

*Copy of General Risk Assessment Program "GRAPE" letter*

JSC "TBC Bank" Directorate  
Copy to: Supervisory Board

Date: 22.02.2018

Gentlemen,

Herewith we inform you that National Bank of Georgia completed assessment of JSC "TBC Bank" within General Risk Assessment Program (GRAPE), which under Pillar 2 framework envisages the introduction of the net GRAPE buffer. [REDACTED]

Among others, the following issues should be singled out:

[REDACTED]

- We note the steps taken by the Bank to ensure that the Supervisory Board and its Committees are comprised of independent members. However, combining of executive and supervisory functions by the Chairmen and Deputy Chairman of the Supervisory board creates potential for conflict of interests and excessive concentration of authority. The aforementioned is further underscored by the compensation of the Chairman and Deputy Chairman, which is explained by their crucial role, including carrying out executive functions. Furthermore, this potentially hinders the Supervisory Board to effectively perform controlling function assigned to it.
- Potential risk of losses for the Bank comes from the possible use of the Bank by the founding shareholders for their own business interests. At various times in the past, certain requirements of the "Regulation on the Management of Conflict of Interests" have been violated with regard to the transactions with related parties of the Bank's shareholders. Similarly, there have been issues related to disbursing loans to related parties as well as the conflict of interest management process in general. The aforementioned requires further involvement from independent members of the Supervisory Board. We note recent progress by the Bank in improving conflict of interest management framework, which the National Bank of Georgia is currently monitoring.



For the purposes of mitigation of identified risks, the bank must meet the net GRAPE buffer by minimum ■ of its total risk-weighted assets.

Besides, commercial bank should meet the net GRAPE buffer requirements determined by the National Bank in accordance with the proportions shown in the table below according to the indicated periods:

Allocation of net GRAPE buffer requirement to the capital elements	28/02/2019	31/12/2018	31/12/2019	31/12/2020	31/12/2021 and further
Common Equity Tier 1 Capital	0%	15%	30%	45%	56%
Tier 1 Capital	0%	20%	40%	60%	75%
Total Regulatory Capital	100%	100%	100%	100%	100%

Murtaz Kikoria

Deputy Governor