften realized risk effects. Such factors are operational cost reduction or assuming that the Bank extends or refinances existing loans.

Supervisory board is responsible for controlling and evaluating of effectiveness of risk management processes. Supervisory board checks and monitors risk management function.

Effective risk management system includes:

- Risk identification
- Risk assessment
- Risk management, setting acceptable level, and monitoring
- Risk mitigation
- Risk reporting
- Effectiveness analysis of risk management system

Risk Management (Continued)

Risk identification is the responsibility of risk management division. Risk monitoring and controlling is performed based on the specified risk parameters. Risk parameters include qualitative and quantitative risk indicators, set limits on identified risks and define the acceptable risk level. For credit risk mitigation the Bank uses collateral, surety and guarantee. Risk report that covers all risks the Bank is exposed to is provided to Supervisory board quarterly.

Market Risk

Market risk is the risk that fair value of financial instruments or future cash flows will fluctuates as a result of market price volatilities. Market risk includes currency risk, interest rate risk and other price risks. Market risk arises from open position of interest rate instruments that are influenced by general and specific market fluctuations, volatility in market prices and fluctuations in exchange rates.

The aim of market risk management is managing and controlling of market risks within acceptable risk ranges and also optimization of risks and returns.

The Bank manages market risks by setting limits on open positions for financial instruments, maturities of interest rate bearing instruments and on currency positions. Monitoring of the limits are regular and they are updated and approved by the management.

Market risk is the risk of loss that arises after changes or fluctuation in market prices, including exchange rate and interest rates. As the Bank's strategy is not trading and investment, the market risks the Bank is exposed to are only exchange rate and interest rate risks.

Exchange rate risk is related to the Bank's regular business and arises from open or unhedged positions in specific currency as a result of changes in exchange rate. To manage and decrease the exchange rate risk the Bank controls open currency positions and ensures the positions are complied with the limits set by the NBG and by Bank's supervisory board.

Macroeconomic risk

Deteriorating the macroeconomic situation in the country may have adverse effects on the financial stability of the Bank. Slowing down of economic growth has adverse effects on borrowers' creditworthiness and reduces demand on credit product that reduces Bank's profitability and quality of credit portfolio. High and unstable inflation, exchange rate volatility, rise in unemployment, reduce of real estate prices, deteriorating investment environment have adverse effects on Bank's business. Besides the macroeconomic environment in the country, macroeconomic situation in Turkey has important impact on the Bank as the mother company of the Bank operates in Turkey and Turkey is the main trading partner country of Georgia.

The Bank performs analysis of potential impact of macroeconomic shocks on the Bank's capital and quality of portfolio through stress tests.

Interest rate risk

Interest rate risk is the risk that the financial instruments' fair value or future cash flows will fluctuate as a result of changes in market interest rates. General fluctuations in market interest rates affect Bank's stability and cash flows. Interest rate margins may increase or decrease as a result of changes in interest rates and loss may arise because of fluctuations.

Interest rate risk is the risk of potential loss that may arise from asset and liability revaluation or from mismatch between asset and liability maturities after changes in market interest rates. To manage the interest rate risk the Bank controls and keeps the interest rates such that they cover operational expenses and risk premium. In addition, the Bank monitors interest rate positions.

Exchange rate risk

Bank's assets and liabilities are denominated in several currencies. Exchange rate risk is the risk that fair value of financial instruments and future cash flows will vary as a result of exchange rate fluctuations. The Bank constantly monitors that the currency positions with relation to regulatory capital is within limits.

Credit risk induced by exchange rate volatility is important for the Bank as significant part of the Bank's portfolio is denominated in foreign currency and FX volatility affects borrowers' creditworthiness. To mitigate the risk the Bank employs conservative approach while issuing loans in foreign currency.

Risk Management (Continued)

Credit risk

Credit risk is the risk of loss that arises when client or counterparty fails to meet obligations specified by the agreement. The Bank has launched policy and procedures to manage credit risk (for recognized financial assets, as well as for unrecognized contractual liabilities), including rules for limiting portfolio concentration, and has created credit committee to actively control credit risk. Credit policy is reviewed and approved by the management.

Credit policy sets

- Procedures for credit application check and approval
- Methods for assessing borrowers' (retail and corporate) creditworthiness
- Methods for collateral appraisal
- Credit documentation requirements
- Procedures for constant monitoring of loans and other credit liabilities.

Loans proposed for approval are based on limits defined in the credit policy. All loans are first approved by credit committee. Loans up to USD 750,000 are approved by board of directors, loans from USD 750,000 to USD 1,500,000 are approved by Credit committee of supervisory board, loans more than USD 1,500,000 are approved by the supervisory board.

The Bank performs holistic analysis of corporate borrower's business and financial conditions before issuing loan. Credit risk is mitigated by receiving collateral and surety. Collateral values for corporate loans are appraised by independent experts. Maximum amount of credit risk is reflected in the book value of assets in financial statement and unaccepted contractual liabilities.

One of the tool for mitigation credit risk are deposits placed by the borrower or related party to borrower as a collateral of loan. Such deposits have same maturity and amount as loan to fully mitigate the credit risk.

Credit risk is loss due to the failure of borrower or counterparty to meet its obligation or obligations are inadequately met. Credit risk is the most material risk for the Bank as the main business of the Bank is lending.

Credit risk management and monitoring principles are defined by the credit risk management policy that is reviewed and updated periodically. To manage credit risk the Bank has in place internal limits and also, complies limits set by the NBG. In addition, the Bank has created credit committee to actively control credit risk.

Concentration and currency induced risks related to loan portfolio denominated in foreign currency are parts of credit risk.

Liquidity risk

Liquidity risk is the risk of loss that arises if the group fails to meet its financial liabilities due to lack of access to liquid assets. Liquidity risk arises when the maturity of assets and liabilities differ. Therefore, control of maturities of assets and liabilities are important for liquidity management. Complete match of maturities of assets and liabilities are unusual for financial institution as business activities often do not have predetermined maturities and are of different types. Unmatched positions potentially raise profitability, though increases risk of loss.

The Bank manages liquidity in order to have access to liquidity at any point in time to meet all its financial liabilities. Liquidity management policy is reviewed and approved by the management.

Bank proactively attempts to have diverse and stable financial resources base so that the Bank can effectively and promptly response to unanticipated liquidity needs.

Liquidity management requirements are:

- Maintaining diverse financial resources;
- Management of loan concentration and profile;
- Maintaining plan for funding;
- Monitoring liquidity ratios to be compliant with regulatory requirements.

Liquidity positions are monitored by financial division and by risk management division. During ordinary market environment, information on liquidity positions are presented to management on weekly basis. Decisions on liquidity risk management are made by risk management division and by the management, and are executed by financial division.

In addition, the Bank monitors liquidity ratios that are calculated based on NBG regulations.

Liquidity risk is the risk that the Bank fails to meet its financial liabilities or meets the liabilities with high cost. Liquidity risk may arise due to different reasons, including financial instability on the market or other reasons that affect funding costs and availability.

Liquidity risk arises when the Bank fails to liquidate assets without significant costs or fails to raise funds.

Liquidity risk also includes the risk that the Bank fails to balance positions due to low liquidity on the market or other market related issue.

Risk Management (Continued)

The Bank annually implements funding strategy that is periodically reviewed according to market states. Liquidity is managed and monitored by treasury and is additionally controlled by the risk management division. Limits are approved by ALCO and supervisory board.

To manage liquidity risk the Bank monitors Liquidity Coverage Ratio (LCR) on daily basis. In addition, significant part of Bank's assets is held in highly liquid assets that reduces liquidity risk. To decrease liquidity risk the Bank holds reserves, amount of which is determined by the amount of raised funding, currency and types.

Concentration risk

Concentration risk arises by issuing big loans on several borrowers or on borrower groups, or by high portfolio concentration on some sectors. Deterioration of financial condition of individual borrower to which the Bank has issued big loan significantly expands credit losses. Similarly, adverse movement in economic sector on which the Bank has high exposure may increase credit losses. Therefore, to manage concentration risk efficiently the Bank has determined limits on individual borrowers and on economic sectors, performs detailed analysis of big borrowers and monitors developments in economic sectors.

Operational risk

Operational risk is risk of direct and indirect losses induced by business processes, employees, technologies and infrastructures. Operational risk also includes risk induced by external issues besides credit, market and liquidity risks. Such risks can be related to legal requirements and to commonly recognized corporate norms and ethic. Operational risks may arise from any activities of the Bank. The aim of the Bank regarding the management of the operational risk is to keep the balance between financial and reputational losses and overall cost efficiency and innovation. The Bank's policy requires compliance of all activities of the Bank with legal requirements and standards. The Bank manages operational risk by launching such internal controls that are considered appropriate by the management.

Operational risk is defined as the risk of losses caused by insufficient or unsuccessful internal processes, people, systems, external events, dishonest behavior or employees or third person, or cyber attacks.

To reduce impact of operational risk the Bank actively manages operational risks. The Bank manages and mitigates operational risk by internal control mechanisms and mitigating potential risks. Operational risk management includes efficient delegation of rights, responsibilities, access and authorization, and improving processes and systems.

Reputational risk

Reputational risk is the risk of direct and indirect financial loss due to inadequate and negative perception towards Bank's image by clients, counterparties, shareholders, investors, regulator, and other stakeholders. To mitigate reputational risk the Bank controls and timely and adequately responses to issued that might have adverse impact on Bank's reputation.

Information on credit risk mitigation

To mitigate credit risk the Bank requires collateral from borrowers that can be real estate, surety or guarantee. Collaterals on loans issued to natural persons are lien on real estate or vehicles, or third party surety. Collaterals that the Bank accepts on corporate loans can be immovable property, machinery, inventory, receivables and surety of Mother Company. Proposed collateral is appraised by internal or external appraiser.

Key policies and procedures of collateral appraisal and management

Collateral appraisal and management procedures are regulated by real estate appraisal policy, which is approved by risk committee of director board and is complied with the instructions of NBG on immovable property appraisal and with international valuation standards (IVS).

Real estate appraisal policy sets appraisal principles, methods and regulates revaluation frequency. Collateral is appraised by internal or external appraiser. In order to avoid conflict of interests, if property is collateral on loan that is issued to Bank's related party, collateral is appraised by external appraiser. Adequacy and quality of appraisal report prepared by the external appraiser is checked and reviewed by internal appraiser and in case of need the valuation is revised only downwards.

Collateral is monitored regularly. Collateral is revaluated if there are significant changes in the economy of the country or in real estate market, or in case more than three years have passed since previous revaluation. Properties that are accepted as collateral are insured.

Risk Management (Continued)

Key characteristics of collaterals

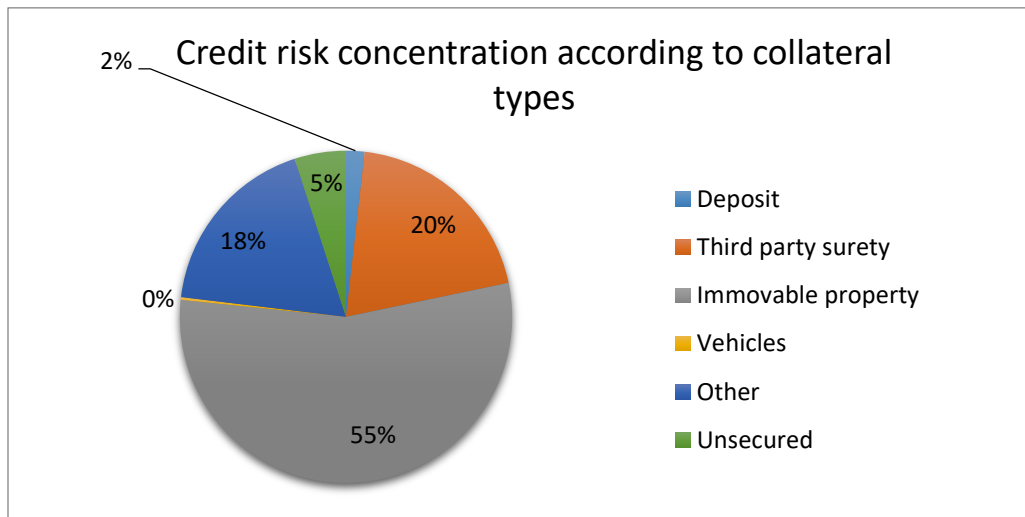
Key types of collateral received by the Bank are:

- Cash deposits
- Immovable property
- Movable property
- Financial assets
- Fixed assets
- Surety
- Guarantee

Required collateral type and value is defined by the credit risk of the borrower and the credit type.

Information on credit risk concentrations according to mitigation tools

As of December 31, 2018, 95% of loans were issued with some type of collateral. More than half of the loan portfolio (55%) was issued with real estate collateral, and 20% of loans were issued with third party surety. Credit risk concentration according to collateral types as of 31 December 2018 is presented below.



Main types of guarantees and contracts received as collateral

In order to mitigate credit risk the Bank has received bank guarantees / counter guarantees as collateral. With regard the credit risk assessment the Bank uses evaluations made by the following organizations:

- Standard & Poor’s (S&P)
- Moody’s
- Fitch Ratings

Evaluations made by the abovementioned organizations are applied to the following asset classes:

- Conditional and unconditional claims to central governments and central banks
- Conditional and unconditional claims to commercial banks
- Conditional and unconditional claims to corporate clients

The table below presents the mapping of credit ratings of international rating agencies to credit categories defined by the NBG.

Table 1. Recognized long term rating and corresponding credit categories

Risk categories	Fitch	Moody’s	S&P
1	AAA – AA-	Aaa – Aa2	AAA – AA-
2	A+ – A-	A1 – A3	A+ – A-
3	BBB+ – BBB-	Baa1 – Baa3	BBB+ – BBB-
4	BB+ – BB-	Ba1 – Ba3	BB+ – BB-
5	B+ – B-	B1 – B3	B+ – B-
6	CCC+ – D	Caa1 – C	CCC+ – D

Risk Management (Continued)

ცხრილი 2. . Recognized short term rating and corresponding credit categories

Risk categories	Fitch	Moody's	S&P
1	F-1	P-1	A-1
2	F-2	P-2	A-1
3	F-3	P-3	A-1
4	other	other	other

- If there is available only one rating from the rating agencies, then it is used for weighting purposes;
- If two ratings are available from the rating agencies and they differ, then biggest risk weight is used;
- If three ratings are available that correspond to different risk categories, then biggest risk category is used from two lowest risk categories.

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.

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.

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Bank: JSC Isbank Georgia
Date: 31-Dec-18

Table 1 Key metrics

N		4Q 2018	3Q 2018	2Q 2018	1Q 2018	4Q 2017
	Regulatory capital (amounts, GEL)					
	<i>Based on Basel III framework</i>					
1	Common Equity Tier 1 (CET1)	74,490,038	73,144,692	32,841,671	33,805,966	33,798,891
2	Tier 1	74,490,038	73,144,692	32,841,671	33,805,966	33,798,891
3	Total regulatory capital	77,883,632	76,232,927	74,233,974	74,601,272	77,346,318
	Risk-weighted assets (amounts, GEL)					
4	Risk-weighted assets (RWA) (Based on Basel III framework)	290,138,010	275,658,387	191,343,902	188,270,222	176,975,780
	Capital ratios as a percentage of RWA					
	<i>Based on Basel III framework</i>					
5	Common equity Tier 1 ratio >=9.31160287227386%	25.67%	26.53%	17.16%	17.96%	19.10%
6	Tier 1 ratio >=11.5888783416964%	25.67%	26.53%	17.16%	17.96%	19.10%
7	Total Regulatory Capital ratio >=20.3829193101847%	26.84%	27.65%	38.80%	39.62%	43.70%
	Income					
8	Total Interest Income /Average Annual Assets	6.37%	6.42%	6.36%	6.10%	6.81%
9	Total Interest Expense / Average Annual Assets	2.72%	2.99%	3.29%	3.28%	3.80%
10	Earnings from Operations / Average Annual Assets	0.89%	0.41%	-0.35%	0.10%	0.86%
11	Net Interest Margin	3.65%	3.43%	3.07%	2.82%	3.01%
12	Return on Average Assets (ROAA)	0.63%	0.06%	-0.97%	-0.04%	1.10%
13	Return on Average Equity (ROAE)	2.73%	0.30%	-6.00%	-0.24%	9.74%
	Asset Quality					
14	Non Performed Loans / Total Loans	3.26%	3.52%	4.00%	3.25%	3.69%
15	LLR/Total Loans	3.64%	3.79%	4.00%	3.16%	3.27%
16	FX Loans/Total Loans	68.77%	63.90%	75.51%	85.17%	83.61%
17	FX Assets/Total Assets	64.91%	66.19%	69.37%	78.59%	80.23%
18	Loan Growth-YTD	0.48%	-6.80%	-18.15%	3.52%	-14.22%
	Liquidity					
19	Liquid Assets/Total Assets	22.10%	28.18%	15.35%	20.81%	23.70%
20	FX Liabilities/Total Liabilities	92.55%	89.12%	87.32%	94.88%	94.47%
21	Current & Demand Deposits/Total Assets	4.60%	6.18%	9.68%	8.41%	6.28%
	Liquidity Coverage Ratio***					
22	Total HQLA	68,091,162	76,019,141	35,068,758	25,897,147	56,246,205
23	Net cash outflow	46,919,640	33,833,570	13,822,567	21,806,954	22,317,977
24	LCR ratio (%)	145.12%	224.69%	253.71%	118.76%	252.02%

*** 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 illustrative purposes.

Bank: JSC Isbank Georgia

Date: 31-Dec-18

Table 2 Balance Sheet *in Lari*

N	Assets	Reporting Period			Respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
1	Cash	1,788,349	3,321,113	5,109,461	1,513,832	2,735,639	4,249,471
2	Due from NBG	10,867,874	26,569,608	37,437,481	519,746	28,906,437	29,426,183
3	Due from Banks	115,773	19,257,543	19,373,315	1,501,391	15,297,583	16,798,975
4	Dealing Securities	-	-	-	-	-	-
5	Investment Securities	22,085,386	11,143,671	33,229,057	14,140,877	10,750,392	24,891,269
6.1	Loans	47,872,935	105,417,650	153,290,586	24,999,294	127,562,782	152,562,076
6.2	Less: Loan Loss Reserves	-2,506,951	-3,080,301	-5,587,252	-1,993,674	-2,996,305	-4,989,979
6	Net Loans	45,365,984	102,337,350	147,703,334	23,005,620	124,566,477	147,572,096
7	Accrued Interest and Dividends Receivable	777,378	663,922	1,441,300	611,772	5,145,439	5,757,212
8	Other Real Estate Owned & Repossessed Assets	-	-	-	-	-	-
9	Equity Investments	-	-	-	-	-	-
10	Fixed Assets and Intangible Assets	1,419,829	-	1,419,829	1,871,942	-	1,871,942
11	Other Assets	8,882,535	5,568,870	14,451,405	3,118,184	393,915	3,512,100
12	Total assets	91,303,107	168,862,076	260,165,183	46,283,364	187,795,883	234,079,247
	Liabilities						
13	Due to Banks	-	105,883,981	105,883,981	-	51,351,416	51,351,416
14	Current (Accounts) Deposits	4,893,719	7,079,423	11,973,142	5,229,401	9,477,479	14,706,880
15	Demand Deposits	-	-	-	-	-	-
16	Time Deposits	612,769	25,510,440	26,123,209	244,080	55,751,454	55,995,534
17	Own Debt Securities	-	-	-	-	-	-
18	Borrowings	-	31,772,015	31,772,015	3,000,000	25,310,512	28,310,512
19	Accrued Interest and Dividends Payable	45,060	979,192	1,024,252	12,611	5,265,430	5,278,040
20	Other Liabilities	8,270,781	407,293	8,678,073	2,566,394	266,555	2,832,948
21	Subordinated Debentures	-	-	-	-	41,475,200	41,475,200
22	Total liabilities	13,822,329	171,632,343	185,454,672	11,052,485	188,898,045	199,950,530
	Equity Capital						
23	Common Stock	69,161,600	-	69,161,600	30,000,000	-	30,000,000
24	Preferred Stock	-	-	-	-	-	-
25	Less: Repurchased Shares	-	-	-	-	-	-
26	Share Premium	-	-	-	-	-	-
27	General Reserves	-	-	-	-	-	-
28	Retained Earnings	5,548,911	-	5,548,911	4,128,717	-	4,128,717
29	Asset Revaluation Reserves	-	-	-	-	-	-
30	Total Equity Capital	74,710,511		74,710,511	34,128,717		34,128,717
31	Total liabilities and Equity Capital	88,532,840	171,632,343	260,165,183	45,181,202	188,898,045	234,079,247

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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	624,716	11,252	635,968	620,668	407,098	1,027,766
2	Interest Income from Loans	10,387,426	1,413,095	11,800,520	4,036,089	13,264,473	17,300,562
2.1	from the Interbank Loans	0	174,564	174,564	0	0	0
2.2	from the Retail or Service Sector Loans	9,190,730	486,782	9,677,512	3,363,154	11,101,802	14,464,956
2.3	from the Energy Sector Loans			0			0
2.4	from the Agriculture and Forestry Sector Loans			0			0
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	1,196,696	751,749	1,948,445	672,935	2,162,671	2,835,606
2.9	from Other Sectors Loans	0	0	0	0	0	0
3	Fees/penalties income from loans to customers	0	0	0	198	0	198
4	Interest and Discount Income from Securities	1,105,955	767,372	1,873,327	662,099	0	662,099
5	Other Interest Income	0	0	0	0	0	0
6	Total Interest Income	12,118,096	2,191,719	14,309,816	5,319,054	13,671,572	18,990,625
	Interest Expense						
7	Interest Paid on Demand Deposits	107,609	0	107,609	42,525	0	42,525
8	Interest Paid on Time Deposits	982,468	0	982,468	1,643,877	918,180	2,562,057
9	Interest Paid on Banks Deposits	265,482	1,572,189	1,837,670	4,260	4,470,994	4,475,254
10	Interest Paid on Own Debt Securities	0	0	0	0	0	0
11	Interest Paid on Other Borrowings	199,085	2,975,270	3,174,355	28,415	3,486,726	3,515,141
12	Other Interest Expenses	0	0	0	0	0	0
13	Total Interest Expense	1,554,644	4,547,459	6,102,103	1,719,077	8,875,900	10,594,977
14	Net Interest Income	10,563,452	-2,355,740	8,207,712	3,599,977	4,795,672	8,395,649
	Non-Interest Income						
15	Net Fee and Commission Income	-83,492	0	-83,492	830,427	0	830,427
15.1	Fee and Commission Income	1,282,116		1,282,116	1,708,280	0	1,708,280
15.2	Fee and Commission Expense	1,365,608		1,365,608	877,852	0	877,852
16	Dividend Income	0	0	0	0	0	0
17	Gain (Loss) from Dealing Securities	0	0	0	0	0	0
18	Gain (Loss) from Investment Securities	0	0	0	0	0	0
19	Gain (Loss) from Foreign Exchange Trading	705,712		705,712	718,857		718,857
20	Gain (Loss) from Foreign Exchange Translation	948,505		948,505	89,090		89,090
21	Gain (Loss) on Sales of Fixed Assets	0	0	0	0	0	0
22	Non-Interest Income from other Banking Operations	596,130		596,130	38,052	212,079	250,132
23	Other Non-Interest Income	0	0	0	4,988	0	4,988
24	Total Non-Interest Income	2,166,856	0	2,166,856	1,681,415	212,079	1,893,494
	Non-Interest Expenses						
25	Non-Interest Expenses from other Banking Operations	0	0	0	0	0	0
26	Bank Development, Consultation and Marketing Expenses	177,211		177,211	275,211		275,211
27	Personnel Expenses	4,635,462		4,635,462	4,568,170		4,568,170
28	Operating Costs of Fixed Assets	19,372		19,372	23,476		23,476
29	Depreciation Expense	721,321		721,321	666,468		666,468
30	Other Non-Interest Expenses	1,870,603		1,870,603	2,265,271		2,265,271
31	Total Non-Interest Expenses	7,423,971	0	7,423,971	7,798,597	0	7,798,597
32	Net Non-Interest Income	-5,257,115	0	-5,257,115	-6,117,182	212,079	-5,905,102
33	Net Income before Provisions	5,306,338	-2,355,740	2,950,598	-2,517,205	5,007,751	2,490,546
34	Loan Loss Reserve	597,273		597,273	-925,060		-925,060
35	Provision for Possible Losses on Investments and Securities	147,996		147,996	242,396		242,396
36	Provision for Possible Losses on Other Assets	192,012		192,012	-8,964		-8,964
37	Total Provisions for Possible Losses	937,281	0	937,281	-691,628	0	-691,628
38	Net Income before Taxes and Extraordinary Items	4,369,056	-2,355,740	2,013,316	-1,825,577	5,007,751	3,182,174
39	Taxation	593,122		593,122	102,723		102,723
40	Net Income after Taxation	3,775,934	-2,355,740	1,420,194	-1,928,300	5,007,751	3,079,452
41	Extraordinary Items	0	0	0	0	0	0
42	Net Income	3,775,934	-2,355,740	1,420,194	-1,928,300	5,007,751	3,079,452

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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	34,808,674	8,011,640	42,820,314	1,176,340	8,475,884	9,652,224
1.1	Guarantees Issued	34,733,206	7,998,257	42,731,463	1,081,100	8,462,923	9,544,023
1.2	Letters of credit Issued			0			0
1.3	Undrawn loan commitments	75,468	13,383	88,851	95,240	12,961	108,201
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	127,576,446	127,576,446	0	67,140,974	67,140,974
4.1	Surety, joint liability		103,908,641	103,908,641		65,994,396	65,994,396
4.2	Guarantees		23,667,805	23,667,805		1,146,578	1,146,578
5	Assets pledged as security for receivables of the bank	0	529,772,079	529,772,079	11,128,610	469,832,518	480,961,128
5.1	Cash		3,675,703	3,675,703	33,600	50,173,518	50,207,118
5.2	Precious metals and stones			0			0
5.3	Real Estate:	0	270,134,562	270,134,562	0	230,092,074	230,092,074
5.3.1	Residential Property		21,621,544	21,621,544		18,416,547	18,416,547
5.3.2	Commercial Property		214,648,450	214,648,450		182,830,759	182,830,759
5.3.3	Complex Real Estate		1,765,390	1,765,390		1,503,703	1,503,703
5.3.4	Land Parcel		31,968,158	31,968,158		27,229,465	27,229,465
5.3.5	Other		131,020	131,020		111,599	111,599
5.4	Movable Property		2,948,902	2,948,902		675,942	675,942
5.5	Shares Pledged		15,769,571	15,769,571		9,032,980	9,032,980
5.6	Securities		0	0		0	0
5.7	Other		237,243,342	237,243,342	11,095,010	179,858,005	190,953,015
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	73,296	5,654	78,950	22,923	42,388	65,311
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)	73,296	5,654	78,950	22,923	42,388	65,311
8	Non-cancelable operating lease	6,200	1,151,819	1,158,019	21,950	2,288,521	2,310,471
8.1	Through indefinit term agreement			0			0
8.2	Within one year	4,700	580,554	585,254	17,000	1,084,206	1,101,206
8.3	From 1 to 2 years	1,200	302,101	303,301	3,450	617,590	621,040
8.4	From 2 to 3 years	300	179,443	179,743	1,200	319,326	320,526
8.5	From 3 to 4 years	0	89,721	89,721	300	178,266	178,566
8.6	From 4 to 5 years		0	0		89,133	89,133
8.7	More than 5 years			0			0
9	Capital expenditure commitment			0			0

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Table 5

Risk Weighted Assets

in Lari

N		4Q 2018	3Q 2018
1	Risk Weighted Assets for Credit Risk	271,487,509	247,058,744
1.1	Balance sheet items	229,164,982	217,646,426
1.1.1	Including: amounts below the thresholds for deduction (subject to 250% risk weight)		
1.2	Off-balance sheet items	42,322,527	29,412,318
1.3	Counterparty credit risk		
2	Risk Weighted Assets for Market Risk	346,493	11,600,665
3	Risk Weighted Assets for Operational Risk	18,304,008	16,998,978
4	Total Risk Weighted Assets	290,138,010	275,658,387

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

Members of Supervisory Board	
1	Murat Bilgiç
2	Mehmet Şencan
3	Can Yücel
4	Sezgin Lüle
5	Onur Kütük
6	Huseyn Serdar Yücel
7	Yavuz Ergin
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 İş Bankası A.S. 100%
List of bank beneficiaries indicating names of direct or indirect holders of 5% or more of shares	
1	Türkiye İş Bankası A.S, Employees" Pension Fund 40.47%
2	Turkey Republican People"s Party 28.09%

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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	5,109,461		5,109,461
2	Due from NBG	37,437,481		37,437,481
3	Due from Banks	19,373,315		19,373,315
4	Dealing Securities	0		0
5	Investment Securities	33,229,057		33,229,057
6.1	Loans	153,290,586		153,290,586
6.2	Less: Loan Loss Reserves	-5,587,252		-5,587,252
6	Net Loans	147,703,334		147,703,334
7	Accrued Interest and Dividends Receivable	1,441,300		1,441,300
8	Other Real Estate Owned & Repossessed Assets	0		0
9	Equity Investments	0		0
10	Fixed Assets and Intangible Assets	1,419,829	220,473	1,199,356
11	Other Assets	14,451,405		14,451,405
	Total exposures subject to credit risk weighting before adjustments	260,165,183	220,473	259,944,710

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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	259,944,710
2.1	Nominal values of off-balance sheet items subject to credit risk weighting	42,820,314
2.2	Nominal values of off-balance sheet items subject to counterparty credit risk weighting	
3	Total nominal values of on-balance and off-balance sheet items before any adjustments used for credit risk weighting purposes	302,765,024
4	Effect of provisioning rules used for capital adequacy purposes	3,234,262
5.1	Effect of credit conversion factor of off-balance sheet items related to credit risk framework	-44,425
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	305,954,861

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Table 9 **Regulatory capital**

N		in Lari
1	Common Equity Tier 1 capital before regulatory adjustments	74,710,511
2	Common shares that comply with the criteria for Common Equity Tier 1	69,161,600
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)	5,548,911
7	Regulatory Adjustments of Common Equity Tier 1 capital	220,473
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	220,473
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	74,490,038
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	3,393,594
37	Instruments that comply with the criteria for Tier 2 capital	0
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	3,393,594
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	3,393,594

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Table 9.1 **Capital Adequacy Requirements**

Minimum Requirements		Ratios	Amounts (GEL)
1	Pillar 1 Requirements		
1.1	Minimum CET1 Requirement	4.50%	13,056,210
1.2	Minimum Tier 1 Requirement	6.00%	17,408,281
1.3	Minimum Regulatory Capital Requirement	8.00%	23,211,041
2	Combined Buffer		
2.1	Capital Conservation Buffer	2.50%	7,253,450
2.2	Countercyclical Buffer	0.00%	-
2.3	Systemic Risk Buffer		-
3	Pillar 2 Requirements*		
3.1	CET1 Pillar 2 Requirement	2.31%	6,706,839
3.2	Tier 1 Pillar2 Requirement	3.09%	8,962,010
3.3	Regulatory capital Pillar 2 Requirement	9.88%	28,674,105
Existing Ratios/Amounts		Ratios	Amounts (GEL)
4	CET1	9.31%	27,016,499
5	Tier 1	11.59%	33,623,741
6	Total regulatory Capital	20.38%	59,138,597

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Table 10

Reconciliation of balance sheet to regulatory capital

in Lar

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	5,109,461	
2	Due from NBG	37,437,481	
3	Due from Banks	19,373,315	
4	Dealing Securities	0	
5	Investment Securities	33,229,057	
6.1	Loans	153,290,586	
6.2	Less: Loan Loss Reserves	-5,587,252	
6	Net Loans	147,703,334	
7	Accrued Interest and Dividends Receivable	1,441,300	
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	1,419,829	
10.1	Of which intangible assets	220,473	table 9 (Capital), N10
11	Other Assets	14,451,405	
12	Total assets	260,165,183	
13	Due to Banks	105,883,981	
14	Current (Accounts) Deposits	11,973,142	
15	Demand Deposits	0	
16	Time Deposits	26,123,209	
17	Own Debt Securities	0	
18	Borrowings	31,772,015	
19	Accrued Interest and Dividends Payable	1,024,252	
20	Other Liabilities	8,678,073	
21	Subordinated Debentures	0	
21.1	Of which tier II capital qualifying instruments	0	table 9 (Capital), N37
22	Total liabilities	185,454,672	
23	Common Stock	69,161,600	table 9 (Capital), N2
24	Preferred Stock		
25	Less: Repurchased Shares		
26	Share Premium		
27	General Reserves		
28	Retained Earnings	5,548,911	table 9 (Capital), N6
29	Asset Revaluation Reserves		
30	Total Equity Capital	74,710,511	

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Date: 31-Dec-18

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				19,687,479	34,112,055	53,799,534	15,424,404	25,939,764	41,364,168
Cash outflows										
2	Retail deposits	950,263	21,322,048	22,272,311	277,114	4,267,214	4,544,328	47,896	1,061,761	1,109,657
3	Unsecured wholesale funding	7,447,161	127,285,882	134,733,043	3,012,321	16,597,179	19,609,500	2,375,651	19,167,438	21,543,089
4	Secured wholesale funding									
5	Outflows related to off-balance sheet obligations and net short position of derivative exposures	10,010,756	14,504,798	24,515,554	1,893,401	2,337,429	4,230,830	1,017,852	1,050,752	2,068,604
6	Other contractual funding obligations									
7	Other contingent funding obligations	26,254	2,139,428	2,165,682	-	-	-	-	-	-
8	TOTAL CASH OUTFLOWS	18,434,434	165,252,157	183,686,591	5,182,835	23,201,822	28,384,657	3,441,398	21,279,951	24,721,349
Cash inflows										
9	Secured lending (eg reverse repos)			-			-			-
10	Inflows from fully performing exposures	44,012,899	134,660,542	178,673,441	2,199,293	3,329,508	5,528,802	7,227,990	23,055,541	30,283,531
11	Other cash inflows	1,632,004	3,262,917	4,894,920	77,929	46,748	124,677	80,520	41,192	121,713
12	TOTAL CASH INFLOWS	45,644,903	137,923,458	183,568,361	2,277,222	3,376,257	5,653,479	7,308,510	23,096,733	30,405,244
					Total value according to NBG's methodology* (with limits)			Total value according to Basel methodology (with limits)		
13	Total HQLA				19,687,479	34,112,055	53,799,534	15,424,404	25,939,764	41,364,168
14	Net cash outflow				2,905,613	19,825,565	22,731,178	3,867,112	1,816,782	5,683,895
15	Liquidity coverage ratio (%)				677.57%	172.06%	236.68%	-398.86%	-1427.79%	-727.74%

* 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 illustrative purposes.

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Table 15.1 Leverage Ratio

On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	260,165,183
2	(Asset amounts deducted in determining Tier 1 capital)	(220,473)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	259,944,710
Derivative exposures		
4	Replacement cost associated with <i>all</i> derivatives transactions (ie net of eligible cash variation margin)	
5	Add-on amounts for PFE associated with <i>all</i> derivatives transactions (mark-to-market method)	
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	Total derivative exposures (sum of lines 4 to 10)	-
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	-
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	42,820,314
18	(Adjustments for conversion to credit equivalent amounts)	(44,425)
19	Other off-balance sheet exposures (sum of lines 17 to 18)	42,775,889
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposures		
20	Tier 1 capital	74,490,038
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	302,720,599
Leverage ratio		
22	Leverage ratio	24.61%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

Table N	Content
20	Differences between accounting and regulatory scopes of consolidation
21	Consolidation by entities
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23	Operational risks - basic indicator approach
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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” .

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Table 20 Differences between accounting and regulatory scopes of consolidation																		
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	Reconciliation with standardized regulatory reporting format													
					1	2	3	4	5	6.1	6.2	6	7	8	9	10	11	12
					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	38,031,000	38,031,000	35,355,432	1	5,109,461	10,870,034	19,373,315				5,048,781	0	5,048,781	108,927				35,355,433
Amounts due from banks	5,155,000	5,155,000	5,157,708								5,048,781	0	5,048,781	108,927				5,157,708
Mandatory reserves at the National Bank of Georgia	26,567,000	26,567,000	26,567,447			26,567,447												26,567,447
Loans to customers	156,471,000	156,471,000	151,420,087	2					8,148,519	148,241,805	-5,750,222	150,640,102	779,985					151,420,087
Investment securities	25,461,000	25,461,000	25,793,275	3					25,470,930		-227,422	25,243,508	549,767					25,793,275
Property, equipment and intangible assets	984,000	984,000	1,419,829													1,419,829		1,419,829
Deferred tax assets	0	0	0															0
Other assets	12,089,000	12,089,000	14,451,405	1													14,451,405	14,451,405
Total assets	264,758,000	264,758,000	260,165,183		5,109,461	37,437,481	19,373,315	0	33,619,449	153,290,586	-5,977,644	180,932,391	1,441,300	0	0	1,419,829	14,451,405	260,165,184

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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	Reconciliation with standardized regulatory reporting format											
					13	14	15	16	17	18	19	20	21	22		
					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	106,509,000	106,509,000	106,509,175		105,883,981							625,194				106,509,175
Current accounts and deposits from customers	38,352,000	38,352,000	38,351,795			11,973,142		26,123,209				255,444				38,351,795
Other borrowed funds and subordinated	31,916,000	31,916,000	31,915,629							31,772,015		143,614				31,915,629
Deferred tax liabilities	649,000	649,000	0													0
Other liabilities	9,132,000	9,132,000	8,678,073									8,678,073				8,678,073
Total liabilities	186,558,000	186,558,000	185,454,672		105,883,981	11,973,142	0	26,123,209	0	31,772,015	1,024,252	8,678,073	0	0	0	185,454,672

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	Reconciliation with standardized regulatory reporting format									
					23	24	25	26	27	28	29	30		
					Common Stock	Preferred Stock	Less: Repurchased Shares	Share Premium	General Reserves	Retained Earnings	Asset Evaluation Reserves	Total Equity Capital		
Share capital	69,162,000	69,162,000	69,161,600		69,161,600									69,161,600
Statutory reserve	0	0	0											0
Unrealised gains on investment securities	-404,000	-404,000	0	4										0
Retained earnings	9,442,000	9,442,000	5,548,911	5						5,548,911				5,548,911
Total equity	78,200,000	78,200,000	74,710,511		69,161,600	0	0	0	0	5,548,911	0	0	0	74,710,511

1). The Main difference is caused due to reclassification of GEL 2,676 thousand from Other Assets to Cash and Cash equivalent, as it belongs to the Bank's Nostro account in TBC and just because of technical issue on last working day of the year, it was not possible to be reflected mentioned amount on the Nostro account

2). The Main difference is because of loan loss provision calculation according to NBG and IFRS 9; Also Corporate Bond is added to Loans to customers in Audited report, but it is included in investment securities in the NBG Report

3). 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

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

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

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Table 22 **Information about historical operational losses**

		2018	2017	2016
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			

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

		a	b	c	d	e
		2018	2017	2016	Average of sums of net interest and net non-interest income during last three years	Risk Weighted asset (RWA)
1	Net interest income	8,207,712	8,395,649	7,009,755		
2	Total Non-Interest Income	2,166,856	1,893,494	1,612,947		
3	less: income (loss) from selling property	-	-	-		
4	Total income (1+2-3)	10,374,568	10,289,143	8,622,702	9,762,138	18,304,008

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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)	1,106,703	199,538	0
3		Of which cash-based	1,106,703	199,538	
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	1,106,703	199,538	0

Bank:
Date:

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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			

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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

