



# **ISBANK GEORGIA PRESENTATION 2018**



<b>İşbank Group at a Glance</b>	<b>3</b>
<b>Financial Highlights of İşbank Turkey</b>	
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Financial Highlights of Isbank Georgia	



# Main Business Lines

## Banking Services

Corporate Banking

Commercial Banking

Retail Banking

Private Banking

Capital Market Operations

Other Banking Services

## Other Financial Services

Insurance

Private Pension

Asset Management

Venture Capital

Investment Banking

REIT

Leasing & Factoring

Brokerage & Custody

# The Largest Private Bank

Market Share (%)  
2018

Rank<sup>(2)</sup>

## Main Balance Sheet Items<sup>(1)</sup>

Total Assets	11.4	1 <sup>st</sup>
Total Loans	11.3	1 <sup>st</sup>
TL Loans	10.5	2 <sup>nd</sup>
FX Loans	12.3	1 <sup>st</sup>
Consumer Loans <sup>(3)</sup>	11.7	2 <sup>nd</sup>
Non-Retail Loans	11.1	1 <sup>st</sup>
Total Deposits	12.1	1 <sup>st</sup>
TL Deposits	11.0	1 <sup>st</sup>
FX Deposits	13.4	1 <sup>st</sup>
Demand Deposits	13.7	1 <sup>st</sup>

## Other Products & Distribution Network

Number of POS <sup>(4)</sup>	11.5	3 <sup>rd</sup>
Acquiring Volume <sup>(4)</sup>	17.5	3 <sup>rd</sup>
Number of Credit Cards <sup>(4)</sup>	11.7	3 <sup>rd</sup>
Issuing Volume <sup>(4)</sup>	14.4	3 <sup>rd</sup>
Volume of Debit Cards <sup>(4)</sup>	9.6	2 <sup>nd</sup>
Number of Branches	12.9	1 <sup>st</sup>
Number of ATMs	12.6	1 <sup>st</sup>

(1) Market share calculations are based on weekly BRSA data excluding participation banks. Total assets market share is based on monthly BRSA data.

(2) Ranking among private-sector banks

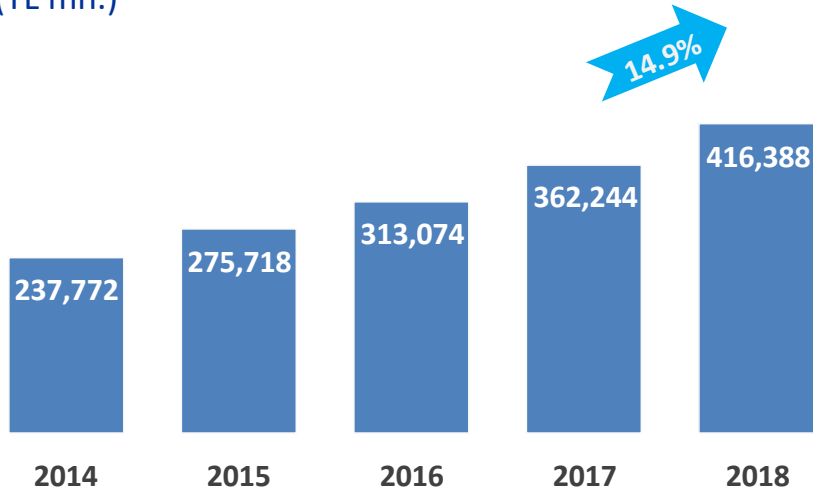
(3) Including retail overdraft accounts

(4) Market share calculations are based on Interbank Card Center (BKM) data.

# Growth Performance

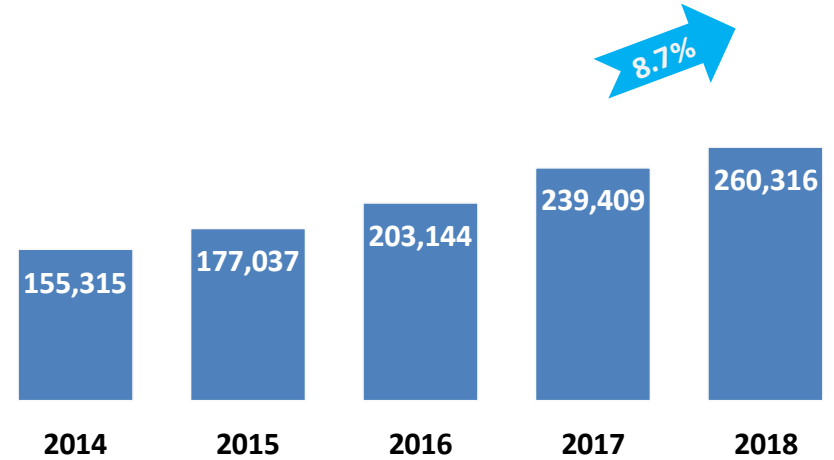
## Total Assets

(TL mn.)



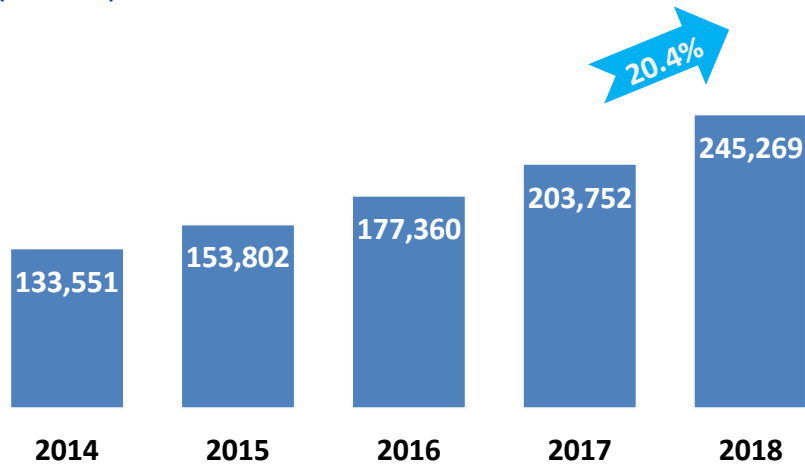
## Loans

(TL mn.)



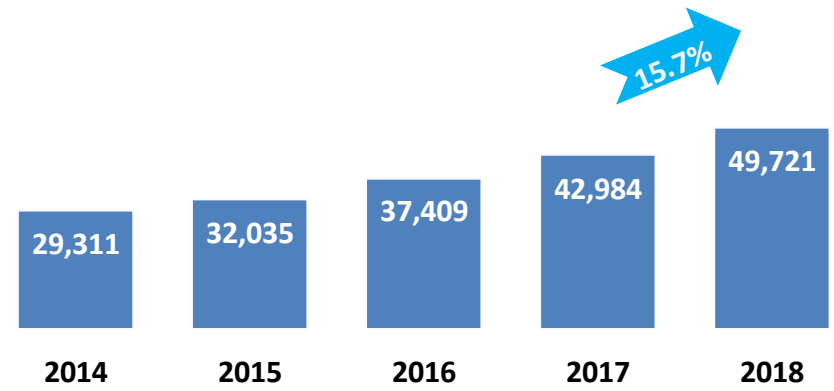
## Deposits

(TL mn.)



## Shareholders' Equity

(TL mn.)

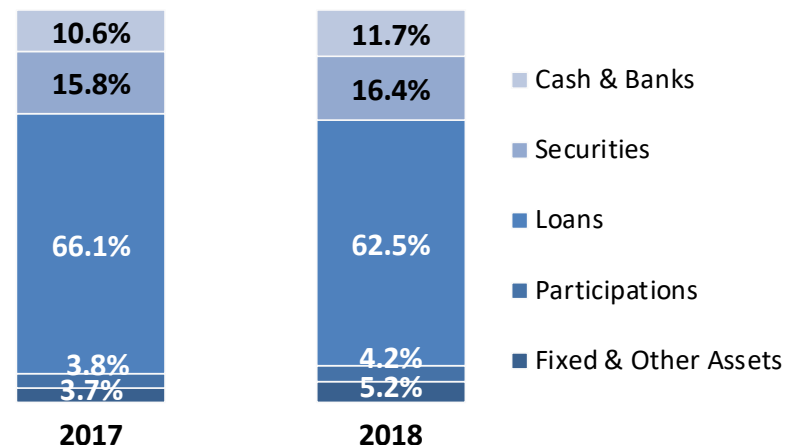


# Asset Structure

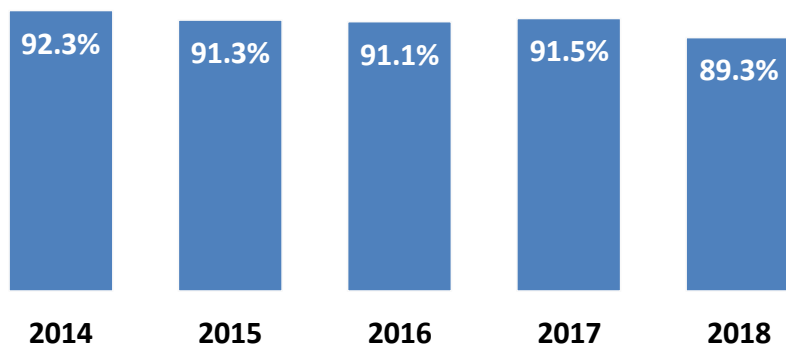
## Main Balance Sheet Items

(TL mn.)	2017	2018	Change
Cash & Banks	38,424	48,519	26.3%
Securities (Net)	57,352	68,134	18.8%
Loans	239,409	260,316	8.7%
Participations (Net)	13,802	17,639	27.8%
Fixed Assets (Net)	5,163	5,997	16.2%
Other Assets	8,095	15,783	95.0%
<b>Total Assets</b>	<b>362,244</b>	<b>416,388</b>	<b>14.9%</b>

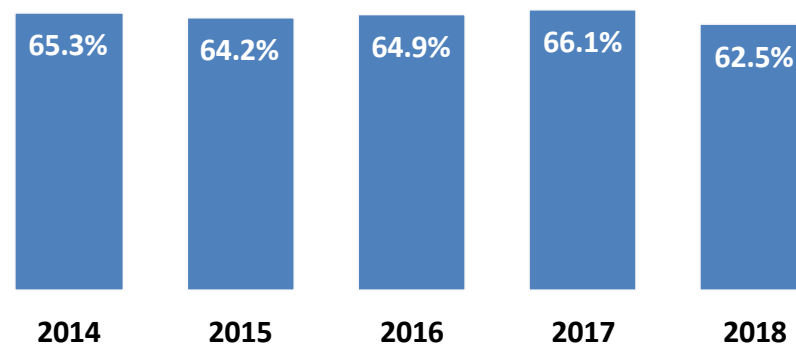
## Asset Composition



## Interest Earning Assets / Total Assets



## Loans / Assets



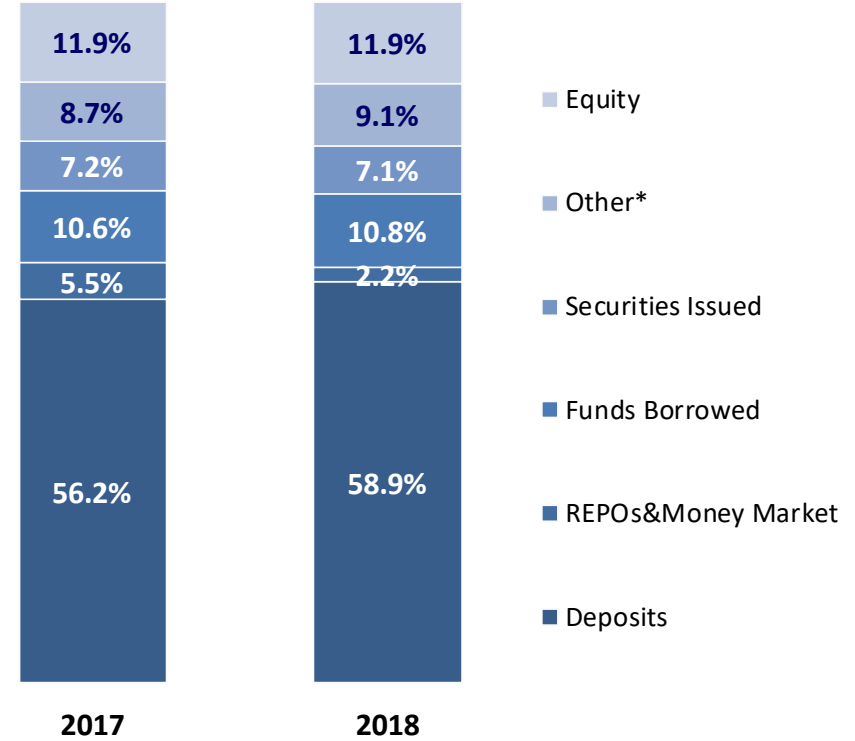
# Strong Fund Generation Capability

## Main Balance Sheet Items

(TL mn.)	2017	2018	Change
Deposits	203,752	245,269	20.4%
REPOs & Money Market	19,834	9,072	-54.3%
Funds Borrowed	38,424	44,793	16.6%
Securities Issued	25,911	29,445	13.6%
Other*	31,338	38,089	21.5%
Equity	42,984	49,721	15.7%
<b>Total Liabilities &amp; Equity</b>	<b>362,244</b>	<b>416,388</b>	<b>14.9%</b>

Largest TL funding base  
among private-sector banks

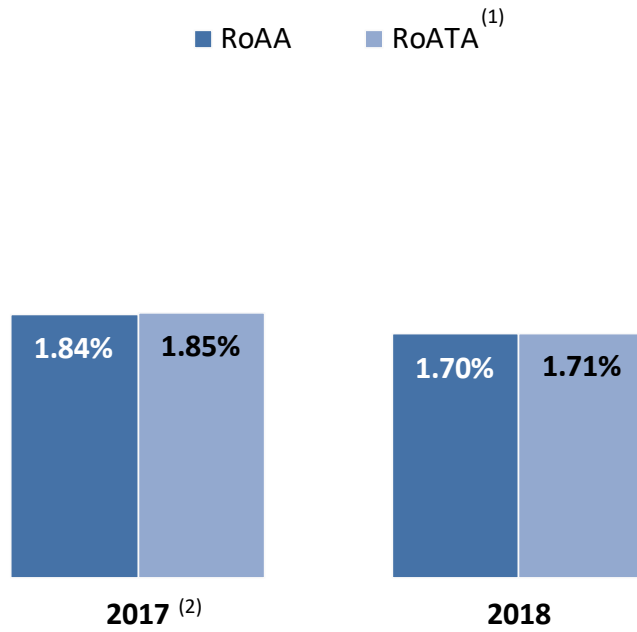
## Liabilities Composition



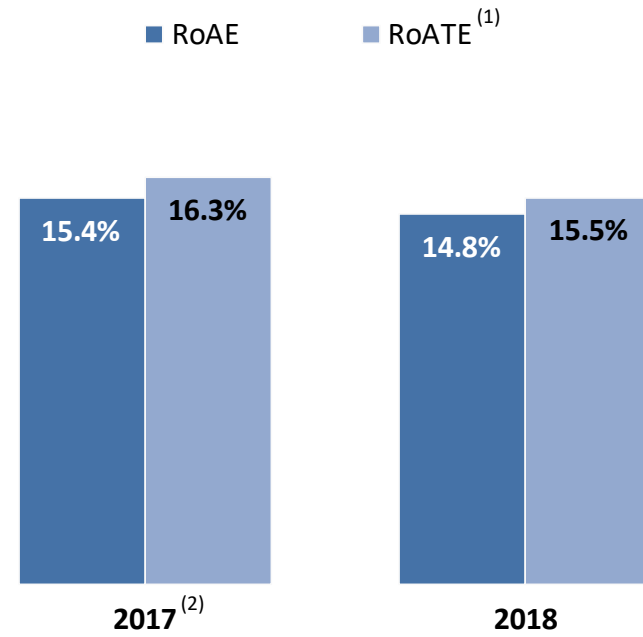
(\* ) Includes subordinated debt of USD 1.9 bn plus TL 1.1 bn as of 2017 and 2018.

# Profitability Ratios

## Return on Assets



## Return on Equity

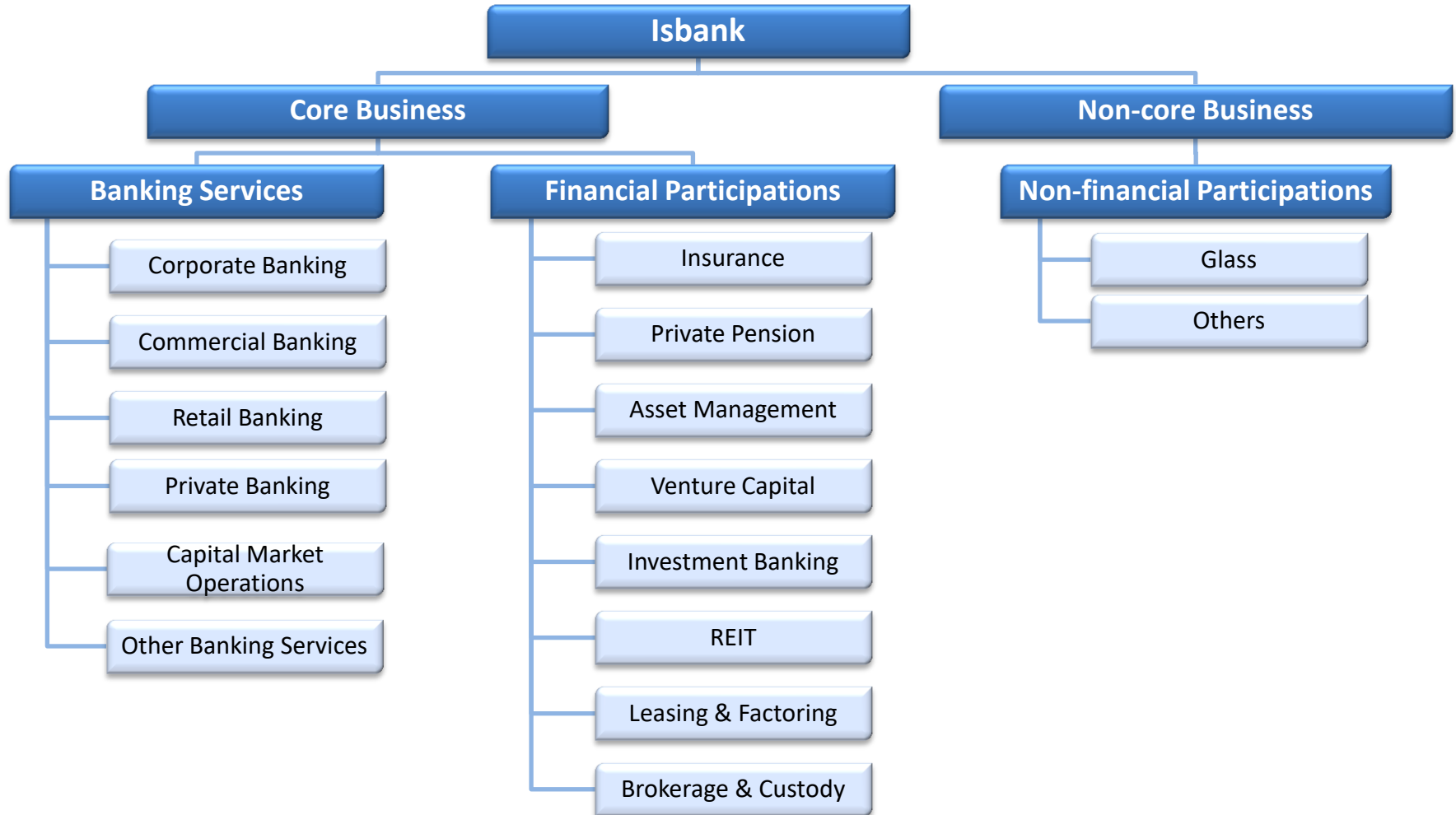


(1) Tangible Equity (TE) and Tangible Assets (TA) are calculated by the deduction of M-t-M valuation differences regarding AFS (Fin. Assets Measured at FV through OCI) portfolio and real estates from shareholders' equity and total assets.

(2) Calculated using restated figures according to IAS 27.

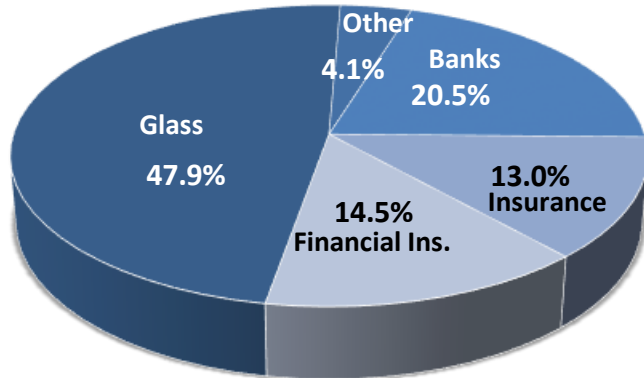
# Isbank and Its Participations

... as one of the biggest conglomerates in Turkey.

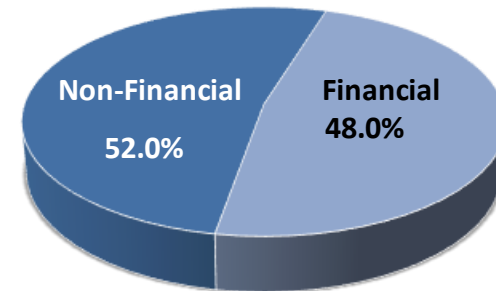


# A Diversified Equity Participation Portfolio

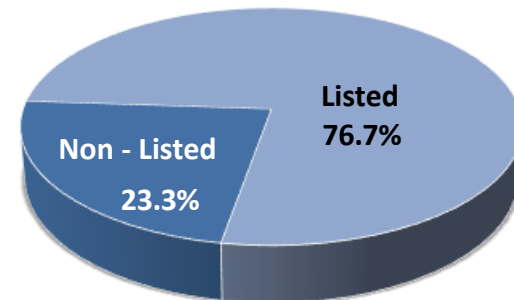
## Sectoral Breakdown



## Participation Mix



- As of 2018 year-end,
  - Isbank has 17 participations.
  - Share of participations in total assets is 4.2%.
- Since 2002, a total of 43 participations has been divested.



## General Information



- A leading flat glass, glassware, glass packaging, glass fibre, soda ash and chromium chemicals producer in the domestic market.
- Backed by its vision, Şişecam expands its production operations into neighbouring countries.
- 66.30% share of Şişecam is held by İşbank.

## Financial Information (Con., IFRS)

USD (Million)	2018 9M	2017 9M
Total Assets	4,968	5,767
Shareholders' Equity	2,895	3,534
Net Sales	1,863	2,257
International Sales <sup>1</sup>	1.137	1.290
Gross Profit	625	686
EBITDA	731	629

## Market/Production Shares (%)\*

	Turkey	Europe <sup>2,3</sup>	World <sup>3</sup>
Flat Glass <sup>8</sup>	69.3	20.3	3.6
Glassware	69.9 <sup>6</sup>	17.4 <sup>7</sup>	8.5 <sup>7</sup>
Glass Packaging <sup>8</sup>	61.7	6.9	2.7
Soda Ash <sup>4,8</sup>	48.0	15.4	3.4
Chromium Chemicals <sup>5,8</sup>	70.0	44.0	28.0



First investment outside Turkey was the acquisition of the JSC Mina in Georgia in 1997. Ksani Glassware Factory is one of the largest in Caucasus. IFC and EBRD have made investments in the Company.

(\*) As of September 2018.

(1) Includes exports and sales from production abroad.

(2) Market shares including Turkey. For Flat Glass, Glassware and Soda Ash, European market does not include Russia and Ukraine.

(3) Production/capacity shares.

(4) Soda products are based on heavy soda ash and light soda ash in the domestic, European and Global market. Soda ash sales within Turkey and BiH are considered in European market share.

(5) Chromium chemicals are based on Basic Chromium Sulphate.

(6) Market share in terms of units.

(7) Market share in terms of revenue.

(8) Market share in terms of tonnage.

# Production Plants of Şişecam

## PRODUCTION PLANTS IN TURKEY

### ŞİŞECAM FLAT GLASS

- Trakya Cam Sanayii A.Ş.  
Trakya Plant - Kırklareli  
Mersin Plant - Mersin
- Trakya Yenişehir Cam Sanayii A.Ş.  
Yenişehir Plant - Bursa
- Trakya Polatlı Cam Sanayii A.Ş.  
Polatlı Plant - Ankara
- Şişecam Otomotiv A.Ş.  
Şişecam Otomotiv Plant - Kırklareli

### ŞİŞECAM GLASSWARE

- Paşabahçe Cam San. Ve Tic. A.Ş.  
Kırklareli Plant  
Eskişehir Plant
- Denizli Cam San. Ve Tic. A.Ş.  
Denizli Plant
- Camış Ambalaj Sanayii A.Ş.  
Tuzla Plant - İstanbul

### ŞİŞECAM GLASS PACKAGING

- Anadolu Cam Sanayi A.Ş.  
Mersin Plant  
Yenişehir Plant - Bursa  
Eskişehir Plant

### ŞİŞECAM CHEMICALS

- Soda Sanayi A.Ş.  
Soda Plant - Mersin
- Kromsan Krom Bileşikleri Plant - Mersin
- Camış Madencilik  
Cities in operation: Aydın, Balıkesir, Bilecik, İstanbul, Karabük, Kırklareli, Mersin
- Cam Elyaf San. A.Ş.  
Gebze Plant - Kocaeli
- Oxyvit Kimya San. ve Tic. A.Ş.  
Mersin Plant

The Group enlarges its business area  
by expanding its operations  
to the fastest-growing countries in its region.



# List of Financial Participations...

Company Name	Field of Activity	Bank's Direct Share(%)	Risk Group Share (%)	Assets (USD 000) <sup>(3)</sup>	Shareholders' Equity (USD 000) <sup>(3)</sup>	Market Share (%) <sup>(3)</sup>	Basis for Market Share
Türkiye Sınai Kalkınma Bankası A.Ş.	Investment Bank	41.44	50.92	7,319,877	656,256	16.3	Total Assets
İşbank AG	Banking	100.00	100.00	2,069,192	232,694	N/A	
JSC İşbank	Banking	100.00	100.00	199,968	57,941	N/A	
JSC Isbank Georgia	Banking	100.00	100.00	95,738	28,336	0,66	Total Assets
Anadolu Anonim Türk Sigorta Şirketi	Insurance	-	64.31	1,338,597	267,057	12,00	Premium Income
Anadolu Hayat Emeklilik A.Ş.	Life Insurance & Private Pension	62.00	83.00	3,334,853	143,005	18.7/ 8.8 <sup>(1)</sup>	Private Pension Funds Under Management / Life Premium Income
Milli Reasürans T.A.Ş.	Reinsurance	76.64	77.06	720,761	370,419	6.2 <sup>(2)</sup>	Premium Income
İş Yatırım Menkul Değerler A.Ş. <sup>(4)</sup>	Brokerage House	65.65	70.69	1,285,513	168,550	7.8	Transaction Volume
Yatırım Finansman Menkul Değerler A.Ş. <sup>(4)</sup>	Brokerage House	-	98.42	147,742	15,267	4.0	Transaction Volume
İş Yatırım Ortaklığı A.Ş.	Trust Company	-	38.66	38,380	38,295	48.4	NAV
İş Portföy Yönetimi A.Ş.	Portfolio Mngt.	-	100.00	17,712	16,570	20.0	Funds Under Management
İş Finansal Kiralama A.Ş. <sup>(4)</sup>	Leasing	27.79	58.29	1,540,213	179,915	8.9	Lease Receivables
İş Faktoring A.Ş.	Factoring	-	100.00	370,632	46,592	6.1	Factoring Receivables
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	REIT	47,44	63,24	984,399	630,530	4,3	Market Value
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Risk Venture	-	57.67	43,898	43,573	-	
Efes Varlık Yönetim A.Ş.	Asset Management	-	100.00	35,840	5,278	-	
<b>TOTAL</b>				<b>18,559,900</b>	<b>2,900,278</b>		

(1) As of September 30, 2018; total amount of funds (including state contribution) managed within private pension system is TL 86,9 billion while Anadolu Hayat Emeklilik accounts for %18.7 of this figure. The company's market share in life insurance market is %8.8 as of the same date.

(2) Milli Reasürans T.A.Ş. is the only reinsurance company backed by national capital operating in Turkey with a market share of 6.2%. The rest 93.8% is shared by foreign reinsurance companies.

(3) As of September 30, 2018

(4) Consolidated amount

# Sustainability

## Senior level commitment in sustainability management...



## Efficient governance structure for ESG activities...



### Environment-friendly buildings



Head Office



Atlas Data Center

Tuzla Technology and Operations Center



FTSE4Good

Risk assessment via **Environmental and Social Risk Evaluation Tool** for new investment projects worth more than **USD 10 million**

**İşbank Exclusion List** of activities which are not financed



Global Compact Network Turkey **Declaration of Sustainable Finance**

### Strong support for renewable energy

RE share in total energy projects portfolio **%40** (As of 31.12.2018)

### Strong rights contributing to employee satisfaction (As of 31.12.2018)

Unionized employees **99%**

Female employees **51%**

Turnover rate **2%**

Female managers **41%**

Return from maternity leave **98%**

## FitchRatings (November 12, 2019)

	Rating*
FC Issuer Default Rating	B+ / Negative / B
LC Issuer Default Rating	B+ / Stable / B
National Long Term Rating	A+(tur) / Stable
Viability Rating	b+
Support Rating	4
Support Rating Floor	B
Senior Unsecured Notes	B+
Subordinated Debt Notes	B

## MOODY'S (June 18, 2019)

	Rating*
FC Bank Deposit	B3 / Negative / Not-Prime
LC Bank Deposit	B3 / Negative / Not-Prime
Senior Unsecured Debt	B3 / Negative

## S&P Global (August 17, 2017)

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

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

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## Key Developments

- **July, 2012** - Batumi Branch of Isbank Turkey started operations as a Branch of Türkiye İş Bankası A.Ş.
- **June, 2014** - Tbilisi Branch was opened.
- **August, 2015** - The branch was transformed into a Bank - JSC Isbank Georgia, fully owned subsidiary of Türkiye İş Bankası A.Ş.. JSC Isbank Georgia acquired general banking license and its activities are regulated by the National Bank of Georgia (NBG).
- The Bank has Head Office and one branch in Tbilisi, one branch in Batumi.
- The Bank is a member of the International Payment Systems, Society for Worldwide Interbank Financial Telecommunications (SWIFT), an additional member of VISA and a principal member of MasterCard.
- The Bank is focused to provide banking services to Corporate and Small and Medium Enterprises (SMEs); The principal activities are: deposit taking and customer account maintenance, lending and trade finance, cash and settlement operations and foreign exchange operations.
- The number of employees increased from 37 to 66 over last 3 years. As of YE 2018 the share of expatriates is 6%; the composition per gender is: male - 40%, female - 60%, staff with higher education - 96%.

## Our Vision, Mission and Strategy

### 1. Our Vision

- To be most preferred, trustworthy, leading Turkish bank in Georgia providing wide range of banking products and services to local and international companies, as well as individuals.

### 2. Our Mission and Objectives

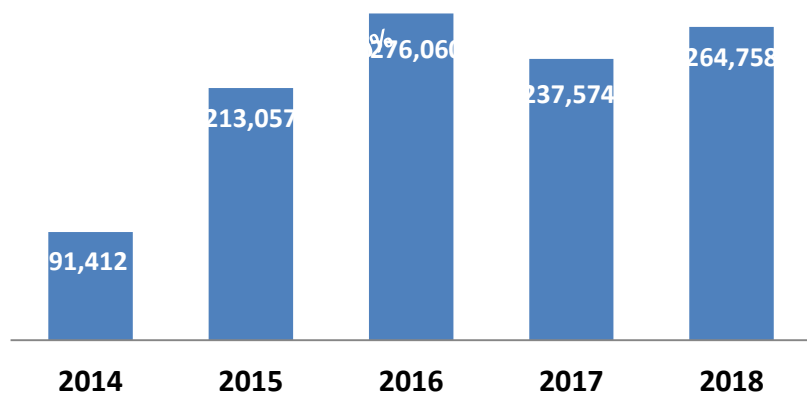
- To provide rapid, efficient and top quality solutions to meet the needs of customers;
- To enhance shareholder value consistently;
- To motivate employees in order to maximize their performance.

### 3. Our Strategy and Plans

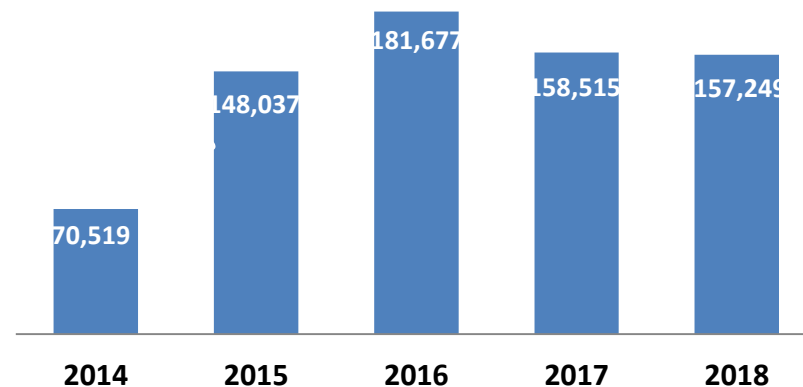
- To increase and diversify the client base as well as loan portfolio and deposits from customers;
- To continue targeting large companies and provide financing, including through syndication/risk participation with other local banks;
- To target medium and small enterprises, including through efficient utilization of the funds obtained from International Financial Institutions and other FIs;
- To increase off-balance sheet portfolio and gain share in trade finance/documentary business, considering the large trade flows between Georgia and Turkey;
- To develop digital banking.

# Growth Performance

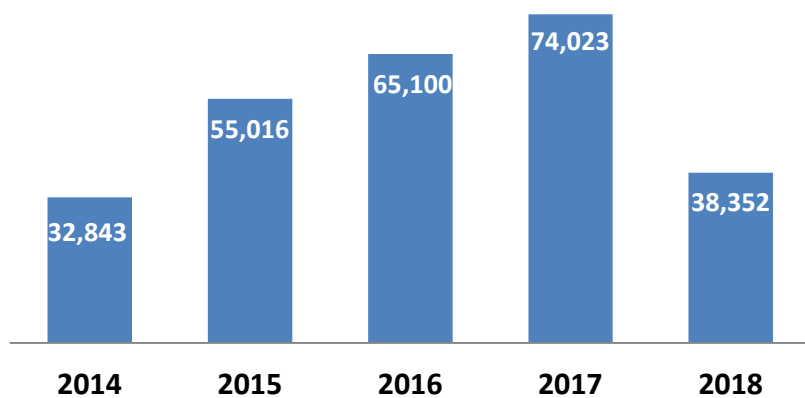
## Total Assets (000'GEL)



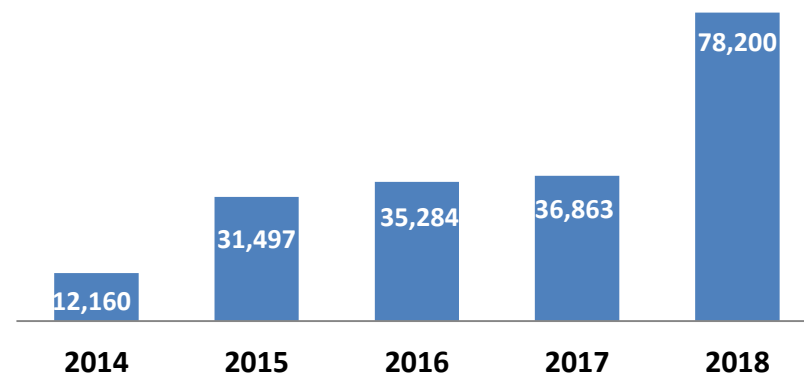
## Total Gross Loans (000'GEL)



## Customer Deposits (000'GEL)



## Shareholders' Equity (000'GEL)

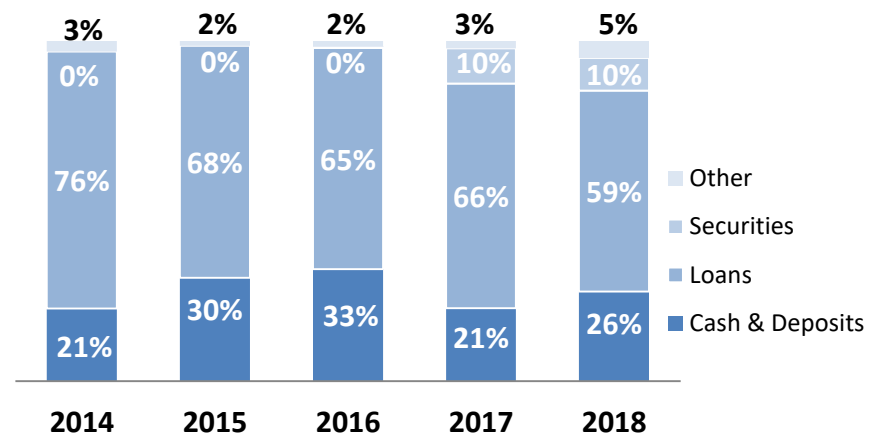


# Asset Structure

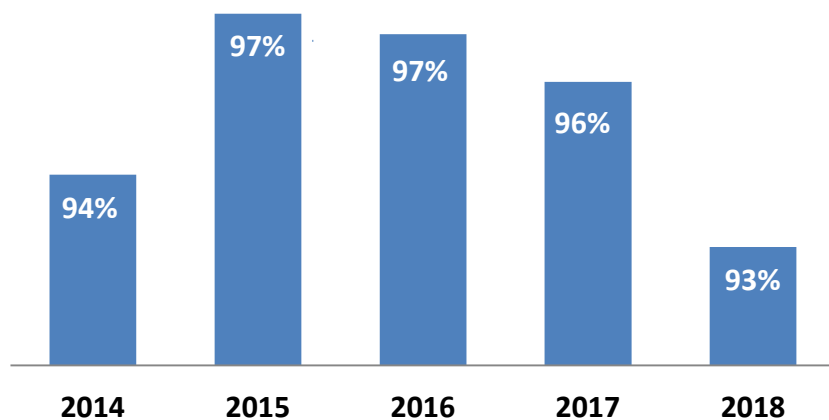
## Main Balance Sheet Items

(000'GEL)	2016	2017	2018
Cash& Deposits	90,705	50,910	69,753
Securities	1,018	24,633	25,461
Loans	179,786	157,004	156,471
Fixed Assets	2,283	1,529	984
Other Assets	2,258	3,498	12,089
<b>Total Assets</b>	<b>276,050</b>	<b>237,574</b>	<b>264,758</b>

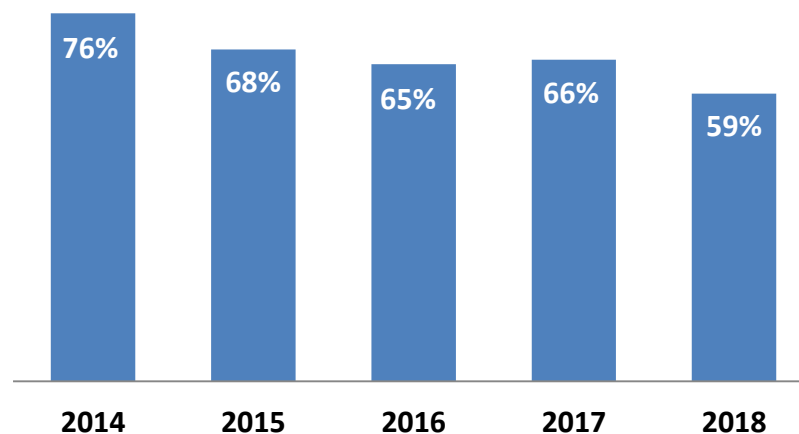
## Asset Composition



## Interest Earning Assets / Total Assets

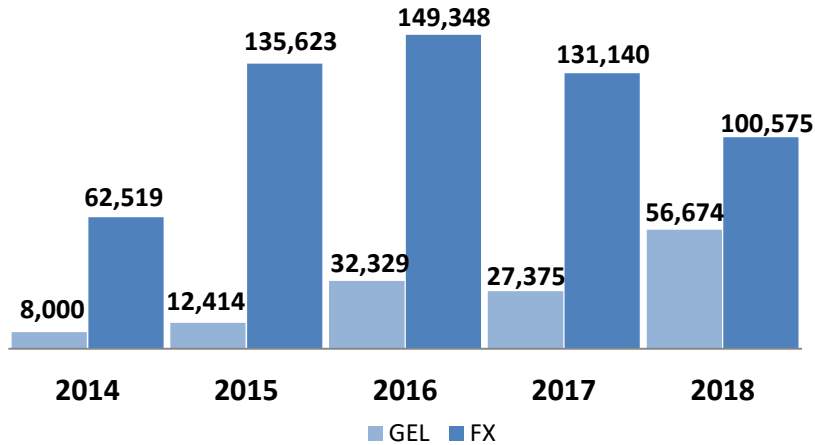


## Loans /Assets

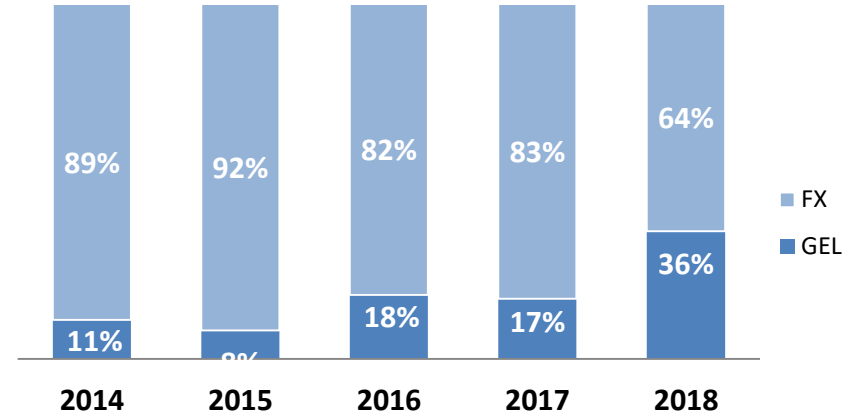


# Loan Portfolio Structure

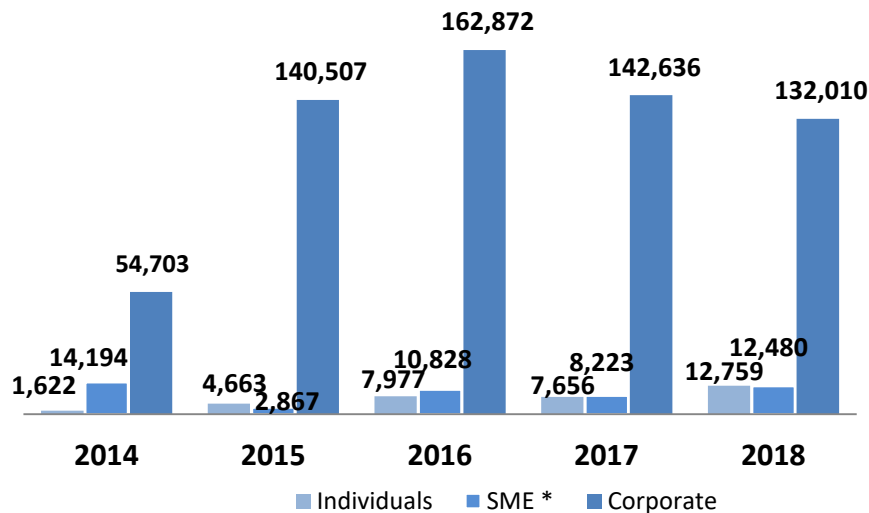
## Loan Portfolio (000'GEL)



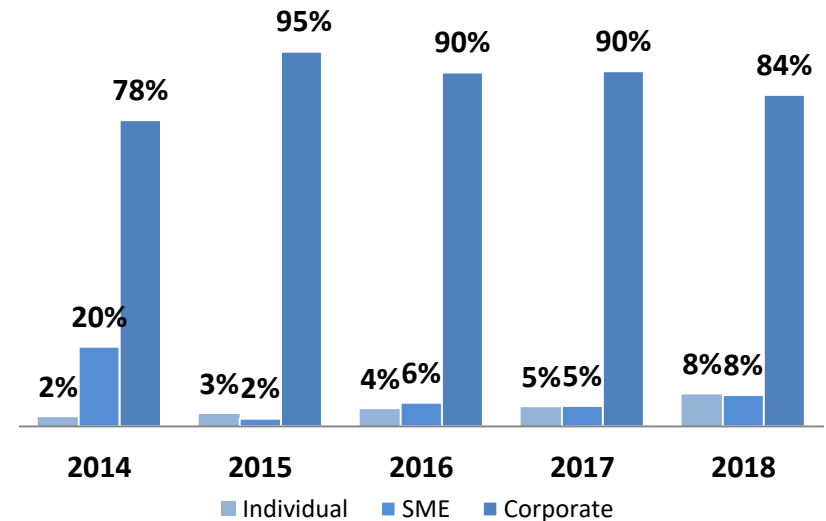
## GEL / FX Mix of Loans



## Loan Portfolio Segments (000'GEL)



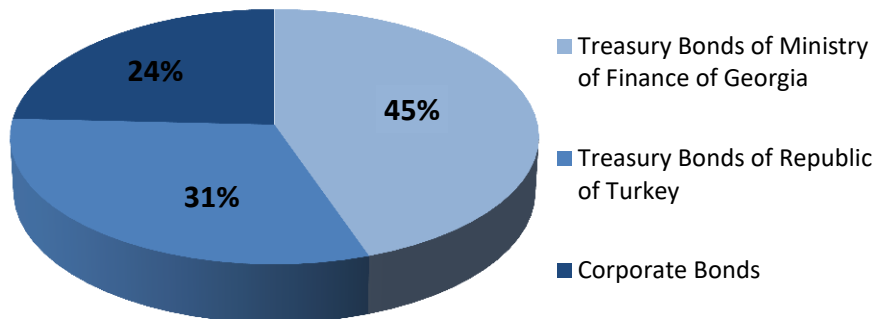
## Loan Portfolio Segments (%)



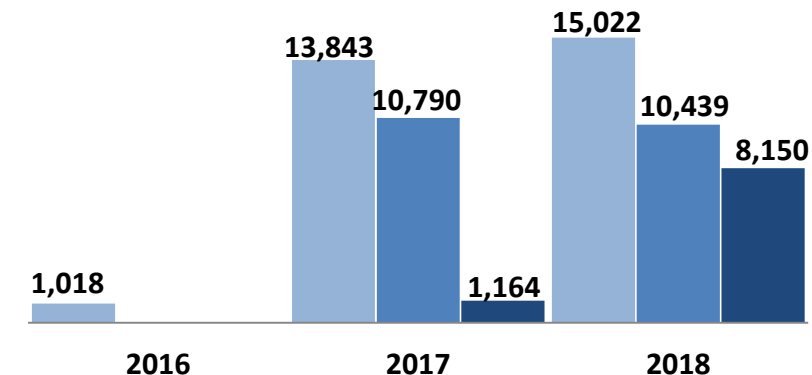
\*SMEs include companies with annual Turnover less than GEL 7 mln and total Exposure less than GEL 2.5 mln

# Fixed Income Securities Portfolio

## Breakdown of Securities



## Total Securities Portfolio (000'GEL)



■ T-Bonds of MOF GEL ■ T-Bonds of Republic of Turkey USD ■ Corporate Bonds GEL\*

\* Corporate Bonds are included in the Loan to Customers as per Audited FS

- Securities (including Corporate Bonds) constitute 13% of total assets;
- 95% of Treasury Bonds of Ministry of Finance of Georgia can be pledged with NBG to take short-term refinancing loans;
- Treasury Bonds of MOF of Georgia are rated BB by Fitch;
- Treasury Bonds of Republic of Turkey are rated BB by Fitch.

Average durations:

- 2.5 years for GEL Securities
- 6.3 years for FX Securities

Weighted YTM:

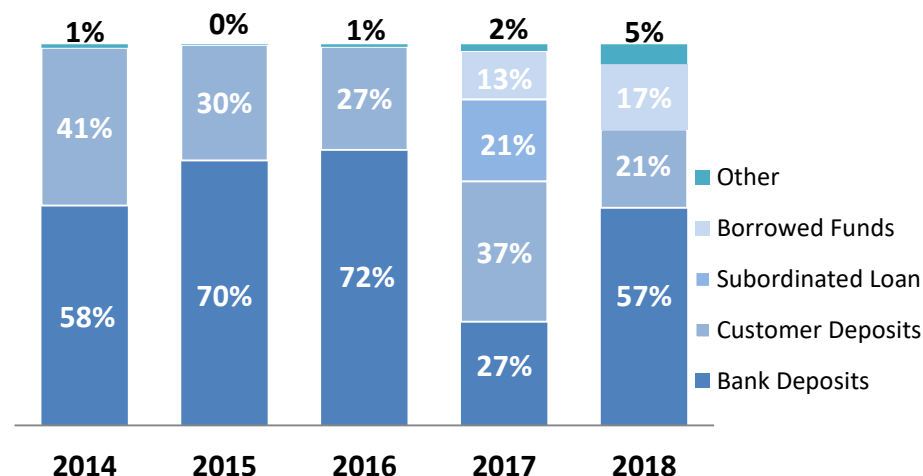
- 8.7% for GEL Securities
- 4.5% for FX Securities

# Liabilities Structure

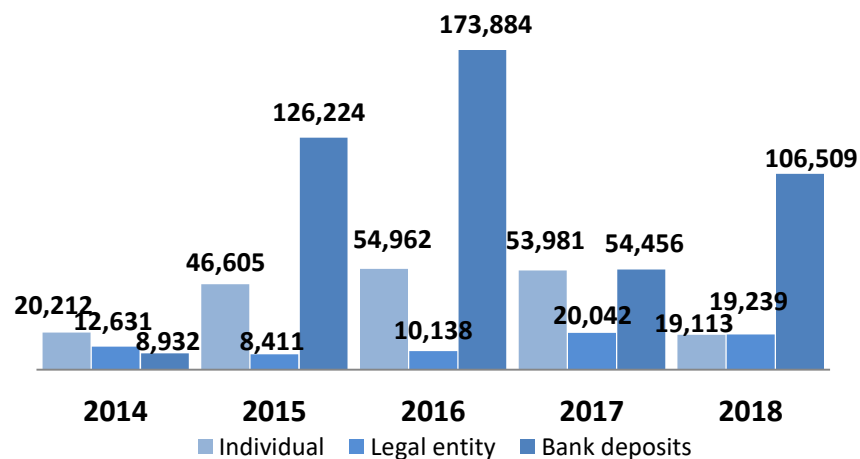
## Main Balance Sheet Items

(000'GEL)	2016	2017	2018
Bank Deposits	173,884	54,456	106,509
Customer Deposits	65,100	74,023	38,352
Borrowed Funds	-	25,486	31,916
Sub. Loan	-	43,152	-
Other Liabilities	1,782	3,594	9,781
<b>Total Liabilities</b>	<b>240,766</b>	<b>200,711</b>	<b>186,558</b>

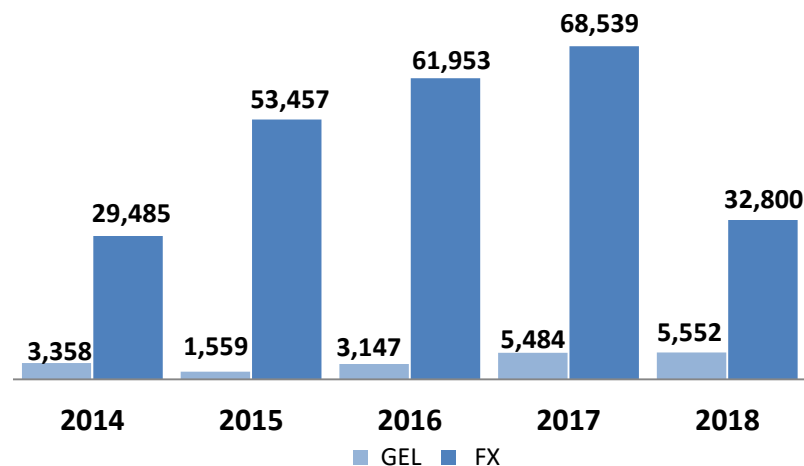
## Liabilities Composition



## Deposits Breakdown (000'GEL)

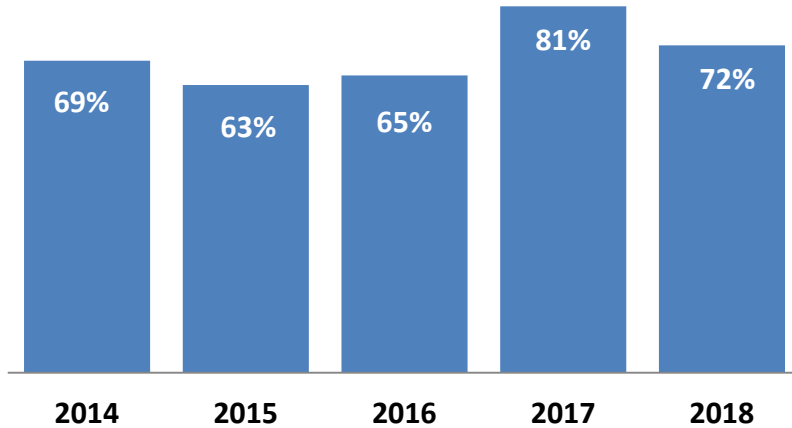


## Customer Deposits (000'GEL)

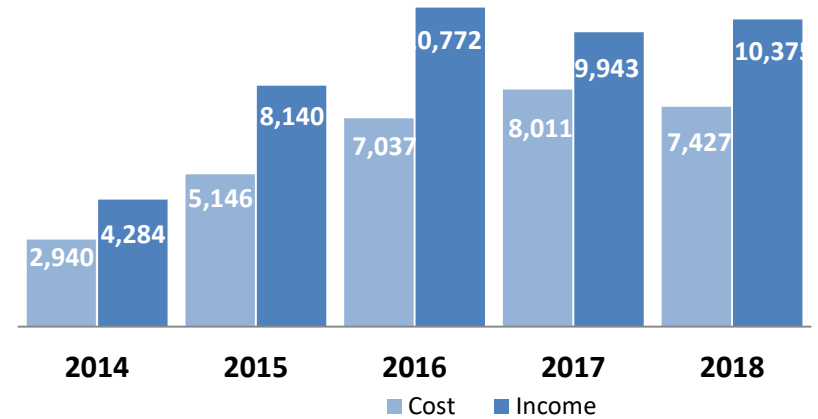


# Cost Management & Profitability

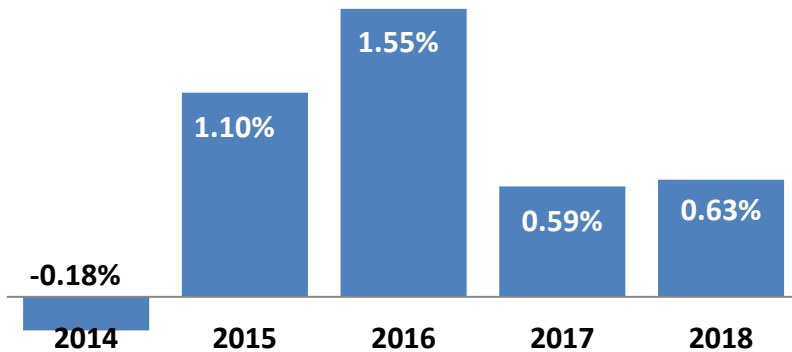
## Cost / Income



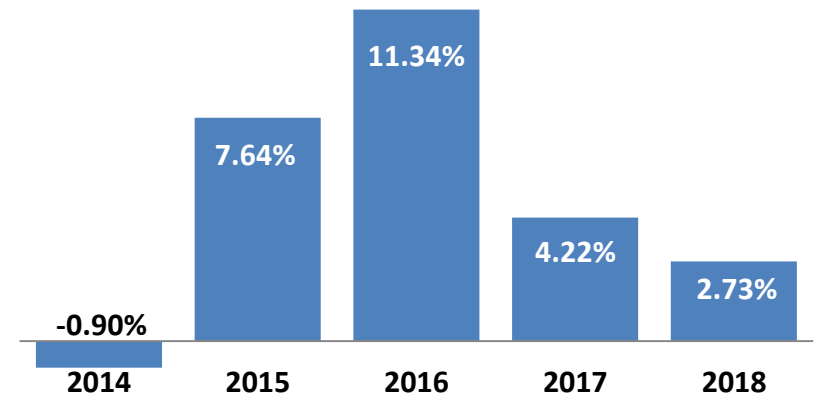
## Cost / Income (000'GEL)



## ROA

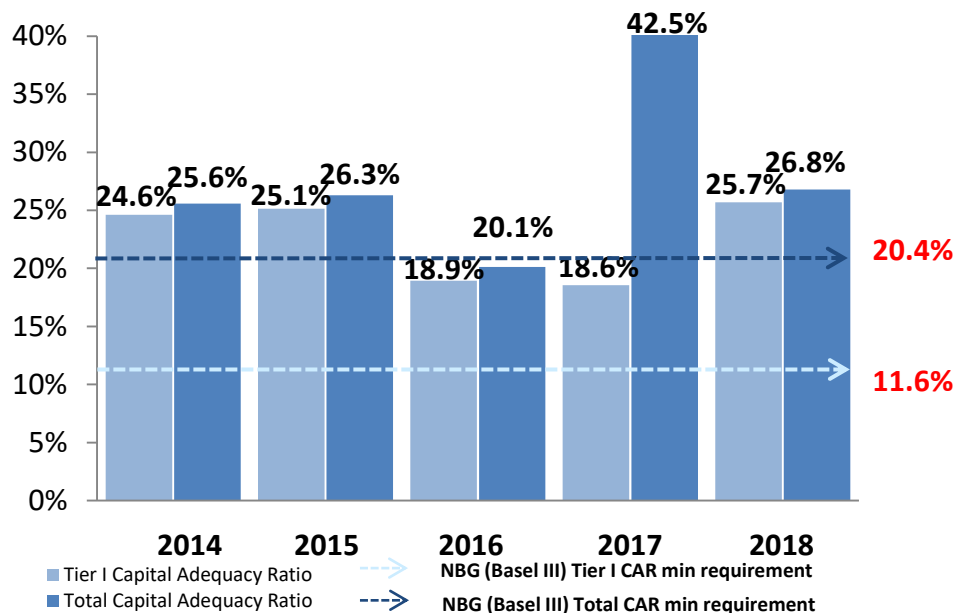


## ROE

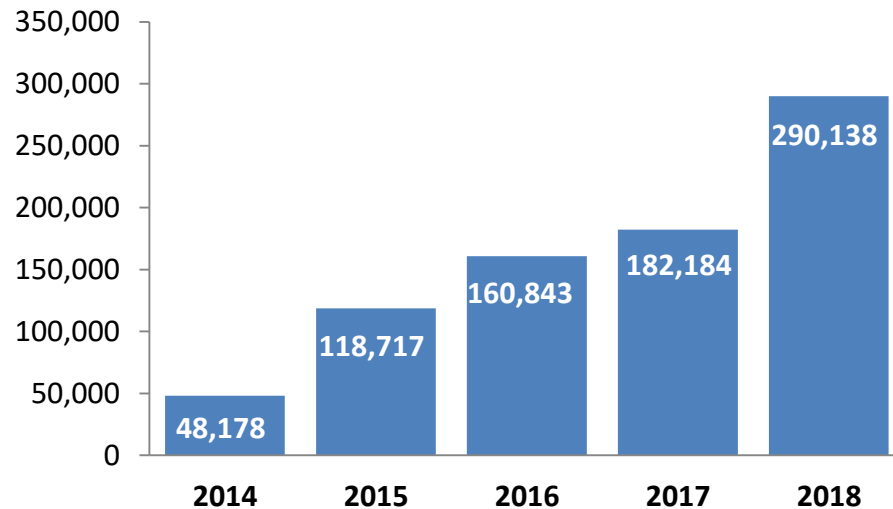


# Capital Adequacy Position

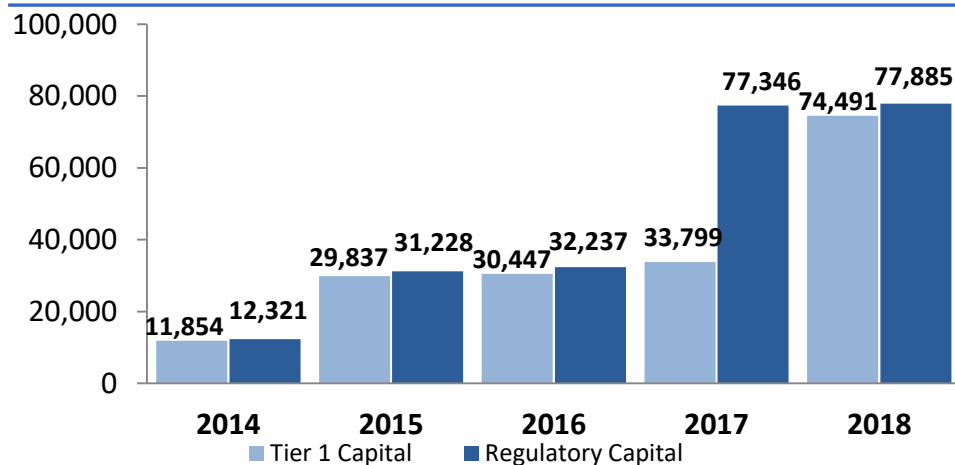
## Capital Adequacy Ratios



## Risk Weighted Assets (000'GEL)



## Tier I and Regulatory Capital (000'GEL)



In Dec 2017 NBG introduced new capital framework in accordance to Basel III, where capital requirements are divided into Pillar 1 requirements and additional buffers under Pillar 1 and Pillar 2;

As at 31 Dec 2018 the minimum requirements for Isbank Georgia are:

- Common Equity Tier 1: 9.31%;
- Tier 1: 11.59%;
- Regulatory: 20.38%.

\*2014-2016 figures are as per Basel 1; 2017 -2018 – Basel III

# Income Statement

000'GEL	Audited Figures			Change Y-O-Y	
	2016	2017	2018	2016-2017	2017-2018
Interest income	16,373	18,850	14,672	15%	-22%
Interest expense	(7,892)	(10,595)	(6,284)	34%	-41%
<b>Net interest income</b>	<b>8,481</b>	<b>8,255</b>	<b>8,388</b>	<b>-3%</b>	<b>2%</b>
Fee and commission income	1,334	970	1,457	-27%	50%
Fee and commission expense	(1,041)	(878)	(1,365)	-16%	55%
<b>Net Fee and commission income</b>	<b>293</b>	<b>92</b>	<b>91</b>	<b>-69%</b>	<b>-1%</b>
Net foreign exchange income	1,189	808	1,748	-32%	116%
<b>Operating income</b>	<b>9,963</b>	<b>9,155</b>	<b>10,227</b>	<b>-8%</b>	<b>12%</b>
Impairment losses	861	380	443	-56%	17%
Personnel expenses	(3,615)	(4,568)	(4,635)	26%	1%
Other general administrative expenses	(2,757)	(3,229)	(2,808)	17%	-13%
<b>Profit/(Loss) before income tax</b>	<b>4,452</b>	<b>1,738</b>	<b>3,227</b>	<b>-61%</b>	<b>86%</b>
Income tax (expense)/benefit	(665)	(214)	(677)	-68%	216%
<b>Profit/(Loss) and total comprehensive income/(loss) for the year</b>	<b>3,787</b>	<b>1,524</b>	<b>2,550</b>	<b>-60%</b>	<b>67%</b>

# Balance Sheet

000'GEL	Audited Figures			Change Y-O-Y	
	2016	2017	2018	2016-2017	2017-2018
<b>ASSETS</b>					
Cash and cash equivalents	44,098	21,579	38,031	-51%	76%
Amounts due from Banks	-	434	5.155	-	1088%
Mandatory reserves at NBG	46,607	28,897	26,567	-38%	-8%
Securities	1,018	24,633	25,461	2320%	3%
Loans to customers	179,786	157,004	156,471	-13%	0%
Property, equipment and intangible assets	2,284	1,529	984	-33%	-36%
Other assets	2,258	3,498	12,089	55%	246%
<b>Total Assets</b>	<b>276,050</b>	<b>237,574</b>	<b>264,758</b>	<b>-14%</b>	<b>11%</b>
<b>LIABILITIES</b>					
Deposits and balances from banks	173,884	54,456	106,509	-69%	96%
Current accounts and deposits from customers	65,100	74,023	38,352	14%	-48%
Other borrowed funds and Subordinated debt	-	68,638	31,916	-	-54%
Deferred tax liability	579	209	649	-64%	211%
Other liabilities	1,204	3,385	8,132	181%	140%
<b>Total Liabilities</b>	<b>240,767</b>	<b>200,711</b>	<b>186,558</b>	<b>-17%</b>	<b>-7%</b>
<b>EQUITY</b>					
Share capital	30,000	30,000	69.162	-	100%
Unrealised gains on securities available-for-sale	-	55	(404)	-	-835%
Retained earnings	5,284	6,808	9,442	29%	39%
<b>Total equity</b>	<b>35,284</b>	<b>36,863</b>	<b>78,200</b>	<b>4%</b>	<b>112%</b>
<b>Total liabilities and equity</b>	<b>276,050</b>	<b>237,574</b>	<b>264,758</b>	<b>-14%</b>	<b>11%</b>

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