

Pillar 3 Annual Report

JSC Ziraat Bank Georgia

As of 31 December 2020

Introduction

This document is based on the requirements of Basel III framework by Basel Committee on Banking Supervision of Basel Bank Supervision Committee’s Pillar 3 Transparency and European Union’s N575/2013 directive, which’s relevant instructions are laid down by the National Bank of Georgia’s Order N92/04 of 22 June 2017 "Regulation on Disclosure requirements for commercial banks within Pillar 3".

Management’s statement

The Bank's Board of Directors confirms the accuracy of all the data and information outlined in the Pillar 3 report. The statement is prepared by "Zirat Bank Georgia" in full compliance with the internal control process agreed with the Supervisory Board. The present report meets the requirements of "Regulation on Disclosure requirements for commercial banks within Pillar 3" Order N92/04 of the President of the National Bank of Georgia and other rules and regulations established by the NBG.

Additional Information is located in files/addresses below:

<i>Document Name</i>	<i>Address</i>
<i>JSC “Ziraat Bank Georgia “ Audit Report 2020</i>	<i>Financial Statement for 31.12.2020</i>
<i>JSC “Ziraat Bank Turkey“ Annual Report 2020</i>	<i>https://www.ziraatbank.com.tr/tr/yatirimci-iliskileri/finansal-bilgiler/yillik-faaliyet-raporlari</i>
<i>JSC “Ziraat Bank Georgia “ Web address</i>	<i>http://www.ziraatbank.ge/</i>
<i>Education and Experience info. file of Management and Supervisory Board members</i>	<i>ADM-BZB-Administrators</i>

JSC “Ziraat Bank Georgia”

Ziraat Bank, the founder of the Turkish banking sector and the driving force of the country's economy, has been the benchmark and change leader for more than 150 years. Parent bank-Ziraat Bank Turkey was officially established on November 20, 1863 as a modern financial institution to undertake the functions of the Benefit Funds, and the Benefit Funds operating at that time were converted into bank branches and started their operations. The shares that made up the financial resource of the Benefit Funds until then were transferred to the Bank and the shares issued subsequently were allocated to the Bank's capital. The Bank, thanks to its management structure based on well-established solid principles and to its experienced and trained staff, on each stage has succeeded to overcome the difficulties it has faced. Ziraat Bank which has extended its services in order to become the bank of preference by everyone and all segments of population continues to develop its operations in line with the aim to add value to the country. Ziraat Bank is one of the largest and oldest banks in Turkey, 100% of the Bank's capital is owned by the Republic of Turkey. It has reached the status of a leading bank which has achieved giant strides forward with the knowledge it has acquired during century and a half of operations and has created added value for society, gaining acclaim for the quality of its services and products.

Ziraat Bank Tbilisi Branch started its operations in 1998 and has continued operations as subsidiary JSC “Ziraat Bank Georgia” after May 1, 2017. New branches has been opened; Batumi Service Center in 2013, Marneuli Service Center in 2016 , Tsereteli Service Center in 2018 In Tbilisi, Kutaisi Service Center in 2019 and Varketeli and Gldani service centers in 2020 in Tbilisi.

Mission, Vision, Goals

The vision of JSC “Ziraat Bank Georgia” is to be a bank which is reliable and widespread all over the world and in Georgia, to offer the same quality service for everyone and every sector, the bank which sees its customers and human resources as its most valuable assets, the organization that continuously makes a difference and creates value in a way that befits its deep-rooted past and at the same time serves as a model for its competitors. As the mission, JSC “Ziraat Bank Georgia” is aiming to be a bank that understands customer needs and expectations, thereby offering them the best solutions and value recommendations from the most appropriate channel; a bank that brings to every segment of society a wide range of products and services in the fastest, most effective way through its extensive network of branches and alternative distribution channels; a bank that operates with profitability and productivity at global standards by recognizing its ethical values and social responsibility; a bank that holds customer satisfaction to be the most important value.

In respect with the vision and mission of parent bank, the vision of the Bank is to be universal, respected and to have high market value, which will provide reliable services and meet the needs of strategic sectors, to be the Bank that promises more from a bank at every stage and serves as a model for its

competitors. also to recover operating costs, the cost of capital employed and to maintain healthy financial ratios.

Within the risk management strategy in the formation of assets, the Bank will seek to maintain sufficient level of liquidity, balanced structure of assets and liabilities by maturity to currency, to ensure the required level of diversification across industries and customers. First of all the Bank will compete with peers in Georgia, and will strengthen its position and market share on market by offering convenient financial services. It will increase the resource base by attracting funds from new customers and stimulate the growth of funds on accounts of legal and physical persons by offering diverse choice of interest rate and maturity deposits.

The bank will strengthen its positions on Georgian financial market and participate in improving infrastructure, and develop the efficiency of network units.

By combining standard technologies with an individual approach to each client, the Bank is aimed to improve customer services, besides as from the past experience; the subjective approach to each and every customer creates the feeling of stability for each client that causes creation of highly loyal customer base. In terms to develop client base, the goal of the Bank is to attract maximum possible number of clients by securing long-term mutually beneficial cooperation by improving the product range, and aims at building long-term relationships with clients.

Strategy, Strategic targets

In terms to efficiently operate on Georgian market the bank offers a wide range of products and services in order to respond flexibly and effectively to the diverse needs of its clients and to address their specific financial risk. For instance, the loans are tailored to specific financial requirements of its clients, including project, corporate and trade transactions. Therefore, to imply above mentioned targets, the Bank has strategic goals over the next five years, which are mainly focused on asset quality, new product development plans, derivative products, obtaining good credit rating, leveraging capital resources, proper and efficient risk management and of course applying AML and KYC regulations of NBG and international regulators.

For the 5 years period the Bank is planning to achieve a stable and rapid growth, which will be expressed mainly by the credit portfolio and affiliate chain increase, considering the risk associated with the rapid growth and mitigates them.

The Bank's strategic goals over the next five years will mainly focus on good asset quality, new product development, IT infrastructure development, enhancing the human resources and technical capabilities, adhere the prudent banking practices, improving and strengthening the risk management perspectives.

The Bank will invest in different sectors and industries in terms to avoid the losses caused by industry crashes, therefore the diversified sector sourcing will allow the Bank to gain maximum possible profits with minimum possible losses.

The next strategic target is to develop new products convenient for Georgian financial market. Currently there is small market for different financial instruments available, but by developing the forwards and swap, the Bank will give the possibilities to customers to place their funds, or use diversified products and gain high revenues with low risks. Therefore, by offering different derivative products, the bank is guaranteeing itself to gain important available market share.

In terms to offer diversified products to customers and afterwards keep up with the financial conditions and prepare the reports, which will allow the management to review the quality of operating or financial investments, the Bank needs proper technical base. For this reason, the Bank will continue to invest in development of its IT infrastructure to maintain an effective integrated system in terms to secure the safety of database.

Furthermore, the Bank aims to open service centers in different regions of Georgia in terms to capture high possible market share, by smartly choosing the distributions channels.

Financial Indicators of JSC “Ziraat Bank Georgia”.

Based on Bank’s 2020 audited financial statements, financial data is as follows: The total assets of JSC Ziraat Bank Georgia amounted GEL 131,603,926 in 2019, against GEL 131,634,613 in 2020, which means that bank has stable position of assets in the condition of COVID-19 pandemic situation.. In addition, the bank's net credit portfolio grew by 15% compared to 2019 and totaled 56,908,893GEL in 2020 . It is worth mentioning that loan portfolio volume was increased due to Corporate and SME segments. The quality of portfolio held on Ziraat Bank Georgia’s loan balance sheet had deteriorated, with 9.22% NPL. Which is 6.34% higher than last year’s same ratio, the driver was resulted from Covid-19 world pandemic risk situation.

The Bank's customers Liabilities in 2020 is decreased by 5.2% (67,138,140GEL), compared with 2019 commitments (70,828,559 GEL).

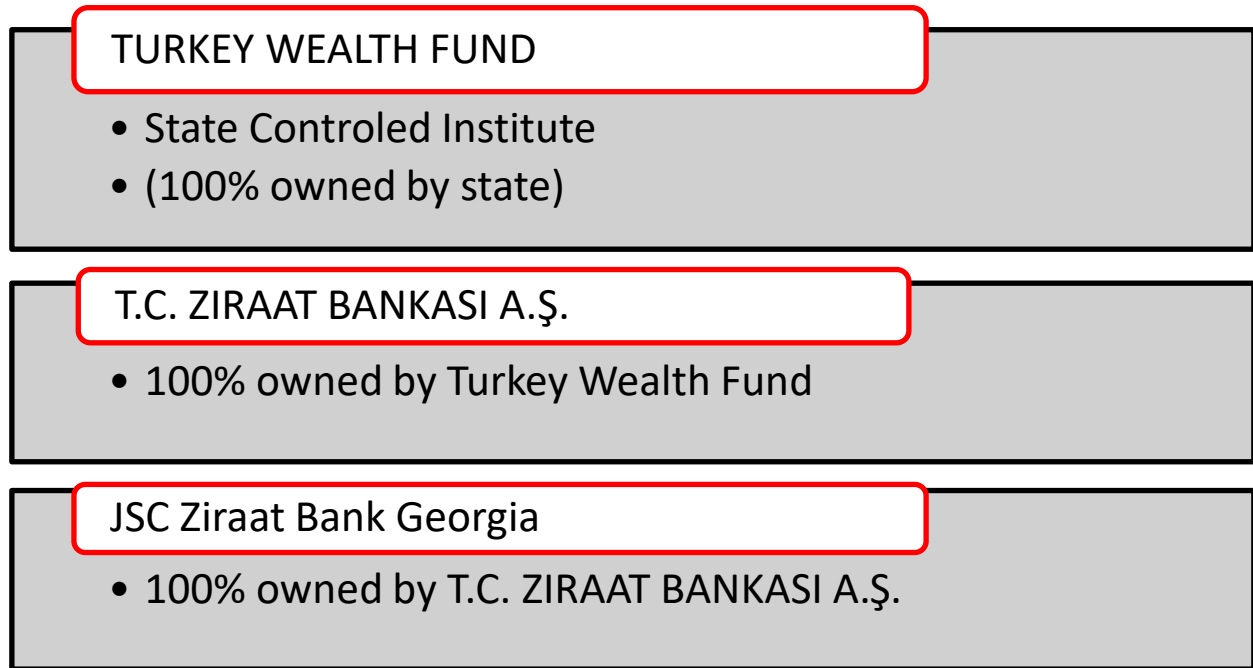
According to the audited financial statements of JSC Ziraat Bank Georgia, net profit was decreased by 34%, from 4,215,229GEL to 2,775,330GEL in 2020, the main drivers of negative change comes from increasing of LLP expense due to Covid-19 pandemic risk and Opex, namely new software development and branches opening related expenses.

Bank's Financial Indicators chart below:

Key Financial Indicators*	2019	2020
Gross Loans/ Total Assets	37.56%	43.23%
Gross Loans/ Client Accounts	69.79%	84.76%
Overdue Loans/ Total Loans	1.14%	1.75%
Liquid /Total Loans	57.90%	50.80%
Return on Assets (ROA)	3.42%	2.11%
Return on Equity (ROE)	7.66%	4.74%
Net Interest Margin	5.23%	4.79%
Total Interest Income /Total Interest Expense	1493.87%	1576.60%
Total regulatory capital ratio ($\geq 12.6\%$)	51.80%	47.28%
Liquidity Ratio	231.00%	201.46%

**Note: * The financial indicators of the Bank are presented in accordance with the Pillar 3 Rregulation, based on the audited data.*

Structure of the Bank’s Group:



Establisher	Owned share %	Address of Head Office	Field of Activity
T.C. ZIRAAT BANKASI A.Ş.	100%	Doganbey Attaturk Bulvar, N8.Ulus, Arkara	Banking Activity ID: 1148-48/7 Registration date: 12/06/1937

As from September 2017, 100% share owner of JSC Ziraat Bank Republic of Turkey is Turkey Wealth Fund, which is also 100% owned by State of Turkey and is an institute under the control of state. The aim of creation of the Turkey Wealth Fund is the enhancement and development of the value of strategic objects of Turkey and therefore provide attracting of investment resources to Turkish investment market. (<http://turkiyevarlilikfonu.com>).

Establisher	%	Address	Field of Activity	Shareholder	Supervisory Council
Turkey Wealth Fund	100%	Ankara Tel:+90 212 371 2200	Wealth Fund Management	Institute under the state control (state property)	Recep Tayyip ERDOGAN - Chairman Erisah ARICAN-Deputy Chairman of the Supervisory Council Huseyin AYDIN - Member Burak DAGLIOGLU - Member Fuat TOSYALI-Member Mustafa RIFAT HISARCIKLIOGLU - Member Salim ARDA ERMUT – General Director and Member http://turkiyevanlikfonu.com.tr/EN/YonetimKurulu/2/board-of-directors-

Shareholder Meeting of JSC Ziraat Bank Georgia consists of Supervisory Board of JSC Ziraat Bank Republic of Turkey.

Supervisory Council of T.C. ZIRAAT BANKASI A.Ş.

Name, Last Name	Position
Ahmet GENC	Chairman of Supervisory Council
Veysi KAYNAK	Deputy Chairman of the Supervisory Council
Huseyin AYDIN	Supervisory Council Member, General Director of JSC Ziraat Bank Republic of Turkey
Yusuf BILMEZ	Supervisory Council Member
Faruk CELIK	Supervisory Council Member
Feyzi CUTUR	Supervisory Council Member
Serruh KALELI	Supervisory Council Member
Mahmut KACAR	Supervisory Council Member
Mehmet Nihat OMEROGLU	Supervisory Council Member

Information about the members of Supervisory Council of JSC Ziraat Bank Republic of Turkey is published on the following website:

<http://www.ziraat.com.tr/en/OurBank/AboutUs/Pages/BankManagement.aspx>

JSC Ziraat Bank Georgia’s Shareholders Issues

A shareholder of the Bank may:

- 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;
- 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;
- 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;
- Participate in the management of the Bank by taking part in the General Meeting of Shareholders
- Purchase or/and transfer shares; receive dividends on the basis of the decision of the General Meeting of Shareholders;
- Request explanations from the Directors and the Supervisory Council on each item of the agenda of the General Meeting;
- Appeal against the resolution of the General Meeting (within two months upon drawing up the Minutes of the Meeting);
- 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;
- 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;
- 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.

A holder of five or more percent of the shares of the Bank may also:

- 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;
- 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;
- 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;
- 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.

GENERAL MEETING

- The General Meeting may be regular and extraordinary. Regular meeting is held within 2 months from closing of the annual balance sheet. Decision on convening the Extraordinary Meeting shall be made by the Supervisory Council, of the Bank. The procedures related to convening the Meeting shall be carried out by the Board of Directors. The regular Meeting shall consider annual results (Annual Report, Business Report and proposal on distribution of profits) as well as other possible items of the agenda. The regular Meeting may be convened by the Board of Directors and the Supervisory Council;
- The Extraordinary General Meeting shall be held by request of the majority of the members of the Board of Directors, the majority of the members of the Supervisory Council or any shareholder holding at least 5% of the Charter Capital. The request to convene the Extraordinary General Meeting shall formulate issue(s) of consideration as well as the requester’s way of formulation of the issue, and the written substantiation of the request if the latter is submitted by shareholders;
- The Board of Directors has no right to refuse to convene the Extraordinary Meeting except where the procedures applicable to convening such a meeting are not maintained or shareholders, asking for the Extraordinary Meeting, do not have enough shares to request convening it;
- The General Meeting is convened at the legal address of the Bank or at any place on the territory of Georgia through publishing an announcement in a newspaper or sending an

invitation to shareholders 20 days beforehand. The meeting can also be convened by other forms acceptable for the shareholders;

- The invitation shall indicate the agenda of the meeting. Invitations to owners of minimum 1% of the Bank's shares (in cases and in accordance with the rules stipulated in the legislation of Georgia) and owners of minimum 1% of equity shall be sent by ensured mail;
- The Supervisory Council determines the registered day of the General Meeting, which shall not be earlier than 45 days prior to the date of convening the General Meeting and later than the announcement date of the Meeting. Only those shareholders are authorized to participate in the General Meeting who own shares at the registered day;
- The announcement on convening the General Meeting shall include the following information:
 - The date, time and place of convening the General Meeting;
 - The time at which the registration of shareholders at the Meeting starts;
 - Date of registered day;
 - Indication whether the Meeting is regular or extraordinary;
 - Agenda;
 - Recommendations of the Board of Directors and Supervisory Council for making decision;
 - Description of the procedure by which a shareholder may examine, within 10 days prior to holding the Meeting, his right to participate in the Meeting;
 - Opportunity and procedure for obtaining the materials or documents related to the agenda of the Meeting;
 - Information about candidates if the General Meeting is to elect a member to the Supervisory Council.
- The General Meeting is duly authorized to make decisions if the holders of at least 50% of the voting Share Capital of the Bank are present or represented thereat. If the Meeting is not duly authorized to make decisions, the Chairman shall, within the term provided by law and by the same agenda, convene a new Meeting which shall be authorized to make decisions if the holders of at least 25% of the voting Share Capital of the Bank are present or represented thereat. If the Meeting is still not authorized to make decisions, the Chairman shall, within the term provided by law and by the same agenda, again convene a new Meeting which shall be authorized to make decisions irrespective of the number the present or represented holders of voting Charter Capital of the Bank;
- The General Meeting shall be presided over by the Chairman of the Supervisory Council, or, if the latter fails – by his deputy and if the latter fails too – by one of the directors. In their absence the Chairman of the Meeting is elected by simple majority of votes;
- A shareholder may participate in the work of the General Meeting by his identification document and the Share Register presented at the Meeting. A shareholder may be represented by a written proxy;
- The mandates and documents and evidencing the right to attend the Meeting shall be kept by the Bank within at least two months upon drawing up the Minutes of the Meeting (and if the Minutes of the Meeting are appealed against – until the final resolution of the dispute);
- The minutes on the progress and decisions of the General Meeting shall be drawn up in Georgian and/or English and/or Turkish languages and shall be signed by the Chairman of the Meeting.

The General Meeting is authorized to:

- Amend the Charter, increase or decrease Share Capital and decide on winding up;
- Make a decision on merger, demerger or reorganization;
- 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;
- 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;
- Elect Members of the Supervisory Council or remove them therefrom at any time prior to the end of their term of authority;
- Approve the report of the Supervisory Council and of the Board of Directors;
- Make a decision on remuneration to the members of the Supervisory Council;
- Elect an auditor and;
- Make decisions on participation in judicial proceedings against the Supervisory Council and Board of Directors, and appoint a representative for these proceedings;
- 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;
- Make decisions in respect of other cases provided by the laws of Georgia and/or by this charter;
 - The General Meeting may also consider any other issue that is important for the Bank.
 - Making decisions at the General Meeting requires the consent of more than 50% of the attending shareholders having the voting rights, except the decisions set out in Subparagraphs “a”, “b” and “c” of Article 6.12 hereof the passing of which requires the consent of more than 75% of the attending shareholders having the voting rights;
 - Holding of the General Meeting shall not be necessary if one Shareholder holding more than 75% of the Bank’s shares adopts the decision with regard to the issues to be considered. The Decision shall be identical to the minutes of the General Meeting and shall be deemed as the decision of the General Meeting of Shareholders. Decision shall be rendered by such body of the majority shareholder which is authorized to render such decisions under the applicable law and constitutional documents of the majority shareholder. Decision shall be sent to the rest of the Shareholders (if any).

The agenda of General Meeting for 2020:

- To approve the Bank's financial statements;
- To review and approve the annual report 2019;
- To evaluate the performance of the Supervisory Council members;
- To discuss the report prepared by an independent external auditor;
- To make a decision on transferring the profit of the previous years;
- Election of members of the Supervisory Council;
- Determining the remuneration of the members of the Supervisory Council;

Corporate Governance

Management Organs of the bank are: General Meeting of Shareholders of the Bank (“General Meeting”), Supervisory Council and Board of Directors.

Supervisory Council

Members of Supervisory Council of JSC Ziraat Bank Georgia are:

Name, Last Name	Position
Altan GULER	Chairman of Supervisory Council
Recep TURK	Deputy Chairman of Supervisory Council
Okan BASKURT	Supervisory Council Member
DIMITRI JAPARIDZE	Supervisory Council Member
Ketevan TKAVADZE	Supervisory Council Member

- The Supervisory Council oversees the activity of the Bank. It consists of at least three but not more than twenty-one members so that the number of the members must always be odd;
- Each member of the Supervisory Council is elected by the General Meeting for the term of four years but the authority may extend after expiration of this term until the regular General Meeting is held. They can be re-elected without limitation or may be removed there from at any time prior to the end of their term of authority;
- When the established number of the members of the Supervisory Council are elected, the General Meeting shall be furnished with the following information:
 - Identities of the shareholders who nominates the given candidate;
 - Biographical information of the candidate;
 - Relation of the candidate with the Bank and its large customers;
 - Any other information that may affect the candidate’s fulfillment of his duties.
- Each member of the Supervisory Council may resign at any time. He/she may be re-elected by the General Meeting at any time. If a member of the Supervisory Council resigns from the Supervisory Council or is removed by the General Meeting before expiration of the election term, additional elections shall be held within no later than six months after the resign/removal of the member. The authority of the new member shall be valid until the expiration of the authority of the withdrawn member. Before electing a new member of Supervisory Council, the quorum for making a decision shall be calculated according to the number of the remaining members.
- The Supervisory Council shall elect the Chairman and Deputy Chairman of the Supervisory Council among its members;
- The meetings of the Supervisory Council are convened and the agenda of such meetings are determined by the Chairman of the Supervisory Council. The meeting of the Supervisory Council may also be convened by request of a member of the Supervisory Council, the Director or a 5% holder of the Share Capital of the Bank. The meeting of the Supervisory Council shall be convened in writing at least 8 days beforehand by indicating a proposed agenda and may be held both in Georgia or outside, as prior provided by respective agenda;
- The meetings of the Supervisory Council shall be convened at least on a quarterly basis;
- The meetings of the Supervisory Council shall be conducted in Georgian and/or Turkish and/or English languages. The Supervisory Council shall be duly authorized to make decisions if at least half of the members of the Supervisory Council are present or represented

thereat. If the Meeting is not authorized to make decisions, the Chairman (and during his absence, the Deputy Chairman) may convene, within at least eight days, a new meeting that shall be authorized to make decisions if at least 25% of its members are present thereat. If the Supervisory Council still does not have a decision-making authority, the Supervisory Council's authority is terminated and the Chairman shall convene the General Meeting;

- Minutes on the decisions of the meeting of the Supervisory Council shall be drawn up in Georgian and/or Turkish and/or English languages and shall be signed by the Chairman of the Meeting

The objectives and competence of the Supervisory Council shall be 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;
- Control over and examine the financial documents of the Bank as well as the material objects of the Bank including 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 and Regulations in the cases envisaged by this Charter and/or law;
- In performing contracts with the members of the Board of Directors represent the Bank, 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.

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

- Purchase or alienation of over 50% of the shares of a company;
- Establishment and liquidation of branches;
- Approving the annual budget and undertaking long-term obligations;
- Make a decision on purchase, disposal or exchange (or any such interrelated transactions) of the Company's property the value of which is 10% of the balance value of the Company's property, if not otherwise provided for in the Charter. This shall not be extended to activities within ordinary course of business of the Company.
- Obtaining loans and credits exceeding the limits set by the Supervisory Council if any;

- 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;
- Engaging in a new or terminating the current type of bank activity;
- Determining the general principles of the business policy;
- 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 General meeting;
- Appointing and dismissing trade representative (procurist);
- Making a decision on permitting the sale of the Bank's shares and other security at the Stock Exchange if doing so incurs material additional costs to the Bank provided by law;
- 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;
- Repurchasing the shares issued by the Bank in cases provided by law.
- Defining and approving minimum and maximum interest rates to be applied by the bank to credit resources and deposits;
- ✓ 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.

The members of the Supervisory Council shall:

- Regularly attend the meetings of the Supervisory Council and take an active part in discussing issues thereat;
- If the case so requires, request that an item be added to the agenda and the meeting of the Supervisory Council be convened;
- Not disclose the confidential information that they obtained during fulfilling their official duties;
- Timely provide the shareholders with correct and exhaustive information on the activity and financial standing of the Bank;
- Not use for personal gain the assets of the Bank or the information that they obtained during fulfilling their official duties;
- Refrain from taking part in such contracts they may bring their interests in conflict with those of the Bank (conflict of interests);
- In any case of conflict of interests, inform the Board of Directors and the members of the Supervisory Council in respect thereof and refrain from voting during making the respective decision.
- The supervisory council or the member thereof shall not be entitled to delegate their rights to the others without the consent of the General Meeting.
- The member of the Supervisory Council may at the same time serve as a Director or in any responsible executive capacity of the Bank. The member of the Board of Directors may not hold majority of the seats in the Supervisory Council.

Independence of the members and arguments for accepting each independent member as independent

Members of Supervisory Council fully comply with the criteria for appropriate administrator. Appendix N1. Administrators -Information about the education and work experience of members of council. Members of Supervisory Council have the same level of education, among the members there is a majority vote principle and there is no risk of a dominant member.

Arising from the rights of the council, council members are actively involved in the functioning of the bank. Regular meeting are held 4 times a year and out of necessity, bank also arranges irregular meetings. In 2020, 14 council meetings were held. The topics discussed during 2020 council meetings were related to issue under the competence of supervisory council.

Agenda of the Supervisory Board meetings for 2020

- Appointment of employees;
- Discussion and approval of above the limits amount loans;
- Assigning the positions for certain employees
- Defining the issues for the agenda of the ordinary shareholder’s general meeting;
- Presentation of 2019 annual report, balance sheet, profit/loss statements and decision of the distribution of capital on the General Meeting of the Shareholder;
- Determining the composition of the Supervisory Council ;
- Appointment of members of the audit committee;
- Appointment of risk committee members;
- Appointment of a new General Director
- Determining the amount of loan and bank guarantee limit;
- Approval of the 2021 budget

Evaluation of the activity of Supervisory Board

The evaluation of Supervisory Board (“The Board” afterwards) is carried out in accordance with the requirements of the Corporate Governance Code of Commercial Banks approved by the President of the National Bank of Georgia. The evaluation includes Supervisory Board, its members and committees. The evaluation is carried out annually by the Board.

According to the self-assessment made by the members of the Supervisory Board, the practical or theoretical knowledge and experience of each member meets the requirements necessary for the proper and complete execution of the duties assigned to them. Each member fundamentally knows bank’s structure and the specifics of work, they are actively involved in the work of the committees.

According to the assessment, the meetings of the Supervisory Board, as well as the meetings of the Audit and Risk Management Committees composed of the members of the Supervisory Board, were held regularly and important strategic issues of the Bank were discussed.

BOARD OF DIRECTORS

Name, Last Name	Position
Omer AYDIN	General Director
Haluk CENGİZ	Deputy General Director
Mert KOZACIOGLU	Director

- The Board of Directors shall manage and represent the Bank. The Board of Directors shall be responsible for managing the Bank and performing its functions.
- The Board of Directors consists of at least three directors appointed by the Supervisory Council for the term of up to 4 years the after expiration of this term, the authority of the Directors shall be extended until the new Directors are appointed by the Supervisory Council. The Directors may be reappointed for the next term without limitation and removed by the Supervisory Council at any time prior to the end of term of their authority.
- The Board of Directors shall be presided over by the Chief Executive Officer (the “CEO”) appointed by the Supervisory Council.
- The Board of Directors shall be accountable before the Supervisory Council of the Bank.
- The competence of the Board of Directors includes making a decision on all the issues which, by law and this Charter, do not fall within the scope of competence of the General Meeting and the Supervisory Council. The Board of Directors discusses and makes a preliminary decision on all the issues which, by law and this Charter, require the consent of the Supervisory Council.
- The Chief Executive Officer (in his absence - Deputy Chief Executive Officer) manages the Bank at his sole discretion, controls the Executive Officers and represents it in relation with the third persons. The members of the Board of Directors (the Deputy Chief Executive Officer and Directors) manage the structural units under their subordination (Departments). They are responsible for their orderly performance and implementation of the policy determined in accordance with the Bank’s strategy.
- Deputy Chief Executive Officer and Directors manages the units and their activities under his subordination in accordance with the Charter and the Regulations and represents the Bank in relation with the third persons in this area.
- Only those members of the Board of Directors may represent the Bank in relation with the third persons who are so registered in the Entrepreneurial Register, unless such members delegate their powers in accordance with applicable laws of Georgia. The Directors shall jointly, as well as separately, represent the Bank.
- The meetings of the Board of Directors are convened, decisions made and the management of the Bank carried out in accordance with the laws of Georgia, the Charter, Regulations and other regulatory acts of the Bank. Meeting of the Board of Directors may be held both in Georgia or outside, as prior provided by respective agenda.
- The meetings of the Board of Directors shall be held as necessary but at least on a monthly basis and be conducted in Georgian and/or Turkish and/or English languages. The meeting shall be convened by the Chief Executive Officer or on the initiative of one of its members.
- The Chief Executive Officer shall draw up the agenda of the meeting, prepare the necessary materials and preside over the meetings. The members of the Board of Directors may raise a question before the Chief Executive Officer on entering an item to the agenda.
- The meeting shall be authorized to make decisions if more than half of the members of the Board of Directors are present thereat. Decisions are made by a majority of votes present at the meeting. In case of a draw, the Chief Executive Officer (in his absence - Deputy Chief Executive Officer) shall have a casting vote.

- Minutes shall be drawn up both in Georgian and/or Turkish and/or English languages at the meeting of the Board of Directors and signed by the Chairman of the Meeting.
- The Deputy Chief Executive Officer and the Directors are accountable before the Chief Executive Officer and the Supervisory Council. The Chief Executive Officer is accountable before the Supervisory Council.
- The Chief Executive Officer, the Deputy Chief Executive Officer and/or the Directors shall notify the Supervisory Council on all the circumstances that may substantially affect the state of the Bank.
- The Chief Executive Officer, the Deputy Chief Executive Officer and/or the Directors shall in good faith and with due diligence run the activities of the Bank, namely care 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.

The members of the Board of Directors shall:

- Regularly attend the meetings of the Board of Directors and take an active part in discussing issues thereat;
- If the case so requires, request that an item be added to the agenda and the meeting of the Board of Directors be convened;
- Not disclose the confidential information that they obtained during fulfilling their duties;
- Not exploit the assets of the Bank or the information that they obtained during fulfilling their duties;
- Refrain from taking part in such contracts they may bring their interests in conflict with those of the Bank (conflict of interests);
- In any case of conflict of interests, inform the Board of Directors and the members of the Supervisory Council in respect thereof and refrain from voting during making the respective decision;
- Forthwith provide a member of the Supervisory Council with information requested by the latter;
- Fulfill other duties as provided by law, the Charter and internal regulatory acts of the Bank as well as the decisions of the General Meeting and the Supervisory Council of the Bank.

Directorate Council consists of:

1. General Director
2. Deputy General Director, responsible for functioning of the reserve and operations departments
3. Director, responsible for functioning of the marketing and credit departments

Remuneration Policy

The quantitative data related to the remuneration practice is given in annual Pillar 3 reports. As for the qualitative information, the material risk takers whose compensation is given in Pillar 3 report, for ending 2020 years are as follows: Supervisory board members: Altan GULER (Supervisory Council Member), Recep TURK (Deputy Chairman of the Supervisory Council) and Okan BASKURT (Supervisory Council Member). Directors: Omer AYDIN (General Director), Haluk CENGIZ (Deputy General director), Mert KOZACIOGLU (Director).

At this stage, the Bank does not apply criteria on which the entitlement to shares, options or variable components of remuneration is based, has no remuneration committee, and has no individuals being remunerated GEL 1 million or more per financial year. The remuneration policy for directors is defined by the Parent Bank's Human Resources Department, for the members of the Supervisory Board - by shareholders' committee.

Committees

Bank has committees, which are under the supervisory council and general director.

Credit Committee

Credit Committee Rights and Responsibilities (Competence and Aims)

- Credit Committee fulfills the functions defined by the “Law of Georgia on Activities of Commercial Banks” and regulations issued by the Central Bank of Georgia.
- Credit committee is liable to issue a credit in the frames of rights granted by the supervisory council
- Credit committee is responsible to fulfill all the orders from the supervisory council regarding the loans.

Members of Credit Committee and the rules for conducting a committee meeting

- Committee should consist of minimum three members. Defining the members of the committee, their selection and removal is the competence of the supervisory council. In any case of the ending of the labor contract with the bank, the member of the committee is automatically removed from the committee.
- The decisions in the credit committee are made unanimously. In the case of the difficulty reaching a unanimous decision, the application is being reviewed by the supervisory organ. The meeting of the committee is chaired by the general director.
- Managers of structural unit are invited to the committee meetings. The decisions, according to the Civil Code of Georgia are made in the form of minutes.
- The secretary procedures of the meeting of committee are performed by the secretariat of the directorate.

Audit Committee

- The Committee is a permanent collegial body and is fully accountable to the Supervisory Board.
- The mandate of the Committee shall be determined in accordance with the requirements of the National Bank of Georgia, approved by the Order 215/04 on September 26, 2018 named “Corporate Governance Code of Commercial Banks“.

The Audit Committee is a significant element of the Bank's corporate governance system. The Audit Committee supervises the activities of the Internal Audit Department, develops appropriate recommendations for this service and protects the interests of shareholders in terms of the reliability of financial statements. The Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

Members of the Audit Committee and the Rules of Procedure of the Committee Meeting

- The committee is composed of at least 3 (three) members, majority of whom are independent members of the Supervisory Board;
- The Chairman of the Committee is an independent member of the Supervisory Board and at the same time is not the Chairman of the Supervisory Board and / or other Committee.
- An audit committee meeting is held as needed, but not less than once a quarter. At least two members shall attend the meeting of the Audit Committee. The decision of the Audit Committee shall be taken by a majority of votes, and in the presence of two members unanimously.
- An extraordinary meeting of the Committee may be held at the request of the Supervisory Board or any member of the Audit Committee or the Board of Directors.

Audit Committee set up with the Supervisory Board in addition to other functions:

- Monitors and actively cooperates with the Internal Audit Department of the bank, determines the forms and methods of conducting internal audit;
- Ensures the adequacy of the functions of the Internal Audit Department and its independence;
- Reviews and approves the scale and frequency of internal audit;
- Approves and periodically reviews the regulations of the Internal Audit Department and the job description of employees;
- The Audit Committee performs the duties defined by the current legislation and the Bank's regulation;

- Reviews and approves quarterly reports prepared by the Internal Audit Department, submits recommendations to the Supervisory Board if necessary.

Risk Management and Information Technologies Committee

- Risk Management and Information Technologies Committee fulfills the functions defined by “Law of Georgia on Activities of Commercial Banks” and regulations issued by the Central Bank of Georgia.
- Committee is responsible to the supervisory council on the issues related to risks arising during bank’s work
- Committee defines the policy of risk management of the bank and accordingly prepare the plan.
- Committee ensures the necessary measures regarding the factors that negatively affect the capital adequacy of the bank and the risk profile.
- Ensures the compliance of information technology to work strategy.

Risk Management and Information Technologies Committee Members and the rules for conducting a committee meeting

- Committee consists of minimum five independent members. The number of the members is defined and the selection made by the supervisory council
- Meetings of the committee are held minimum once in every four months with the presence majority. Irregular meeting of the committee can be held on the demand of the supervisory council, audit committee, or the directorate council. The meeting is chaired by general director. The decisions are made by the absolute majority of the attendees. In case of the equal distribution of votes general director has the decision-making power.
- Secretarial procedures for the committee meeting are held by the corporate secretary.

Risk Management Committee set up with the Supervisory Board

- The Committee is a permanent collegial body and is fully accountable to the Supervisory Board.
- The mandate of the Committee shall be determined in accordance with the requirements of the National Bank of Georgia, approved by the Order of the Corporate Governance Code of Commercial Banks, approved by Order 215/04 of September 26, 2018.
- The Committee is composed of at least 3 (three) members, most of whom are independent members of the Supervisory Board.
- The Chairman of the Committee is an independent member of the Supervisory Board and at the same time is not the Chairman of the Supervisory Board and / or other Committee.
- Risk Committee with the Supervisory Board, in addition to other functions:
 - Discusses risk strategies in terms of both aggregated and individual risk and analyzes their possible impact on the bank's risk appetite

- Monitors the implementation of approaches and limits set by the Bank's Risk Appetite Policy
- Collaborates and supervises the activities of the Risk Director to ensure the effectiveness and proportionality of the bank's risk management system with the nature, scale and complexity of the bank's risks.
- Evaluates the risks arising from the Bank's business model and, in cooperation with various structural units, develops recommendations to ensure the mitigation of these risks.
- Ensures effective communication and coordination with the Audit Committee, which includes the exchange of information, identification of all types of significant risks, in order to discuss appropriate adjustments in the Bank's risk management framework.

Committee of Assets and Liabilities

Rights and responsibilities of the Committee of Assets and Liabilities

- Prepares the policy for managing Assets and Liabilities of the bank according to the existing legislation and the bank's financial objectives.
- In the frames of policy and objectives of the bank manages the liquidity and market risks of the bank, manages financial assets, providing minimal risks and maximum profit.
- Oversees economic developments, existing financial policy, decrees and orders passed by regulatory organs, events and developments in financial sector. Evaluates the possible effect of the events and occurrences in the banking sector and the bank in particular, follows the bank ratings.
- In case of the necessity or review of the budget based on the events and occurrences in the market, redefines objectives for the bank, in the frames of the strategic objectives proposes recommendations to the supervisory council.
- Ensures the compliance of the liquidity and exchange operations to the legislation and internal regulations of the bank.

The rules for conducting the committee meeting

- Committee consists of minimum three independent members. The number of the members is defined and the selection made by the supervisory council. The members are selected among the supervisory council members and the heads of departments.
- In case of three members in the committee, the meetings are held with the presence of absolute majority. If the committee consists of more than three members, more than half members are enough for the meeting to be held, and the decision is made by the majority. The meeting is chaired by general director, in case of equal distribution of the votes, general director has the decision-making power.
- Committee meetings are held minimum once a month, irregular meeting can be called on the demand of one of the members of the committee, supervisory council, audit committee, and shareholder committee. Other heads of departments can be called for the meeting. Decisions according to the civil code of Georgia are recorded in the form of minutes.
- Departments of Budget, Accounting and Fund Management fulfills secretarial procedures for the Assets and Liabilities Committee.

Internal Audit Service

Risk management processes throughout the Bank are audited by the internal audit function, which examines, by undertaking regular and ad-hoc reviews, both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with the Management Board, and reports its findings and recommendations to the Audit Committee.

Internal Audit Service is a structural unit of the Bank, which is under the subordination of the Audit Committee of the Supervisory Board, which, in its turn, shall ensure integrity and independence of the Service from the Directorate.

The scope and competence of the Internal Audit Service shall include all structural units and processes of the Bank, with the exception of the IT department, and is based on the identified risk level, applicable legislation, norms and standards. An audit inspection aims to specify each object and issue within the structural unit of the Bank to be inspected, the analysis of which shall be further reflected in the report.

Risk Management

Risk Strategy

The risk strategy of JSC "Ziraat Bank Georgia" derives from the Bank's business strategy, which includes the period by the end of 2021 and determines the growth rate of the Bank, desired financial results, priority lending areas, the Bank's internal structure and design. The Bank's business strategy is enhanced by appropriate internal policies and procedures.

For the aforementioned period, the Bank is planning to achieve a stable and rapid growth, which will be mainly expressed by the credit portfolio increase. The Bank is aware of risks associated with the rapid growth and mitigates them by the surplus regulatory capital and the policies, procedures and limits.

The risk strategy is acknowledged by all levels of the Bank's relevant structural units and in addition to the business strategy, it is included in the Bank's risk management policy. It is important that the Bank's risk strategy is implemented by the Bank's Directorate and the relevant bodies responsible for risks, and the process is supervised by the Supervisory Board.

Risk Management Framework

- **Risk owners**

Risk management in the Bank is implemented at different levels. Each risk management process involves a relevant responsible body. The list and responsibilities of the structural units which participate in the risk management process at micro level are provided in Structure and Organization of Risk Management chapter. It is significant that each risk category is managed at various levels in the Bank. The first level includes the structural units that are owners of a particular risk, the Committee

reviews large-scale and significant risks, which are eventually transferred to the Directorate and Supervisory Board, which manage risks at macro level.

- **Risk Classification**

JSC "Ziraat Bank Georgia" classifies risks according to two main categories, namely, financial and non-financial risks; the description of each risk is provided below:

- **Financial Risk**

Financial risks are caused by the change of the structure, volume and quality of assets and liabilities and are mainly the risks arising from the Bank's activities during the process of implementing the Bank's strategic plan. The Bank considers this risk as an important determinant of the financial performance/results. Financial risks are divided into two main directions:

- Market risk: liquidity, interest rate, foreign currency and price fluctuation risks; each category includes several subcategories, and according to the size and complexity of the Bank, fully covers the market risk, which may affect its activities.
- Credit risk is defined as a default risk and is reviewed in two aspects: a borrower's credit risk - which may arise due to a borrower's insolvency; and a counterparty's credit risk - which may occur due to the failure of a counterparty to pay its liabilities to the Bank.

- **Non-financial risk**

Non-financial risks are those qualitative risks that make it impossible to determine the volume of financial loss caused by thereof. The Bank constantly controls the risk and the risk management process is in line with both the requirements of the National Bank of Georgia and international practice, also, it is noteworthy that the management process of the aforementioned risk is in compliance with the size and complexity of the Bank's operations. The most important category within non-financial risks is an operational risk, the management process of which includes identification, monitoring and management of internal processes, human factor, information technologies and legal and regulatory risks. In addition to the above, the Bank also recognizes and manages reputational, strategic and external risks.

- **Risk management process**

As it was mentioned in the first chapter of this document, the Bank operates within the risk levels determined by the Parent bank. According to the risk level and the strategic business plan determined at the strategic level, the Bank has developed the internal processes, which are used for risk management, as it represents a fundamental part of the Bank's activities and is an integral part of the planning process. Therefore, risk management is integrated into all levels of the Bank activities. The main goal of the Bank's risk management process is to plan an optimum combination of risks and profitability, ensure the financial strength and promote the sustainable business growth. Risk management process is divided into five main stages:

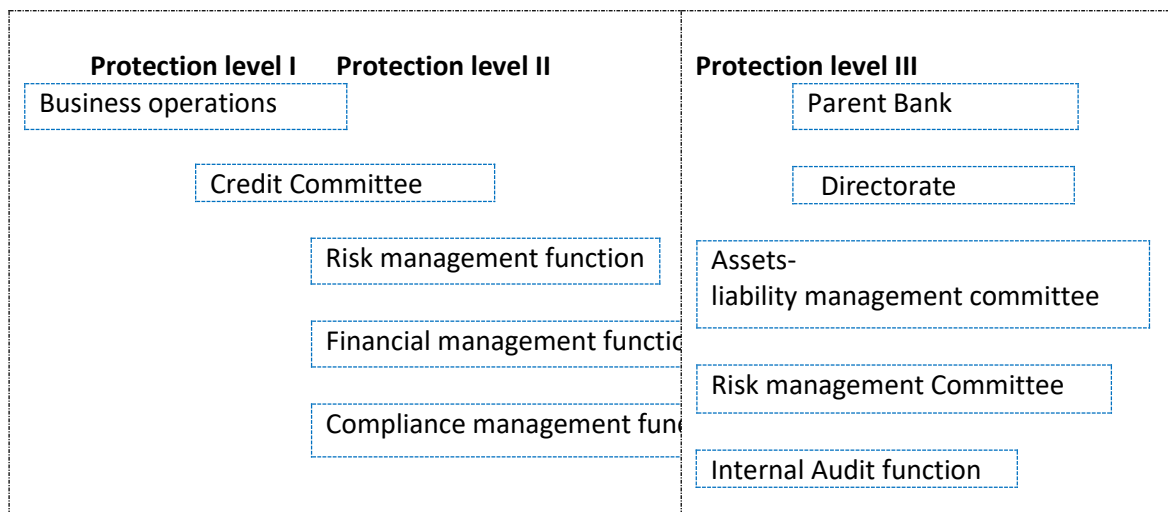
- **Identification:** to identify risks based on the Bank's strategy, establish tolerance to them and determine risk owners;
- **Assessment:** to develop the process, reporting and assessment methodology standards;

- **Control:** to monitor the adherence to operations and risk limits, control of loss and early reporting thereof;
- **Reporting:** to interpret and report on consequences of risk taking, sensitivity and main risk indicators;
- **Management:** to review and control all directions of the Bank’s risks, identify the optimum balance of risk level and profitability, control risk management practices, ensure the compliance with the business environment and strategic plans.

- **Structure and organization of risk management**

Risks are managed and controlled at all levels of the Bank, and the responsibilities for each risk are acknowledged and controlled within each management unit. Risk management levels are given in the table #1:

Table #1– Risk management levels



The first level includes the level of the following structural units:

- The Lending Unit provides credit activities within the established credit policy;
- Treasury Operations Management Unit performs treasury operations related to market risks, including liquidity, foreign currency and interest rate risks;
- The main responsibility of the Credit Committee is to assess client's financial status and solvency, review loan decision making and credit recovery practices. It is noteworthy that the Credit Department represents the first and the second levels simultaneously, since it is composed of both, business representatives (first level), and representative of other structures depending on risks and loan amount (second level);

The second level includes the level of the following structural units:

- The Risk Management Unit, which is responsible for summarizing risks and is in charge of both financial and non-financial risks; the structural unit, alongside with other risks, manages, assesses and analyzes credit, market and operational risks with regards to their compliance with the Bank's business strategy;
- Finance Management functional unit plans financial transactions, manages the Bank's liquidity and is actively involved in assets-liability management committee activities;
- The Compliance Functional Unit ensures the compliance with AML / CFT and other regulations of the National Bank of Georgia.

The third level of risk management manages the Bank's large- scale risks and develops risk strategies. The third level includes the level of the following structural units:

- Internal Audit Service assesses risk management process adequacy and efficiency and from time to time submits reports to the top management of the Bank.
- Assets-Liability Management Committee carries out risk management at the organization level, analyzes financial risks, participates in limits approval process and reviews the Bank's balance positions with the view to attracting financial sources, also monitors the Bank's interest rate policy.
- Risk Management Committee: monitors risks facing the Bank, ensures compliance of risk tolerance level and its management process with the Bank strategy, and assesses the efficiency of the internal control and risk management.
- Directorate: ensures appropriate distribution of responsibilities, compliance of the risk combinations undertaken by the Bank with the strategy developed by the Parent Bank and manages the Bank's daily activities.
- Supervisory Board: determines the Bank's risk strategy and the business strategy, approves risk control scheme and reviews the Bank's activities in terms of risks and financial outcomes.

Risk management framework overview

JSC "Ziraat Bank Georgia" monitors risks and mitigates them on a daily basis; risks and risk levels facing the Bank are in line with the Bank's risks strategy and business strategy. The Bank's risk management framework is in compliance with the complexity and size of the Bank; the Bank's business strategy ensures its sustainable growth in the coming years, which is mainly conditioned by the loan portfolio growth. The Bank's management is aware that in the process of achieving the above mentioned goal, the Bank may face materialization of those risks that currently remain beyond the risk management framework. Thus, the Bank is ready to develop a methodology to identify and manage "new" risks in the growth process. Currently, risk management at Ziraat Bank Georgia is introduced and implemented within all management units, the responsibilities and authorities of particular risk owners are defined and reporting process of the top risk management level is determined.

Risk appetite

- **Interested parties/ Stakeholders**

The business strategy of JSC "Ziraat Bank Georgia", which is determined by the Supervisory Board, is the key factor of the Bank's risk strategy and risk appetite. Risk appetite is determined by the Parent Bank in accordance with the Bank's risk management framework and requirements of the Georgian legislation.

The daily management and supervision of the Bank in terms of risk appetite is implemented by the Bank's Directorate, which, based on the information received from relevant risk owning units, determines how close the Bank is to the established limits, and determines any additional volume of risks to be taken in any direction.

Risk appetite is a guide for each level manager of the Bank and helps them act in accordance with the risk strategy. Risk appetite is expressed in limits, which allows every management unit to analyze and evaluate in advance their own performance in decision-making process, namely, whether a particular decision corresponds to the Bank's risk-taking desire.

- **Factors which determine risk appetite**

As noted above, the main determinant of the Bank's risk appetite is its business strategy, which also includes the Bank's risk strategy, which in turn represents one of the sources of the Bank's risk appetite. Besides, when determining a risk appetite, internal and external factors, current situation and future anticipations of the Bank are taken into account. The factors which may impact the determination of the risk appetite are as follows:

- Current capital status of Ziraat Bank Georgia;
- Current risk profile and current limits established for the management;
- Current economic situation in Georgia and the Bank's expectations / forecasts thereupon;
- Competitive environment within the sector and the Bank's expectations regarding the banking sector development;
- Events and risks which occurred in the Bank during previous periods and experience of their control;
- The Capital Adequacy Requirements established by the National Bank of Georgia;
- Minimum covenants required by the National Bank of Georgia;
- The Internal Capital Adequacy Assessment Process required by the National Bank of Georgia.

- **The basic elements of the risk appetite**

The basic elements of the risk appetite are as follows:

- The plan of capital and financial results, including the management compensation;
- Maximum level established for each risk;
- Maximum level of total existing risks, which the Bank is ready to undertake in order to achieve financial goals;
- Quantitative expression of maximum risk level;

- Qualitative expression of the maximum risk level for those risk groups that are impossible to measure quantitatively;
- For each business direction, compliance of risk limits with the Bank's risk appetite and strategy;
- A review of any possible potential activities and circumstances, which may increase certain risks against the Bank and cause its approximation to the limits which are not provided in the risk appetite.

- **Roles and responsibilities**

Functionally, management of the risk appetite in the Bank is carried out by different levels of management and control. The management levels and their responsibilities are given in this article.

Supervisory Board

- Approves the risk appetite, and ensures its compliance with the Bank's business strategy and its derivation from the Bank risk strategy;
- Sets reporting obligations for the Directorate with regards to implementation of the Bank's risk appetite limits and overall risk-taking level;
- Establishes the limits within which the Bank shall meet given financial indicators;
- Assesses the management team, the effectiveness of their daily activities in terms of risk management, financial results achievement and limits established under the risk appetite;
- Makes any necessary amendments to the risk appetite;

Directorate

- Ensures the integrity of the risk appetite and its awareness by all levels of the Bank's management;
- Ensures the implementation of the risk appetite and allocates relevant resources.
- Integrates the risk appetite in the Bank, reports to Supervisory Board and ensures the compliance of its practice with the business strategy;
- In accordance with the Bank's risk appetite, determines sub-limits of specific risks and their owners and monitors thereof;

Risk Management Department

- Supports the risk appetite;
- Monitors risk levels, their compliance with the risk appetite and reports to the Directorate;
- Notifies the Directorate and / or the Risk Management Committee on violation of any risk category limits or approaching to the limits;

Risk Management and IT Committee

- Supervises acceptable levels of risks in different directions;
- Reviews results of the previous periods in terms of risk taking and its management, assesses the compliance of the Bank's risk management process with its risk appetite and strategic plans;
- Makes important decisions to avoid risks;
- Analyzes the risk appetite compliance with the Bank's business strategy and risk strategy;

- **Internal Audit Service**

- Evaluates the implementation of the risk appetite framework at the Bank level;
- Monitors the fulfillment of limits established under the risk appetite;
- Checks the internal control environment;
- Evaluates the risk appetite;

• **Limits**

The limits of Ziraat Bank Georgia are determined according to its risk appetite, risk strategy and business strategy. The Bank's limits are in line with the requirements of the National Bank of Georgia and are consolidated in the limits policy developed by the Risk Management and IT Committee, in agreement with the Supervisory Board.

Table 2 – Limits within the risk appetite

<i>Description of Ratio</i>	<i>Limits</i>
Common Equity Tier 1	$\geq 8\%$
Tier 1	$\geq 9\%$
Regulatory capital ratio	$\geq 15\%$
Single related party ratio	$\leq 5\%$
All related party ratio	$\leq 25\%$
Single outsider ratio	$\leq 15\%$
Ratio of interdependent borrowers	$\leq 25\%$
Share investment ratio	$\leq 50\%$
Property investment ratio	$\leq 70\%$
Consolidated common open foreign currency ratio	$\leq 20\%$
Liquidity coverage ratio (Gel)	$\geq 100\%$
Liquidity coverage ratio (FEX)	$\geq 110\%$
Liquidity coverage ratio (Combined)	$\geq 100\%$
Ratio of uncollateralized Borrowing funds from State bodies	$\leq 100\%$

• **Credit Risk**

Credit risk is the most material risk for the bank, which is reflected in the loss incurred by the counterparty. Credit risk may arise for the bank by issuing loans as a result of treasury investment activities etc. The bank has sufficient capital to cover possible losses caused by this risk and, at the same time, not to damage its own operations and image.

Currently, the main sources of credit risk for the bank are:

- Balance loan portfolio
- Off-Balance sheet elements - Guarantees

Despite the recent rapid growth, the bank maintains conservative approaches in lending, which is reflected in:

- the work of the credit committee, which individually assesses the solvency of the borrower and approves loans and guarantees where the consent of the full majority of members is required.
- the standards of conservative domestic credit products
- limiting the financing of high-risk sectors and products
- Using high quality mitigation elements such as real estate and guarantees of financial institutions with a high reputation

The bank's loan portfolio is characterized by a high degree of security where the share of real estate is dominant; The loan security is properly registered and assessed in accordance with the standards of the National Bank.

In terms of credit loss estimates, the bank has introduced IFRS 9 Financial Assets' expected credit loss accounting model with appropriate policies and methodologies.

When assessing credit risks according to IFRS 9, special attention is paid to the analysis of Forward Looking information. In particular, the analysis of expected credit losses includes an analysis of macroeconomic and financial factors, expected trends and risks, which significantly improves the credit risk assessment process.

- **Concentration Risk**

Concentration risk refers to the risk of creating large concentrations when a single event (failure to perform a single contractor's obligation or difficulties in one sector) can cause significant volume losses.

The risk of concentration is calculated in two directions, the first is the nominal concentration with the help of HHI (Herfindal-Hirschman index), and the second is the sectoral concentration, which is considered according to the methodology established by the National Bank of Georgia.

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- ✓ **Credit risk associated with counterparty**

Currently Ziraat Bank Georgia has no contracts, swaps and forwards related to foreign currency or interest rate, accordingly, the tools available for the Bank do not include credit risk of counterparties, as stipulated in the capital adequacy and reporting requirements.

- ✓ **Currency Induced Credit Risk (CICR)**

At the general level of credit risk, there may be additional pressure on loans where the borrower is fully or partially non-hedged in terms of the exchange rate. When a loan is issued in one currency and

the borrower's income is formed in another currency, this may create additional pressure on the borrower that would not otherwise occur.

The bank identifies and classifies the credit risk caused by the change in the exchange rate in accordance with the identification and classification of risk positions approved by the National Bank of Georgia, JSC Ziraat Bank Georgia. Accordingly, such risk positions are identified and their impact on capital.

During the analysis of the loan, the bank tries to analyze and not issue loans that will further increase the level of credit risk. For this purpose, it offers customers loans in both local and foreign currency.

- **Interest rate risk**

The interest rate risk is based on the possible losses incurred as a result of the revaluation of the assets and liabilities sensitive to the interest rate.

The Bank uses asset and liability revaluation gap analysis to monitor interest rate risk. The bank regularly conducts a sensitivity analysis of interest rates in scope of stress testing when instantaneous rate fluctuations are taken into account. The effect of both net interest income and revaluation effect on capital is analyzed.

Also, the bank does not have trade securities and does not engage in speculative activities, therefore, as a result of the change in interest rates, investment securities will not be revalued and the effect will be minimal.

- **Currency risk**

Currency risk refers to the probability of receiving a possible loss as a result of a revaluation of the bank's assets and liabilities as a result of a change in the exchange rate.

Currency risk can reduce supervisory capital ratios because the bank's capital is represented in local currency and a large portion of its assets are denominated in foreign currency. In this case, the depreciation of the local currency will lead to a significant deterioration in capital adequacy, as the value of assets presented in foreign currency will increase (due to the depreciation of the lari) and therefore the bank will have more risky assets, while the amount of capital denominated in lari will remain unchanged. The bank's regular stress tests take into account the sharp depreciation of currencies and calculate the stress ratios.

The bank holds the appropriate amount of capital to avoid problems with possible losses due to this risk, in addition, the bank controls the daily open currency position and does not speculate by altering the open currency position.

Due to the risk strategy and appetite, the bank's target currency position is closed.

- **Liquidity risk**

The risk of liquidity is the risk of possible loss due to non-timely full or partial fulfillment of the bank's obligations. Liquidity risk is also considered as holdup in lending by a bank due to insufficient funding, which in turn may lead to reputational and credit risks.

In the event of a liquidity risk, the bank will be forced to raise funds at an accelerated pace, which in turn will result in higher costs for the funds received. This will negatively affect the bank's profitability, as well as its reputation and reliability.

Liquidity risk mitigation is done through the bank's procedures, policies, limits, and day-to-day management, which are consistent with the bank's risk appetite, risk strategy, and business strategy. The bank manages the risk of liquidity on a daily basis. For Short-term liquidity risk Liquidity Coverage Ratios (LCR) are monitored on a daily basis in accordance with the requirements of Basel 3. And respectively Net Stable Funding Ratio (NSFR) for long-term liquidity monitoring purposes

- **Operational risk**

Operational risk is another important risk that Ziraat Bank Georgia considers material. Operational risk is the risk of loss caused by faulty or failed internal processes, human resources and systems, or external factors. This definition includes fraud risk, information technology and information security risks, legal risk, reputation risk, and outsourcing risk.

Operating risk management becomes critical, especially as the size of the bank increases and the range of operations expands.

Operating risk can be both monetary and non-monetary.

The methodology for its identification, measurement and management is described in the bank's risk management documents.

In terms of operational risk management, the bank resorts to:

- Accounting and reporting of incidents
- Self-assessments of risk and control
- Regular audit of audit information systems and penetration testing
- Assess the risks of outsourced operations
- Business continuity plan and appropriate stress testing

The analysis of the results of the above processes is completed in order to create an idea about the profile of operating risks in the bank in relation to the bank's risk appetite. The analysis results in the mitigation or acceptance of operational risks (if necessary) to be further considered in the Bank's business activities and strategy.

In terms of the operating risk of the bank, the risk positions are calculated using the basic indicator method, which translates into an additional capital buffer. This methodology is described in the Regulation on the Minimum Requirements for the adequacy of capital of commercial banks.

- **Country risk**

Ziraat Bank Georgia focuses an important part of its operations on Turkish citizens and legal entities incorporated under the jurisdiction of Turkey and/or other legal entities and individuals who are engaged in business activities in the territory and / or the jurisdiction of Turkey. The format of the Bank contains the country risk, since it is a bank established by a Turkish bank in Georgia. Any deterioration of the political situation in Turkey that may affect the economic conditions, tension between the Turkish and Georgian diplomatic relations, increase in customs rates or introduction of quotas may significantly affect the financial status of the Bank's customers, which in turn, may have a negative impact on profitability of the Branch. As the likelihood of the above risk occurrence is insignificant, and the exact or approximate consequences thereof are impossible to measure, Ziraat Bank Georgia, in order to cover any potential loss caused by this risk, will additionally hold capital buffer.

Stress-testing

The bank conducts a stress test at least once a year and analyzes the results obtained according to the Methodical Stress Test Guide developed by the National Bank. The results of the stress test determine the stress test buffer, which is one of the important components of the Pilar 2 framework, which aims to ensure the adequacy of banks' capital, taking into account stress scenarios and macroeconomic risk factors.

Main Scenario and Assumptions: Due to the shock, global economic activity is slowing down. There is a recession in the countries of our region. At the same time, the US dollar is strengthening and interest rates are rising due to the increase in the risk premium.

The effects of stress are calculated both in terms of increased credit risk and in terms of interest rate and profitability risks.

An annual business continuity testing plan has also been developed and is being implemented in accordance with the National Bank's operational risk management regulations.

COVID-19

Given the current developments with regards to the spread of COVID-19, the focus in 2020 was on the security of employees and customers, proactive risk management and customer support.

The impact of COVID-19 resulted in the application of further judgement within number of judgements, assumptions and estimates that affect the allowance for ECL due to the limited recent experience of the economic and financial impacts of such an event. Given the unprecedented nature of the COVID-19 pandemic and the uncertainties associated with it, the Bank reconsidered the existing accounting judgements and estimates and applied management overlays to the methodology.

The economic environment remains uncertain and future impairment charges may be subject to further volatility depending on the longevity of the COVID-19 pandemic and related containment and other measures. In response to COVID-19 outbreak the Bank came out with an initiative to grant three-month payment holidays to its borrowers in March and May 2020 in order to significantly reduce the requirement for customers to physically visit Bank branches. Such event was not automatically considered as SICR event (i.e. trigger to transfer the exposure from Stage 1 to Stage 2) and the exposure was only transferred to Stage 2 where there was an observable evidence of financial difficulties of the borrower indicating that the level of risk has increased significantly since loan origination

	Pillar 3 quarterly report	
1	Ziraat Bank Georgia	JSC ZIRAAT BANK GEORGIA
2	Chairman of the Supervisory Board	Altan GULER
3	CEO of a bank	Omer AYDIN
4	Bank's web page	www.ziraatbank.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 ZIRAAT BANK GEORGIA
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Table 1 Key metrics

N		31.12.2020	30.09.2020	30.06.2020	31.03.2020	31.12.2019
	Regulatory capital (amounts, GEL)					
	Based on Basel III framework					
1	Common Equity Tier 1 (CET1)	56,448,457	55,635,724	54,905,756	54,030,544	55,118,350
2	Tier 1	56,448,457	55,635,724	54,905,756	54,030,544	55,118,350
3	Total regulatory capital	57,671,941	56,875,224	56,278,493	55,425,514	56,352,232
	Risk-weighted assets (amounts, GEL)					
4	Risk-weighted assets (RWA) (Based on Basel III framework)	121,972,234	122,276,123	121,631,907	123,473,199	108,740,608
	Capital ratios as a percentage of RWA					
	Based on Basel III framework *					
5	Common equity Tier 1 ratio $\geq 5.3\%$	46.28%	45.50%	45.14%	43.76%	50.69%
6	Tier 1 ratio $\geq 7.07\%$	46.28%	45.50%	45.14%	43.76%	50.69%
7	Total Regulatory Capital ratio $\geq 12.64\%$	47.28%	46.51%	46.27%	44.89%	51.82%
	Income					
8	Total Interest Income /Average Annual Assets	6.27%	6.18%	6.14%	6.25%	5.98%
9	Total Interest Expense / Average Annual Assets	0.37%	0.40%	0.44%	0.46%	0.37%
10	Earnings from Operations / Average Annual Assets	2.79%	2.78%	2.95%	3.41%	3.67%
11	Net Interest Margin	5.90%	5.78%	5.70%	5.79%	5.61%
12	Return on Average Assets (ROAA)	1.14%	0.53%	-0.34%	-3.53%	2.80%
13	Return on Average Equity (ROAE)	2.52%	1.19%	-0.76%	-7.97%	6.41%
	Asset Quality					
14	Non Performed Loans / Total Loans	8.36%	10.95%	2.50%	2.63%	2.25%
15	LLR/Total Loans	7.08%	7.71%	7.71%	7.72%	3.81%
16	FX Loans/Total Loans	34.67%	33.35%	32.04%	37.64%	34.42%
17	FX Assets/Total Assets	38.02%	42.57%	42.75%	44.31%	46.52%
18	Loan Growth-YTD	16.12%	5.43%	3.17%	5.52%	40.96%
	Liquidity					
19	Liquid Assets/Total Assets	51.93%	52.51%	47.56%	53.47%	57.96%
20	FX Liabilities/Total Liabilities	71.39%	80.45%	79.38%	82.96%	82.44%
21	Current & Demand Deposits/Total Assets	48.71%	44.16%	45.84%	39.03%	45.76%
	Liquidity Coverage Ratio***					
22	Total HQLA	58,912,200	62,011,428	57,959,687	61,239,734	66,869,738
23	Net cash outflow	29,242,106	29,694,144	29,016,445	29,057,810	28,947,173
24	LCR ratio (%)	201.5%	208.8%	199.7%	210.8%	231.0%

* Regarding the annulment of conservation buffer requirement please see the press release of National Bank of Georgia "Supervisory Plan Of The National Bank Of Georgia With Regard To COVID-19" (link: <https://www.nbg.gov.ge/index.php?m=340&newsid=3901&lng=eng>)

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

Bank: JSC ZIRAAT BANK GEORGIA

Date: 12/31/2020

Table 2

Balance Sheet

in Lari

N	Assets	Reporting Period			Respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
1	Cash	1,648,261	5,643,643	7,291,904	1,014,771	3,053,094	4,067,865
2	Due from NBG	16,756,128	21,085,084	37,841,211	7,644,885	13,519,957	21,164,842
3	Due from Banks	22,149	4,301,042	4,323,191	114,826	27,742,323	27,857,149
4	Dealing Securities	0	0	0	0	0	0
5	Investment Securities	17,766,115	0	17,766,115	23,280,588	0	23,280,588
6.1	Loans	37,055,587	19,667,320	56,722,907	32,036,620	16,812,974	48,849,594
6.2	Less: Loan Loss Reserves	-2,038,254	-1,980,381	-4,018,635	-1,147,984	-711,803	-1,859,787
6	Net Loans	35,017,333	17,686,938	52,704,272	30,888,636	16,101,171	46,989,807
7	Accrued Interest and Dividends Receivable	1,228,938	212,897	1,441,835	1,236,630	67,826	1,304,456
8	Other Real Estate Owned & Repossessed Assets	68,395	0	68,395	82,225	0	82,225
9	Equity Investments	0	0	0	0	0	0
10	Fixed Assets and Intangible Assets	6,897,630	0	6,897,630	5,392,014	0	5,392,014
11	Other Assets	401,401	30,324	431,724	105,048	202,923	307,971
12	Total assets	79,806,349	48,959,929	128,766,277	69,759,623	60,687,294	130,446,917
	Liabilities						
13	Due to Banks	0	2,457,450	2,457,450	0	2,150,775	2,150,775
14	Current (Accounts) Deposits	15,662,327	37,168,558	52,830,886	10,475,377	27,888,455	38,363,832
15	Demand Deposits	2,912,661	6,977,251	9,889,912	1,658,574	19,673,784	21,332,358
16	Time Deposits	671,327	3,690,807	4,362,134	359,931	10,660,242	11,020,173
17	Own Debt Securities	0	0	0			0
18	Borrowings	0	0	0	0	0	0
19	Accrued Interest and Dividends Payable	41,735	147,796	189,531	4,002	158,275	162,277
20	Other Liabilities	1,200,932	684,473	1,885,405	623,781	1,050,869	1,674,650
21	Subordinated Debentures	0	0	0	0	0	0
22	Total liabilities	20,488,982	51,126,336	71,615,318	13,121,665	61,582,400	74,704,065
	Equity Capital						
23	Common Stock	50,000,000	0	50,000,000	50,000,000	0	50,000,000
24	Preferred Stock	0	0	0	0	0	0
25	Less: Repurchased Shares	0	0	0	0	0	0
26	Share Premium	0	0	0	0	0	0
27	General Reserves	0	0	0	0	0	0
28	Retained Earnings	7,150,959	0	7,150,959	5,742,852	0	5,742,852
29	Asset Revaluation Reserves	0	0	0	0	0	0
30	Total Equity Capital	57,150,959	0	57,150,959	55,742,852	0	55,742,852
31	Total liabilities and Equity Capital	77,639,941	51,126,336	128,766,277	68,864,517	61,582,400	130,446,917

Bank: JSC ZIRAAT BANK GEORGIA
Date: 12/31/2020

Table 3 **Income statement** *in Lari*

N		Reporting Period			Respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
	Interest Income						
1	Interest Income from Bank's "Nostro" and Deposit Accounts	518,280	42,945	561225	550,048	322,026	872074
2	Interest Income from Loans	3,616,740	1,191,484	4808224	2,885,488	1,188,957	4074445
2.1	from the Interbank Loans	0	0	0			0
2.2	from the Retail or Service Sector Loans	3,102,436	517,982	3620418	2,577,983	562,109	3140092
2.3	from the Energy Sector Loans	0	0	0			0
2.4	from the Agriculture and Forestry Sector Loans	0	0	0			0
2.5	from the Construction Sector Loans	85,388	137,843	223232			0
2.6	from the Mining and Mineral Processing Sector Loans	0	4,069	4069			0
2.7	from the Transportation or Communications Sector Loans	0	49,543	49543			0
2.8	from Individuals Loans	416,288	482,046	898334	307,505	626,848	934353
2.9	from Other Sectors Loans	12,628	0	12628			0
3	Fees/penalties income from loans to customers	57,734	28,333	86068	44,911	92,382	137293
4	Interest and Discount Income from Securities	1,779,974	0	1779974	1,799,703		1799703
5	Other Interest Income	146,994	381,992	528986	162,727	368,025	530752
6	Total Interest Income	6,119,722	1,644,754	7764476	5,442,877	1,971,390	7414267
	Interest Expense						
7	Interest Paid on Demand Deposits	81,430	33,721	115151	17,103	68,143	85247
8	Interest Paid on Time Deposits	24,534	196,413	220947	23,772	216,800	240571
9	Interest Paid on Banks Deposits	0	35,980	35980		112,020	112020
10	Interest Paid on Own Debt Securities			0			0
11	Interest Paid on Other Borrowings	0	6,613	6613		3,671	3671
12	Other Interest Expenses	71,527	11,244	82771	6,684	13,918	20602
13	Total Interest Expense	177,491	283,970	461461	47,559	414,552	462111
14	Net Interest Income	5,942,230	1,360,784	7303014	5,395,318	1,556,838	6952156
	Non-Interest Income						
15	Net Fee and Commission Income	(226,496)	(42,383)	-268880	(183,860)	431,436	247576
15.1	Fee and Commission Income	268,159	683,796	951955	297,028	784,565	1081593
15.2	Fee and Commission Expense	494,656	726,179	1220835	480,888	353,129	834017
16	Dividend Income	0	0	0			0
17	Gain (Loss) from Dealing Securities	0	0	0			0
18	Gain (Loss) from Investment Securities	0	0	0			0
19	Gain (Loss) from Foreign Exchange Trading	1,331,711		1331711	1,466,956		1466956
20	Gain (Loss) from Foreign Exchange Translation	(3,725)		-3725	39,753		39753
21	Gain (Loss) on Sales of Fixed Assets	0	0	0	13,033		13033
22	Non-Interest Income from other Banking Operations	0	3,604	3604		8,049	8049
23	Other Non-Interest Income	79,177	0	79177	12,992		12992
24	Total Non-Interest Income	1,180,667	(38,779)	1141887	1,348,874	439,485	1788359
	Non-Interest Expenses						
25	Non-Interest Expenses from other Banking Operations	34,507	14,757	49264	28,834	12,792	41626
26	Bank Development, Consultation and Marketing Expenses	144,601	0	144601	228,896		228896
27	Personnel Expenses	2,970,632		2970632	2,531,226		2531226
28	Operating Costs of Fixed Assets	22,170		22170	4,334		4334
29	Depreciation Expense	1,043,681		1043681	648,148		648148
30	Other Non-Interest Expenses	764,764	1,186	765950	674,852	3,708	678560
31	Total Non-Interest Expenses	4,980,354	15,943	4996298	4,116,290	16,500	4132790
32	Net Non-Interest Income	(3,799,688)	(54,722)	-3854410	(2,767,416)	422,985	-2344431
33	Net Income before Provisions	2,142,543	1,306,061	3448604	2,627,902	1,979,823	4607725
34	Loan Loss Reserve	2,154,560		2154560	799,467	X	799467
35	Provision for Possible Losses on Investments and Securities	0		0		X	0
36	Provision for Possible Losses on Other Assets	(114,065)		-114065	113,187	X	113187
37	Total Provisions for Possible Losses	2,040,496	0	2040496	912,654	0	912654
38	Net Income before Taxes and Extraordinary Items	102,047	1,306,061	1408108	1,715,248	1,979,823	3695071
39	Taxation	0		0	223,312		223312
40	Net Income after Taxation	102,047	1,306,061	1408108	1,491,936	1,979,823	3471759
41	Extraordinary Items	0		0			0
42	Net Income	102,047	1,306,061	1408108	1,491,936	1,979,823	3,471,759.00

Bank: JSC ZIRAAT BANK GEORGIA
Date: 12/31/2020

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	9,884,323	15,555,052	25,439,375	10,881,444	21,549,205	32,430,649
1.1	Guarantees Issued	8,598,520	14,321,297	22,919,817	9,475,527	21,124,743	30,600,270
1.2	Letters of credit Issued			0			0
1.3	Undrawn loan commitments	1,285,803	1,233,755	2,519,558	1,405,917	424,462	1,830,379
1.4	Other Contingent Liabilities	0	0	0	0	0	0
2	Guarantees received as security for liabilities of the bank		0	0		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	202,128,140	91,841,760	293,969,900	169,858,248	79,690,057	249,548,305
4.1	Surety, joint liability	195,622,990	76,750,469	272,373,459	162,236,240	47,681,556	209,917,796
4.2	Guarantees	6,505,150	15,091,291	21,596,441	7,622,008	32,008,501	39,630,509
5	Assets pledged as security for receivables of the bank	182,486,878	177,393,023	359,879,901	53,865,441	49,320,091	103,185,532
5.1	Cash	60,956,145	60,113,442	121,069,586	288,753	3,617,345	3,906,098
5.2	Precious metals and stones	381,557	2,947,302	3,328,859	0	0	0
5.3	Real Estate:	121,149,176	114,332,280	235,481,456	53,576,688	45,702,746	99,279,434
5.3.1	Residential Property	60,574,588	57,166,140	117,740,728	12,523,899	25,673,834	38,197,733
5.3.2	Commercial Property	15,678,212	26,592,110	42,270,322	20,105,619	12,017,547	32,123,166
5.3.3	Complex Real Estate	21,929,951	18,235,115	40,165,066	17,361,571	4,932,444	22,294,015
5.3.4	Land Parcel	17,361,571	9,175,470	26,537,041	3,585,599	3,078,920	6,664,519
5.3.5	Other	5,604,854	3,163,446	8,768,300	0	0	0
5.4	Movable Property	0	0	0	0	0	0
5.5	Shares Pledged	0	0	0	0	0	0
5.6	Securities	0	0	0	0	0	0
5.7	Other	0	0	0	0	0	0
6	Derivatives			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	47,802	326,749	374,551	5,630	127,166	132,797
7.1	Principal of receivables derecognized during last 3 month	4,594	18,123	22,717	0	0	0
7.2	Interest and penalty receivable not recognized on-balance or derecognized during last 3 month	7,223	45,306	52,528	758	21,146	21,904
7.3	Principal of receivables derecognized during 5 years month (including last 3 month)	7,378	18,123	25,502	2,785	0	2,785
7.4	Interest and penalty receivable not recognized on-balance or derecognized during last 5 years (including last 3 month)	28,607	245,196	273,803	2,088	106,020	108,108
8	Non-cancelable operating lease			0			0
8.1	Through indefinit term agreement			0			0
8.2	Within one year			0			0
8.3	From 1 to 2 years			0			0
8.4	From 2 to 3 years			0			0
8.5	From 3 to 4 years			0			0
8.6	From 4 to 5 years			0			0
8.7	More than 5 years			0			0
9	Capital expenditure commitment			0			0

Bank: JSC ZIRAAT BANK GEORGIA
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Table 5

Risk Weighted Assets

in Lari

N		31.12.2020	30.09.2020
1	Risk Weighted Assets for Credit Risk	106,957,467	110,447,472
1.1	Balance sheet items *	94,774,751	94,690,409
1.1.1	Including: amounts below the thresholds for deduction (subject to 250% risk weight)		
1.2	Off-balance sheet items	12,182,717	15,757,063
1.3	Counterparty credit risk	0	0
2	Risk Weighted Assets for Market Risk	295,627	68,445
3	Risk Weighted Assets for Operational Risk	14,719,140	11,760,206
4	Total Risk Weighted Assets	121,972,234	122,276,123

* COVID 19 related provisions are deducted from balance sheet items after applying relevant risks weights and mitigation

Bank: JSC ZIRAAT BANK GEORGIA
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Table 6 Information about supervisory board, directorate, beneficiary owners and shareholders

Members of Supervisory Board	
1	Altan GULER
2	Recep TURK
3	Okan BASKURT
4	Dimitri JAPARIDZE
5	Ketevan TKAVADZE
6	
7	
8	
9	
10	
Members of Board of Directors	
1	Omer AYDIN
2	Haluk CENGIZ
3	Mert KOZACIOGLU
4	
5	
6	
7	
8	
9	
10	
List of Shareholders owning 1% and more of issued capital, indicating Shares	
1	T.C. ZIRAAT BANKASI A.S. 100%
List of bank beneficiaries indicating names of direct or indirect holders of 5% or more of shares	
1	%

Bank: JSC ZIRAAT BANK GEORGIA

Date: 12/31/2020

Table 7

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

		a	b	c
			Carrying values of items	
	Account name of standardized supervisory balance sheet item	Carrying values as reported in published stand-alone financial statements per local accounting rules	Not subject to capital requirements or subject to deduction from capital	Subject to credit risk weighting
1	Cash	7,291,904		7,291,904
2	Due from NBG	37,841,211		37,841,211
3	Due from Banks	4,323,191		4,323,191
4	Dealing Securities	0		0
5	Investment Securities	17,766,115		17,766,115
6.1	Loans	56,722,907		56,722,907
6.2	<i>Less: Loan Loss Reserves</i>	<i>-4,018,635</i>		<i>-4,018,635</i>
6	Net Loans	52,704,272		52,704,272
7	Accrued Interest and Dividends Receivable	1,441,835		1,441,835
8	Other Real Estate Owned & Repossessed Assets	68,395		68,395
9	Equity Investments	0		0
10	Fixed Assets and Intangible Assets	6,897,630	702,502	6,195,127
11	Other Assets	431,724		431,724
	Total exposures subject to credit risk weighting before adjustments	128,766,277	702,502	128,063,775

Bank: JSC ZIRAAT BANK GEORGIA

Date: 12/31/2020

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	128,063,775
2.1	Nominal values of off-balance sheet items subject to credit risk weighting	25,439,375
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	153,503,150
4	Effect of provisioning rules used for capital adequacy purposes	771,642
5.1	Effect of credit conversion factor of off-balance sheet items related to credit risk framework	-13,256,659
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 *	0
7	Total exposures subject to credit risk weighting	141,018,133

*Other adjustments include COVID 19 related provisions too. These provisions are deducted from risk weighted balance sheet items. See table "5.RWA"

Bank: JSC ZIRAAT BANK GEORGIA
Date: 12/31/2020

Table 9

Regulatory capital

N		in Lari
1	Common Equity Tier 1 capital before regulatory adjustments	57,150,959
2	Common shares that comply with the criteria for Common Equity Tier 1	50,000,000
3	Stock surplus (share premium) of common share that meets the criteria of Common Equity Tier 1	
4	Accumulated other comprehensive income	
5	Other disclosed reserves	
6	Retained earnings (loss)	7,150,959
7	Regulatory Adjustments of Common Equity Tier 1 capital	702,502
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	702,502
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)	0
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)	0
20	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0
21	The amount of significant Investments and Deferred Tax Assets which exceed 15% of common equity tier 1	0
22	Regulatory adjustments applied to Common Equity Tier 1 resulting from shortfall of Tier 1 and Tier 2 capital to deduct investments	0
23	Common Equity Tier 1	56,448,457
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	0
31	Reciprocal cross-holdings in Additional Tier 1 instruments	0
32	Significant investments in the Additional Tier 1 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions	0
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)	0
34	Regulatory adjustments applied to Additional Tier 1 resulting from shortfall of Tier 2 capital to deduct investments	0
35	Additional Tier 1 Capital	0
36	Tier 2 capital before regulatory adjustments	1,223,485
37	Instruments that comply with the criteria for Tier 2 capital	
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	1,223,485
40	Regulatory Adjustments of Tier 2 Capital	0
41	Investments in own shares that meet the criteria for Tier 2 capital	0
42	Reciprocal cross-holdings in Tier 2 capital	0
43	Significant investments in the Tier 2 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions	0
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)	0
45	Tier 2 Capital	1,223,485

Bank: JSC ZIRAAT BANK GEORGIA

Date: 12/31/2020

Table 9.1 **Capital Adequacy Requirements**

	Minimum Requirements	Ratios	Amounts (GEL)
1	Pillar 1 Requirements		
1.1	Minimum CET1 Requirement	4.50%	5,488,751
1.2	Minimum Tier 1 Requirement	6.00%	7,318,334
1.3	Minimum Regulatory Capital Requirement	8.00%	9,757,779
2	Combined Buffer		
2.1	Capital Conservation Buffer *	0.00%	0
2.2	Countercyclical Buffer	0.00%	0
2.3	Systemic Risk Buffer	0.00%	0
3	Pillar 2 Requirements		
3.1	CET1 Pillar 2 Requirement	0.80%	980,272
3.2	Tier 1 Pillar2 Requirement	1.07%	1,308,095
3.3	Regulatory capital Pillar 2 Requirement	4.64%	5,661,656
	Total Requirements	Ratios	Amounts (GEL)
4	CET1	5.30%	6,469,022
5	Tier 1	7.07%	8,626,429
6	Total regulatory Capital	12.64%	15,419,435

* Regarding the annulment of conservation buffer requirement please see the press release of National Bank of Georgia "Supervisory Plan Of The National Bank Of Georgia With Regard To COVID-19" (link: <https://www.nbg.gov.ge/index.php?m=340&newsid=3901&lng=eng>)

Bank: JSC ZIRAAT BANK GEORGIA

Date: 12/31/2020

Table 10 Reconciliation of balance sheet to regulatory capital

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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	7,291,904	
2	Due from NBG	37,841,211	
3	Due from Banks	4,323,191	
4	Dealing Securities	0	
5	Investment Securities	17,766,115	
6.1	Loans	56,722,907	
6.2	Less: Loan Loss Reserves	-4,018,635	
6.2.1	of wich general provisions	-771,642	table 9 (Capital), N10
6.2.1	of wich provisions due to COVID-19	0	
6	Net Loans	52,704,272	
7	Accrued Interest and Dividends Receivable	1,441,835	
8	Other Real Estate Owned & Repossessed Assets	68,395	
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	6,897,630	
10.1	Of which intangible assets	702,502	table 9 (Capital), N10
11	Other Assets	431,724	
12	Total assets	128,766,277	
13	Due to Banks	2,457,450	
14	Current (Accounts) Deposits	52,830,886	
15	Demand Deposits	9,889,912	
16	Time Deposits	4,362,134	
17	Own Debt Securities	0	
18	Borrowings	0	
19	Accrued Interest and Dividends Payable	189,531	
20	Other Liabilities	1,885,405	
20.1	of wich provisions due to other Assets	451,843	table 9 (Capital), N10
21	Subordinated Debentures	0	
21.1	Of which tier II capital qualifying instruments	0	
22	Total liabilities	71,615,318	
23	Common Stock	50,000,000	table 9 (Capital), N10
24	Preferred Stock	0	
25	Less: Repurchased Shares	0	
26	Share Premium	0	
27	General Reserves	0	
28	Retained Earnings	7,150,959	table 9 (Capital), N10
29	Asset Revaluation Reserves	0	table 9 (Capital), N10
30	Total Equity Capital	57,150,959	

Bank: JSC ZIRAAT BANK GEORGIA
Date: 12/31/2020

Table 11 Credit Risk Weighted Exposures
(On-balance items and off-balance items after credit conversion factor)

Risk weights Exposure classes		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		0%		20%		35%		50%		75%		100%		150%		250%		Risk Weighted Exposures before Credit Risk Mitigation
		On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	
1	Claims or contingent claims on central governments or central banks	18,522,243	0	16,003,178	0	0	0	0	0	0	0	21,081,149	0	0	0	0	0	24,281,784
2	Claims or contingent claims on regional governments or local authorities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
3	Claims or contingent claims on public sector entities	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
4	Claims or contingent claims on multilateral development banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
5	Claims or contingent claims on international organizations/institutions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
6	Claims or contingent claims on commercial banks	0	0	22,149	0	0	0	4,301,042	0	0	0	0	0	0	0	0	0	2,154,951
7	Claims or contingent claims on corporates	0	0	0	0	0	0	0	0	0	0	24,395,833	10,031,949	0	0	5,133,324	0	47,261,092
8	Retail claims or contingent retail claims	0	0	0	0	0	0	0	0	0	0	25,351,436	2,150,768	0	0	0	0	27,602,204
9	Claims or contingent claims secured by mortgages on residential property	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
10	Past due items	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
11	Items belonging to regulatory high-risk categories	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
12	Short-term claims on commercial banks and corporates	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
13	Claims in the form of collective investment undertakings (CIU)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	-
14	Other items	8,267,179	0	560	0	0	0	0	0	0	0	5,757,324	0	0	0	0	0	5,757,436
Total		26,789,422	0	16,025,887	0	0	0	4,301,042	0	0	0	76,585,742	12,182,717	0	0	5,133,324	0	106,957,467

Bank: JSC ZIRAAT BANK GEORGIA
Date: 12/31/2020

Table 13 Standardized approach - Effect of credit risk mitigation

		a	b	c	d	e	f
		On-balance sheet exposures	Off-balance sheet exposures		RWA before Credit Risk Mitigation	RWA post Credit Risk Mitigation	RWA Density f=e/(a+c)
			Off-balance sheet exposures - Nominal value	Off-balance sheet exposures post CCF			
Asset Classes							
1	Claims or contingent claims on central governments or central banks	55,606,569	0	0	24,281,784	24,281,784	44%
2	Claims or contingent claims on regional governments or local authorities	0	0	0	0	0	#DIV/0!
3	Claims or contingent claims on public sector entities	0	0	0	0	0	#DIV/0!
4	Claims or contingent claims on multilateral development banks	0	0	0	0	0	#DIV/0!
5	Claims or contingent claims on international organizations/institutions	0	0	0	0	0	#DIV/0!
6	Claims or contingent claims on commercial banks	4,323,191	0	0	2,154,951	2,154,951	50%
7	Claims or contingent claims on corporates	29,529,158	20,174,100	10,031,949	47,261,092	47,261,092	119%
8	Retail claims or contingent retail claims	25,351,436	5,265,275	2,150,768	27,502,204	27,502,204	100%
9	Claims or contingent claims secured by mortgages on residential property	0	0	0	0	0	#DIV/0!
10	Past due items	0	0	0	0	0	#DIV/0!
11	Items belonging to regulatory high-risk categories	0	0	0	0	0	#DIV/0!
12	Short-term claims on commercial banks and corporates	0	0	0	0	0	#DIV/0!
13	Claims in the form of collective investment undertakings ('CIU')	0	0	0	0	0	#DIV/0!
14	Other items	14,025,063	0	0	5,757,436	5,757,436	41%
Total		128,835,416	25,439,375	12,182,717	106,957,467	106,957,467	76%

Bank: JSC ZIRAAT BANK GEORGIA
Date: 12/31/2020

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				28,791,005	30,121,195	58,912,200	28,763,965	29,994,884	58,758,849
Cash outflows										
2	Retail deposits	1428687.217	10675946.72	12,104,634	490,311	4,816,046	5,306,357	112,331	974,181	1,086,513
3	Unsecured wholesale funding	10202451.35	39232743.12	49,435,194	4,268,397	16,326,357	20,594,755	2,992,779	11,746,104	14,738,883
4	Secured wholesale funding	0	0	-	-	-	-	-	-	-
5	Outflows related to off-balance sheet obligations and net short position of derivative exposures	10322040.24	19472300.26	29,794,340	1,474,772	2,582,980	4,057,752	580,375	1,088,341	1,668,716
6	Other contractual funding obligations			-	-	-	-	-	-	-
7	Other contingent funding obligations	1226002.032	405604.9552	1,631,607	48,301	47,550	95,851	48,301	47,550	95,851
8	TOTAL CASH OUTFLOWS	23179180.84	69786595.05	92,965,776	6,281,782	23,772,933	30,054,714	3,733,787	13,856,176	17,589,963
Cash inflows										
9	Secured lending (eg reverse repos)	0	0	-			-	-	-	-
10	Inflows from fully performing exposures	23117685.06	17517553.11	40,635,238	296,074	225,724	521,799	3,105,913	3,496,124	6,602,037
11	Other cash inflows	1218860.937	19411.61695	1,238,273	241,143	6,814	247,958	241,143	6,814	247,958
12	TOTAL CASH INFLOWS	24336546	17536964.72	41,873,511	537,218	232,538	769,756	3,347,056	3,502,938	6,849,995
					Total value according to NBG's methodology* (with limits)			Total value according to Basel methodology (with limits)		
13	Total HQLA				28,791,005	30,121,195	58,912,200	28,763,965	29,994,884	58,758,849
14	Net cash outflow				5,744,564	23,497,543	29,242,106	933,447	10,310,386	10,697,116
15	Liquidity coverage ratio (%)				501.19%	128.19%	201.46%	3081.48%	290.92%	549.30%

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

Bank: JSC ZIRAAT BANK GEORGIA
Date: 12/31/2020

Table 15 Counterparty credit risk

[illegible]

Bank: JSC ZIRAAT BANK GEORGIA
Date: 12/31/2020

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) *	129,537,919
2	(Asset amounts deducted in determining Tier 1 capital)	(702,502)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	128,835,416
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	25,439,375
18	(Adjustments for conversion to credit equivalent amounts)	(13,256,659)
19	Other off-balance sheet exposures (sum of lines 17 to 18)	12,182,717
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	56,448,457
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	141,018,133
Leverage ratio		
22	Leverage ratio	40.03%
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	

*COVID 19 related provisions are deducted from balance sheet items

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

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

Bank: **JSC "Ziraat Bank Georgia"**
Date: **2020-12-31**

Table 20 Differences between accounting and regulatory scopes of consolidation

a		b		c		d		e		f													
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
1	Cash and cash equivalents	37,168,398	37,168,398	37,168,398	37,168,398					7,291,904	25,553,303	4,323,191	0										37,168,398
2	Mandatory reserve with the NBG	12,287,908	12,287,908	12,287,908	12,287,908						12,287,908												12,287,908
3	Loans to customers	56,908,893	56,908,893	56,908,893	54,108,952	1*									56,722,907	-4,018,635	52,704,272	1,404,680					54,108,952
4	Investment securities	17,766,115	17,766,115	17,766,115	17,766,115									17,766,115						0			17,766,115
5	Other assets	605,669	605,669	605,669	537,274	2*								17,766,115				37,155	68,395			431,724	537,274
6	Intangible assets	702,502	702,502	702,502	702,502																702,502		702,502
7	Right-of-use assets	975,835	975,835	975,835	975,835																975,835		975,835
8	Property and equipment	5,219,293	5,219,293	5,219,293	5,219,293																5,219,293		5,219,293
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- 1* The change in LLP is by IFRS9 and local standart
2* The change is due to the reserves of the mortgaged real estate (not included in IFRS9)
3* Reclassification
4* The change in Guarantee Provision is by IFRS9 and local standart

Bank: JSC "Ziraat Bank Georgia"
Date: 2020-12-31

Table 21		Consolidation by entities					
	Name of Entity	Method of Accounting consolidation	Method of regulatory consolidation				Description
			Full Consolidation	Proportional Consolidation	Neither consolidated nor deducted	Deducted	
1	XXX	Full Consolidation					
2	XXX	Proportional Consolidation					
3	XXX	Not consolidated					

Bank: JSC "Ziraat Bank Georgia"
Date: 2020-12-31

Table 22 Information about historical operational losses

		2020	2019	2018
1	Total amount of losses	3,025	100	0
2	Total amount of losses, exceeding GEL 10,000	0	0	0
3	Number of events with losses exceeding GEL 10,000	0	0	0
4	Total amount of 5 biggest losses	0	0	0

Bank: JSC "Ziraat Bank Georgia"
Date: 2020-12-31

Table 23 Operational risks - basic indicator approach

		a	b	c	d	e
		2020	2019	2018	Average of sums of net interest and net non-interest income during last three years	Risk Weighted asset (RWA)
1	Net interest income	7,303,013	6,952,156	4,661,659		
2	Total Non-Interest Income	1,062,711	1,775,367	1,808,750		
3	less: income (loss) from selling property	0	13,033	0		
4	Total income (1+2-3)	8,365,724	8,714,490	6,470,409	7,850,208	14,719,139

Bank: JSC "Ziraat Bank Georgia"
Date: 2020-12-31

Table 24 Remuneration awarded during the reporting period

		Board of Directors	Supervisory Board	Other material risk takers
1	Fixed remuneration	Number of employees	3	5
2		Total fixed remuneration (3+5+7)	563,959	163,129
3		Of which cash-based	563,959	163,129
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	3	5
10		Total variable remuneration (11+13+15)	15,091	13,068
11		Of which cash-based	15,091	13,068
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		579,051	176,197

Bank: JSC "Ziraat Bank Georgia"
Date: 2020-12-31

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			
Severance payments	Of which other instruments			
	Number of employees			
	Total amount:	0	0	0
	Of which cash-based			
	Of which shares			
	Of which share-linked instruments			
	Of which other instruments			

Bank: JSC "Ziraat Bank Georgia"
Date: 2020-12-31

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

Table 27

Table 27		Shares owned by senior management																										
		a			b		c		d		e		f		g		h		i		j		k		l		m	
		Amount of shares at the beginning of the reporting period						Changes during the reporting period										Amount of shares at the end of the reporting period										
		Unvested		Vested		Total (a+b)		Awarded during the period		Reduction during the period		Vesting		Unvested		Vested		Purchase		Sell		Unvested (a+d-f-g)		Vested (b+e-f-h+i)		Total (k+l)		
	Senior management							Of which: Unvested	Of which: Vested																			
1	Total amount:	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
1.1						0																0	0	0	0	0	0	
1.2						0																0	0	0	0	0	0	
1.3						0																0	0	0	0	0	0	
1.4						0																0	0	0	0	0	0	
1.5						0																0	0	0	0	0	0	
1.6						0																0	0	0	0	0	0	
1.7						0																0	0	0	0	0	0	
2	Other material risk takers					0																0	0	0	0	0	0	
2	Total amount:																					0	0	0	0	0	0	