TBC BANK

Profitable and Stable

Growth

MANAGEMENT REPORT AND FINANCIAL STATEMENTS 2023

2023

TBC BANK

TBC Bank[1]

The leading financial group in Georgia

1 TBC Bank refers to JSC TBC Bank (the Bank) and its subsidiaries (together Group)

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Chapter 1

Management Report

Overview

TBC at a glance

Who we are

TBC is a leading financial services group in Georgia

Powered by **Georgian financial services**

- TBC banking business: Retail, MSME, CIB & WM
- TBC Pay
- TBC Leasing

39.3%
Market share[1] in total loans
39.5% as of 31 Dec 2022

40.1%
Market share[1] in total deposits
40.3% as of 31 Dec 2022

Group's key financial highlights[2]

Profit	GEL 1.1 bln	+9% YoY
ROE	25.4%	-0.6pp YoY
NIM	6.3%	+0.4pp YoY
Cost to income	32.0%	+3.2pp YoY
Gross loan portfolio[4]	GEL 21.3 bln	+19%[3] YoY
Deposit portfolio	GEL 19.9 bln	+12%[3] YoY

Group's key operating highlights[2]

Monthly active customers	1.6 mln	+7% YoY
Digital MAU	0.9 mln	+15% YoY
Digital DAU/MAU	46%	-2.0pp YoY
Monthly active cardholders	938 K	+12% YoY
ENPS[5]	58%	-1.0pp YoY
NPS[6]	67%	+6.0pp YoY

1 Based on data published by the National Bank of Georgia on the analytical tool Tableau.
2 Definitions and detailed calculation of the APMs are given on pages 286-290.
3 Growth in constant currency.
4 Gross loan portfolio refers to loans and advances to customers. For more details, please refer to Note 9.
5 The Employee Net Promoter Score (ENPS) was measured in December 2023 by an independent consultant for the Bank's employees.
6 The Net Promoter Score (NPS) was measured based on a survey conducted by the independent research company Sonar in December 2023.

Our mission

Customers

Investors

To make people's lives easier

Colleagues

Community

Our strategic priorities

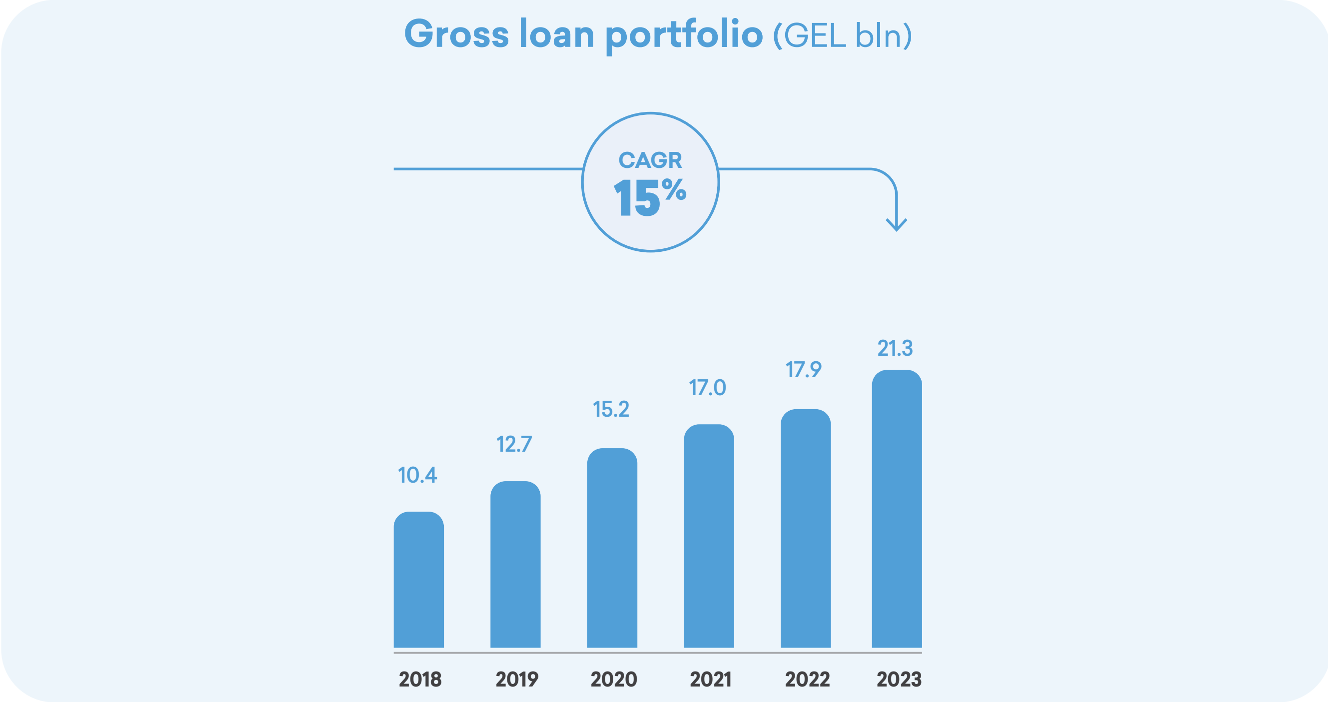
- Build on our leading position in Georgian banking
- Increase digitalisation levels
- Keep improving our customer experience

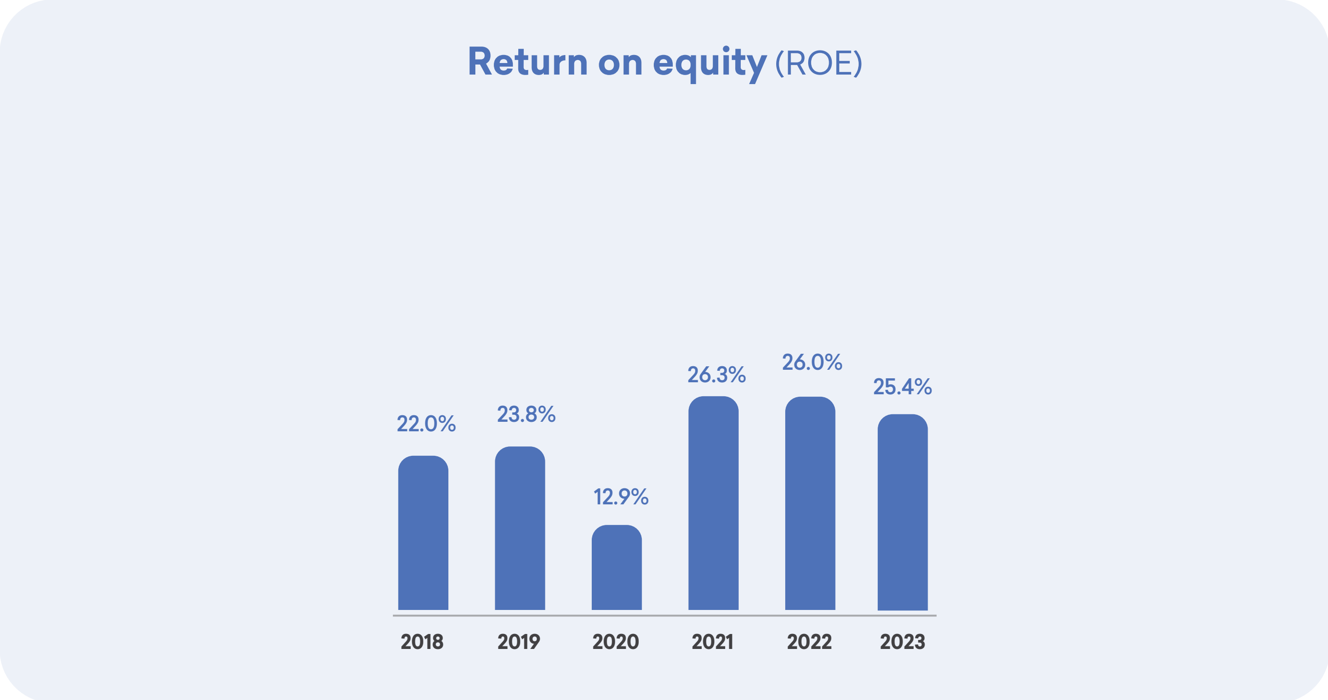
How we differentiate ourselves

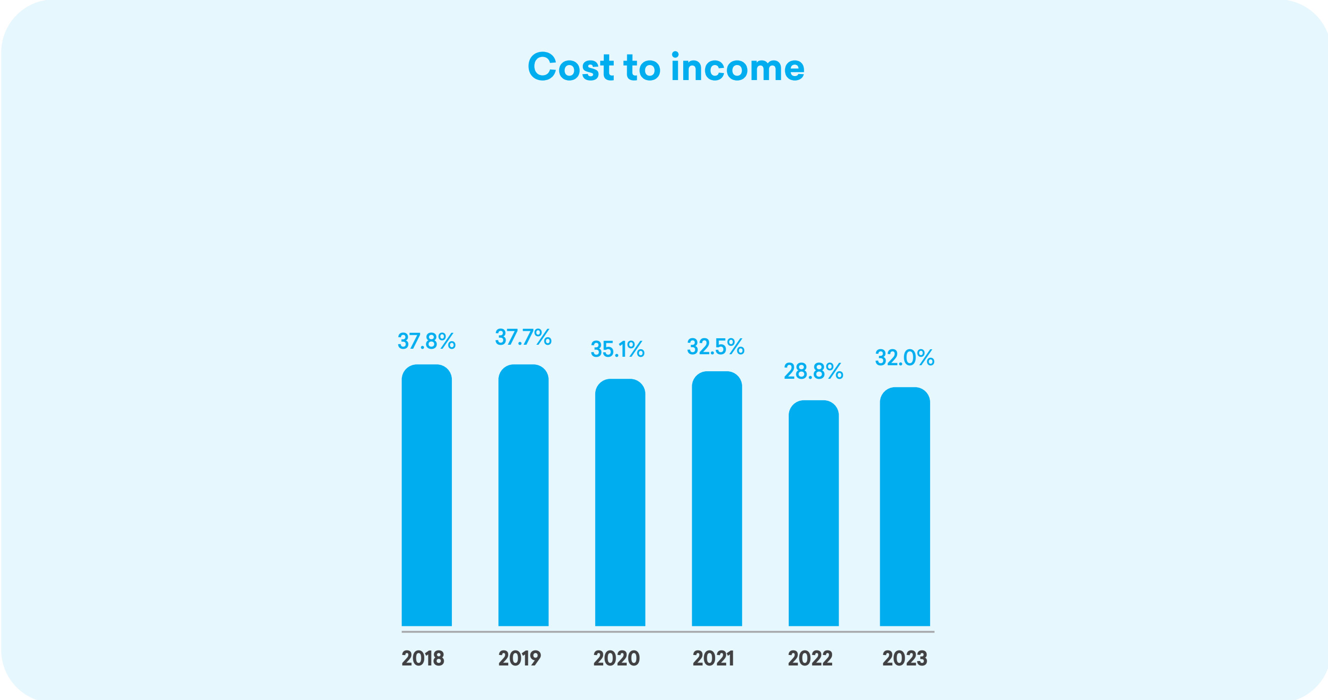
Best-in-class digital solutions	Advanced data analytical capabilities	Excellent corporate governance and risk management	Motivated employees
921,000 digital monthly active users as of 31 Dec 2023	GEL 90 mln additional income generated in 2023	1 ISS Governance quality score for TBC PLC[1] as of 31 Dec 2023 indicating highest standards of governance	58% Employee Net Promoter Score (ENPS)[2] - well above the European industry average of 42%[3]

1 TBC Bank Group PLC ("TBC PLC") is a holding company of JSC TBC Bank (the "Bank") and its subsidiaries. TBC PLC is incorporated in England and Wales and listed on the premium segment of the London Stock Exchange.
2 The Employee Net Promoter Score (ENPS) was measured in December by an independent consultant for the Bank's employees.
3 The European industry average of Employee Net Promoter Score (ENPS) was measured in December 2023 by an independent consultant.

Proven track record of growth and profitability[1]







1 Definitions and detailed calculation of the APMs are given on pages 286-290.

Executive Management team of JSC TBC Bank

VAKHTANG BUTSKHRIKIDZE
Chief Executive Officer

NINO MASURASHVILI
Deputy CEO, Chief Risk Officer

GIORGI MEGRELISHVILI
Deputy CEO, Chief Financial Officer

For full biographies please refer to our website:

www.tbcbankgroup.com

TORNIKE GOGICHAISHVILI
Deputy CEO, Retail & MSME banking, Payments

GEORGE TKHELIDZE
Deputy CEO, Corporate & Investment Banking, Wealth Management

Reflections from the top

Chairman's statement

"Our success remains rooted in our ongoing commitment to making our customers' lives easier"

DEAR STAKEHOLDERS,

I am delighted to report on another year of exceptional financial performance for TBC. Our profit reached GEL 1.1 billion up by 9% year-on-year, while return on equity stood at 25.4%.

DIGITALLY DELIVERING ON OUR MISSION

Our success remains rooted in our ongoing commitment to making our customers' lives easier. I am proud to report that we remain the largest financial services provider in the country in terms of assets, loans and deposits, serving 1.6 million monthly active customers, equivalent to almost half of the country's total population. Importantly, our customers continue to appreciate and recommend our services to families and friends, as is reflected in an excellent 6pp increase in our Georgian NPS score to 67%[1].

Digitalization sits at the heart of our financial services offerings and we continue to introduce new digital initiatives. For instance, a new mobile-based loyalty programme for our retail customers and a real-time settlement system for our business customers were introduced during the year.

In line with our digital priorities, we continued to see our customers conduct more transactions via our remote channels in 2023, with the share of retail transactions through our mobile and internet banks increasing by 5pp to 68%. This shift has empowered us to redirect front-office staff towards delivering enhanced customer services and support, adding more value to our customer interactions and, over the long term, improving our operating efficiency. Beyond these customer-facing elements lie increasing investment in digital infrastructure, such as machine-learning AI underwriting tools and a rising share of end-to-end digital credit processes for our corporate clients.

We continue to strive to offer more people access to a broader range of financial services. During the year, we launched new online subscription packages and brokerage services for our retail customers. Also, for our young generations, we created the Hi! App. Promoting financial inclusion is a key area of emphasis for us, and our goal is to empower young people by enhancing their financial literacy skills through active engagement with the app.

CONTINUING TO ENHANCE OUR ESG STRATEGY

We have made important progress in ESG initiatives in 2023, across a number of areas. First, we successfully met and beat our target of GEL 1 billion in sustainable financing, increasing this portfolio by 57% year-on-year. We have also strived to further increase employee diversity, and I am proud to report that over 37% of middle-management positions are now held by women. We also continue to make progress in terms of implementing Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our best-in-class governance spanning capital allocation, financial disclosure, board experience and shareholder communication remains a key plank in our approach to ESG.

LOOKING AHEAD WITH CONFIDENCE

I firmly believe that a strategy centred around our mission of making our customers' lives easier remains the right one to keep developing as a team and as a business. Evidence of our positive progress is provided by another year of record earnings, strong customer and balance sheet growth. Furthermore, I am confident that our executive management team have the ability and resources to continue driving success for the Group and our many stakeholders in the years to come.

Arne Berggren
Chairman
2 April 2024

1 The Net Promoter Score (NPS) was measured based on survey conducted by the independent research company Sonar in December 2023

CEO letter

" We achieved record high profit of GEL 1.1 bln, while our return on equity was 25.4%"

DEAR STAKEHOLDERS,

The geopolitical backdrop across the region remained very challenging in 2023 as the devastating war in Ukraine continued into a second year. I would like to reiterate my words of last year's annual report that I firmly believe that Ukraine will prevail in its fight for freedom, and we continue to stand by Ukraine by offering our support to those who have suffered from the hardships of the war, through various programmes, charity activities and fundraisers.

Thankfully, the past year did also provide some very positive news for Georgia and its 3.7 million people, with the EU's decision in mid-December to grant Georgia candidate status. While much work remains to be done, this represents a massive step for Georgia in its long-term aim for closer integration with the EU, and I, and all of my fellow Georgians, can be rightly proud to have achieved this recognition.

DELIVERING RECORD RESULTS

2023 has been a strong year for TBC in terms of financial performance and key operating metrics.

- **Financials** - our profit reached a record GEL 1,119 million, up by 9% year-on-year, while the return on equity was 25.4%. It is also worth noting that this was in a year in which there were no material one-offs in revenues, which had been the case in 2022, which saw very high FX revenues.
- **User base** - By the end of 2023, the number of monthly active customers reached 1.6 million, accounting for approximately two-thirds of the total bankable population[1] in Georgia.
- **Digital engagement across the Group** - digital monthly active users (MAU) saw an acceleration during the year, reaching 921,000 by the end of 2023, up by 15% year-on-year, while the digital daily active users (DAU) amounted to 421,000, an increase of 10% over the same period.

Maintaining our leadership position in Georgia
We delivered strong growth in 2023, enabling us to maintain a leadership position throughout the Georgian financial services landscape. Our loan book increased by 19% in constant currency terms, driven by our Corporate and Investment Banking (CIB) segment, and we were delighted to be recognised as the inaugural winner of the Best Corporate Bank in Georgia 2023 by Euromoney. Meanwhile, our deposit portfolio was up by 12%, also in constant currency terms.

Enhancing our digital footprint

We have also seen exciting developments in our digital capabilities. This includes the launch of a retail brokerage service for our mass retail customers, which has already had strong take-up, a set of new online subscription packages for our retail customers, and the roll-out of a platform for digital signatures within our corporate business, greatly improving the speed and convenience of the credit process. The past year has also seen great progress in offloading retail transactions from branches to our mobile and internet channels, which is good for both our customers and our business.

Strong operating performance

Our operating income rose by 10% in 2023. This growth was driven by dynamic growth in net interest income, which was up by 20% on the back of a combination of healthy loan book growth and very impressive net interest margin expansion, which increased by 0.4 basis points to 6.3%. Net fee and commission income also generated encouraging results, rising by 26% and driven by our payment operations.

The enduring benign economic backdrop was reflected in a cost of risk of just 0.7% for the year, while NPLs fell from 2.2% to 2.0% at year end. At the same time, we delivered a 32.0% cost to income ratio. Our capital position has remained very strong, supported by robust income generation. At the end of 2023, our CET1 ratio stood at 17.4%, comfortably above the minimum regulatory requirement of 14.3%.

CONTINUING TO INVEST IN OUR PEOPLE

We would, of course, not have been able to achieve any of these excellent results without the continued efforts and dedication of our team of around 9,000 dedicated colleagues. One of the ways in which we thanked many of our key staff in 2023 was with a team trip to Paris to see Georgia play Australia in the Rugby World Cup. TBC has long been the proud sponsor of the national rugby team, and while the result did not go our way, this was an invaluable exercise in team building and a way of saying thank you to many of our key employees.

We also continue to offer our employees the tools to develop their skills across a wide range of areas. In 2023, more than 2,000 employees participated in various courses and programs run by our TBC Academy, including business development, agile transformation, brand experience, law, financial analytics, and refining essential soft skills.

LOOKING AHEAD

As we reflect on the achievements and challenges of the past year, we are filled with gratitude for the dedication and resilience of our team, the unwavering support of our stakeholders, and the enduring trust of our customers.

In the coming year, our focus remains steadfast on driving digitalization and enhancing operational efficiency to deliver exceptional value to our stakeholders.

Vakhtang Butskhrikidze
CEO
2 April 2024

1 Bankable population includes population of Georgia, aged 18-65. Based on Geostat.

Our strategic approach

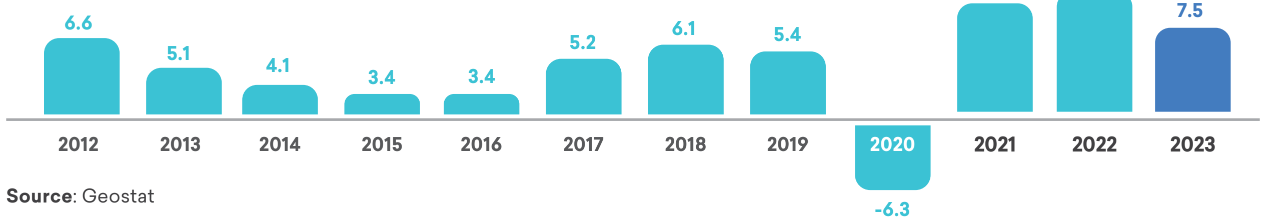
Operating environment

GEORGIA[1]

ECONOMIC GROWTH

After two successive years of double-digit growth in Georgia, economic activity moderated somewhat but remained strong in 2023, with real GDP increasing by 7.5%.

REAL GDP GROWTH (%)



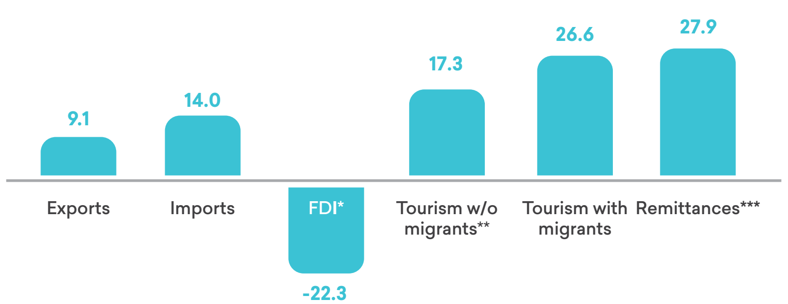
Source: Geostat

EXTERNAL SECTOR

The negative impact of lower international commodity prices on both exports and imports noticeably affected external sector activity throughout 2023. Specifically, the growth of exports and imports denominated in US dollars moderated to 9.1% and 14.0% for the full year 2023, respectively. Importantly, these commodity price dynamics had a particular impact on domestic commodity exports, while re-exports performed strongly. At the same time, the increase of the share of IT services in Georgian exports was notable, with a major driver being the arrival of migrants in 2022.

Given the high base effect caused by elevated immigration in 2022, the annual growth of tourism inflows also normalized to 17.3% YoY in 2023, as migrants were gradually counted as residents by the National Bank of Georgia (NBG) and so were excluded from the tourism sector. At the same time, the share of conventional tourism in total inflows increased, as spending excluding visitors from Russia, Belarus and Ukraine increased by 38.2% YoY. Therefore, while the migration peak is likely to be in the past, conventional tourism inflows have at least had a balancing impact. Moreover, remittances also maintained positive momentum throughout the year after adjustment for Russia, increasing by 27.9%[2] YoY, despite decreasing notably in the fourth quarter. The high base effect, combined with a significant drop of debt instruments and lower reinvestments, drove an annual reduction in foreign direct investments (FDI) to Georgia of 61.5% in the third quarter. Nevertheless, once the record high level of FDI in 2022 is taken into account, foreign investments in 2023 also appear solid.

YOY GROWTH OF INFLOWS AND IMPORTS IN 2023 (%)



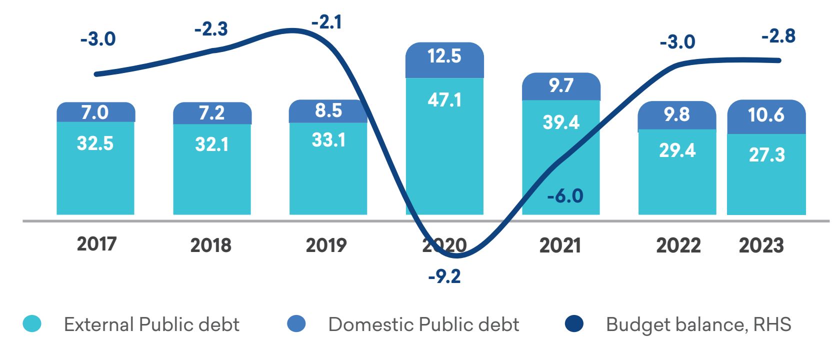
*Sum of the first three quarters of the year
**Tourism revenues without migrants counted as residents by the NBG
***Remittances from Russia are adjusted for double counting with tourism inflows and other similar effects, based on TBC Capital estimates.

Source: NBG, Geostat

FISCAL STIMULUS

It is important to highlight that the strong recent economic growth is not a result of fiscal stimulus. In fact, fiscal consolidation is underway. After reaching 9.2% of GDP in 2020 and a lower, but still large, level of 6.0% in 2021, the budget deficit stood at 3.0% in 2022 and 2.8%[3] in 2023.

GOVERNMENT DEBT AND BUDGET BALANCE (% OF GDP)

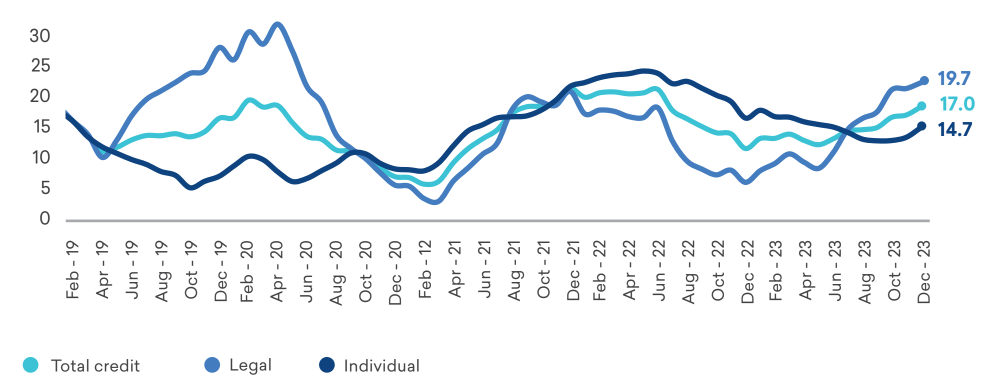


Source: Geostat, MOF

CREDIT GROWTH ON A CONSTANT CURRENCY BASIS

As of December 2023, bank credit increased by 17.0%[4] YoY, compared to 12.1% growth at the end of December 2022, at constant exchange rates. The relative acceleration at the end of the year was mainly driven by business loans, while retail credit growth has moderated. At the same time, as inflation reduced significantly, the YoY growth in real credit increased from 2.4% in December 2022 to 16.5% in December 2023.

GROWTH OF LOANS BY SEGMENTS (YOY, EXCL. FX EFFECT, %)



Note: Aug-22 decline in corporate credit was largely due to the prepayments
Source: NBG

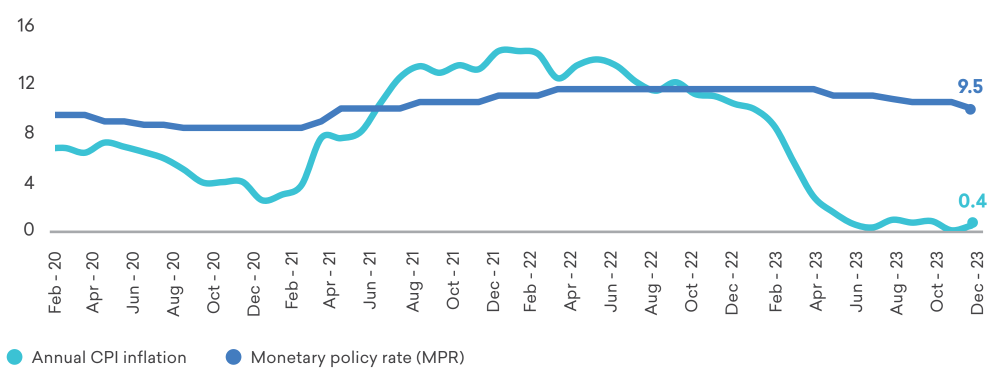
1 In February 2024, Geostat published the revised data of GDP and national accounts for 2010-2023.
2 Remittances from Russia are adjusted for double counting with tourism inflows and other similar effects, based on TBC Capital estimates.
3 Per IMF program definition.
4 Based on data published by NBG and FX-adjusted by TBC, based on Dec-2023 end of period exchange rate.

INFLATION, MONETARY POLICY, AND THE EXCHANGE RATE

While the first half of the year was still very strong in terms of foreign currency inflows, the second half was characterized by normalisation towards the long-term trend. Accordingly, while the GEL exchange rate experienced some volatility throughout the year, currency inflows aided by central bank interventions in the second half of the year were sufficient to keep the rate broadly stable. USD/GEL stood at 2.69 at the end of December, almost unchanged from 2.7 at the end of December 2022. Strong dynamics in the first half enabled the NBG to accumulate all-time-high foreign currency reserves topping USD 5 billion. Throughout the year, the central bank purchased USD 1,449 million and sold USD 169 million.

As a result of a broadly stable GEL and sustained disinflationary pass-through from international markets, CPI inflation reduced significantly from 9.8% in December 2022 and stabilised well below the NBG target of 3%, standing at 0.4% YoY in December 2023. Domestic and service inflation measures also normalized around the target. Due to low inflation, the NBG delivered four rate cuts of 150 basis points in total, reducing the Monetary Policy Rate (MPR) to 9.5%.

CPI INFLATION AND MPR (%)



Source: NBG, Geostat

GOING FORWARD

Economic activity in Georgia moderated somewhat but remained strong in 2023 at 7.5%. Further normalisation is expected with Georgia's real GDP increasing by 5.6% in 2024 and 5.4% in 2025, according to TBC Capital projections.

More information on the latest analyses and projections can be found at www.tbccapital.ge.

Business model

Our business model revolves around our customers as we aim to deliver a best-in-class customer experience.

How we create value

What we deliver

OUR OPERATIONS

FINANCIAL SERVICES

Retail banking: a wide range of convenient digital products for individuals
MSME: a leading partner for micro, small and medium enterprises
CIB & WM: a full suite of services for our corporate and wealth management customers
Payments: seamless solutions covering all the payment needs of companies and individuals
Leasing: an alternative source of financing for our retail and corporate clients

How we deliver

CUTTING EDGE TECHNOLOGY
Innovate through technological advancement

PRUDENT RISK MANAGEMENT
Apply risk-adjusted profitability approach in decision-making. Ensure the Group maintains a high degree of resilience

LARGE DATA HUB
Utilise our advanced data analytics capabilities to maximise customer value via personalised offerings. Continue to develop AI and automation solutions to enhance business processes

OUTSTANDING TEAM
Attract, develop and retain the best talent

How we create value for our stakeholders

COLLEAGUES
Support our colleagues in their professional development and provide rewarding career opportunities

CUSTOMERS
Provide tailored solutions and a superior customer experience to our clients

COMMUNITY
Support business development and foster job creation, as well as take an active part in CSR and ESG activities

INVESTORS
Continue to create value by generating sustainable returns for our stakeholders and maintaining effective, long-term relationships with our debt holders

Strategic priorities

Our strategy aims to deliver on our mission to make people's lives easier.

We can achieve this through providing high quality financial services to individuals and companies in Georgia.

Each of our priorities has been carefully chosen and analysed to ensure that it contributes towards maintaining the high profitability, strong growth profile and customer trust.

Build on our leading position in Georgian banking

- Strengthen the bank's position in the mass retail segment
- Grow capital efficient fee and commission income, with a particular focus on payments
- Increase operational efficiency and productivity
- Enhance underwriting quality, powered by advanced technical infrastructure and data analytics capabilities
- Attract and develop the best talent

Increasing digitalisation levels

Increase digital engagement in terms of transactions, sales and back-end infrastructure:

- Increase the number of digital active users, both on a daily and monthly basis
- Maintain retail transactions offloading ratio[1] at high levels
- Boost sales offloading for major products
- Raise productivity through fully digital processes

Keep on improving our customer experience

- Develop tailored financial services and products coupled with lifestyle offerings and deliver these in the most convenient way for our customers
- Create a seamless customer experience across all channels
- Use our technology know-how to improve the products and services offered to our customers and accelerate our time to deployment

1 Retail offloading ratios measure the share of transactions conducted in our remote channels, that is outside the branches.

Key performance indicators (KPIs)

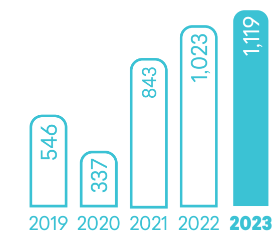
We use a broad range of financial and non-financial measures in order to monitor our performance and provide a balanced view that takes into account the interests of all our stakeholders. The Supervisory Board regularly reviews the key performance indicators (KPIs) in order to secure that they continue to show whether our strategy is working and ensure the long-term sustainable growth of the Group. The summary of changes in 2023 is given in the table below:

	KPIs added	KPIs removed
Group-wide financial KPIs		
Strong growth and profitability	Profit	Profit before tax
Resilient balance sheet		Loan book Larisation level
Additional KPIs		
Growing customer base and engagement	Monthly active cardholders	

GROUP-WIDE FINANCIAL KPIS

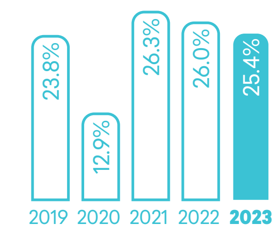
STRONG GROWTH AND PROFITABILITY

PROFIT (GEL mln)



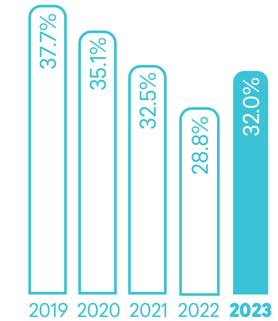
In 2023, we generated record profit, which was driven by strong revenue generation across the board.

RETURN ON EQUITY (ROE)[1]



Our robust profit generation is also reflected in a consistently high return on equity.

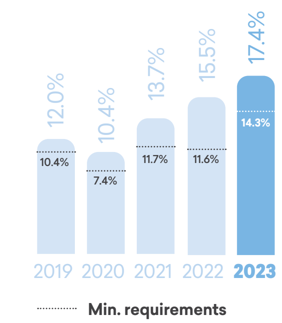
COST TO INCOME RATIO[1]



In 2023, Cost to Income ratio increase is driven by normalisation of FX revenues.

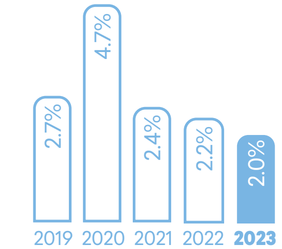
RESILIENT BALANCE SHEET

CET 1 CAPITAL RATIO[2]



Our CET 1 capital ratio increased in 2023 due to strong earnings generation, partially offset by business growth and dividend distribution.

NON-PERFORMING LOANS (NPL)[1]



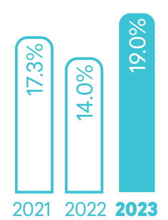
In 2023, asset quality improved across all business lines.

1 Definitions and detailed calculation of the APMs are given on pages 286-290.
2 Starting from 1 January 2023, capital adequacy ratios are based on IFRS accounting standards, whilst the numbers for the previous years were calculated based on the local accounting standards.

ADDITIONAL KPIS

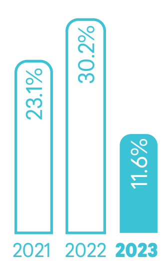
STEADY GROWTH

LOAN BOOK GROWTH AT CONSTANT CURRENCY



In 2023, our loan book increased by 19% as we maintained a leading position in all key segments.

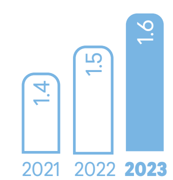
DEPOSIT GROWTH AT CONSTANT CURRENCY



In 2023 our deposit portfolio grew in line with the market and we maintained leadership positions in key segments.

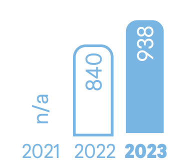
GROWING CUSTOMER BASE AND ENGAGEMENT

MONTHLY ACTIVE CUSTOMERS (mln)[1]



The growth in monthly active customers was mainly driven by our retail customers.

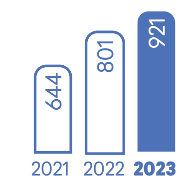
OF MONTHLY ACTIVE CARDHOLDERS ('000)



Strong payments dynamics are being supported by growth in the number of monthly active cardholders.

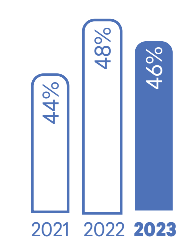
INCREASED DIGITAL FOOTPRINT

DIGITAL MONTHLY ACTIVE USERS ('000)[1]



Our digital monthly active users (MAU) continued to grow.

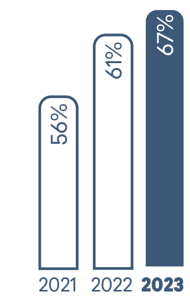
DIGITAL DAILY ACTIVE USERS / MONTHLY ACTIVE USERS (DAU/MAU)[1]



Our customers continue to actively engage with our digital platforms.

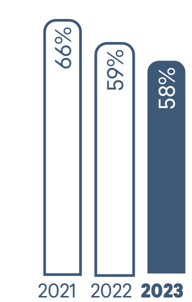
HIGH EMPLOYEE AND CUSTOMER SATISFACTION LEVELS

CUSTOMER NET PROMOTER SCORE (NPS)[2]



The customer net promoter score (NPS) measures how willing customers are to recommend our products and services to others.

EMPLOYEE NET PROMOTER SCORE (ENPS)[3]



Our ENPS for 2023 stood at 58%, well above the European industry average of 42%[4].

1 Terms are defined in Glossary on page 284-285.
2 The Net Promoter Score (NPS) was measured based on survey conducted by the independent research company Sonar in December 2023.
3 The Employee Net Promoter Score (ENPS) was measured in December by an independent consultant for the Bank's employees.
4 The European industry average of Employee Net Promoter Score (ENPS) was measured in December 2023 by an independent consultant.

ESG strategy

Our role is connected to our responsibility to contribute to a better future through innovation and technology, to increase the accessibility of financial services, and to enable our customers to be a part of the globalised world.

Our aspiration to contribute to sustainable development comes from our role as the leading financial institution in Georgia's development. We are aware that we have an impact on the country's economy, business development, employment, and societal progress.

Our ESG Strategy reaffirms our commitment to making a long-term, sustainable contribution and to be the leading supporter of ESG principles in the country and the wider region. The ESG Strategy is reviewed and approved by the Supervisory Board annually, while implementation is overseen by ESG-related committees at the Board and executive management levels.

The ESG Strategy defines several key areas and targets with different time horizons:

Enhanced governance of ESG and climate-related risks and opportunities	Sustainable portfolio growth	Access to green and sustainable financing sources	Customer awareness, investor confidence and employee diversity	Impact measurement and reporting

Key achievements in 2023:

- The total volume of our sustainable portfolio reached GEL 1.23 billion, increasing by 57% year-on-year, when it stood at GEL 782 million.
- We measured our direct performance towards the Paris Agreement targets.
- For the first time in Georgia, we calculated our financed emissions in line with the standard of the Partnership for Carbon Accounting Financials (PCAF).
- We established the ESG Academy and developed the first green mindset and green financing course for our employees and customers.
- The women participation in ICT Risk and Finance reached 46% (the target for 2023 was set at 45%).
- We reached our green and social procurement target of GEL 5 million.

The ESG Strategy follows a strategic road map, which reflects the milestones of our sustainability journey for the following years. In 2023, we actively continued to implement initiatives to fulfil our targets, which are divided into four pillars: direct environmental impact, indirect environmental impact, social impact, and governance.

Pillars 1 and 2: Direct and indirect environmental impact

2021 ESG Strategy target / initiative	2022 status	2023 status
Establish ESG governance framework by the end of 2021	ESG governance framework established at both Board and executive management levels	Enhance ESG governance and achieve a higher maturity level
Set up a system for measuring sustainability impacts across the Group, customers, employees and society	Regular reporting on key parameters to the ESG-related Committees at Board and executive management level established	Increased granularity and automation of reporting, regular reporting on climate-related risks, scenario analysis, stress testing, and ESG risk appetite
Increase the sustainable portfolio[1]	Volume of GEL 782 mln was achieved	Volume of GEL 1.23 billion was achieved
Develop the Group's Policy on Climate Change	Climate Change Policy developed and approved	Development of sectoral guidelines in line with the Climate Risk Radar of the National Bank of Georgia (NBG)
Green Taxonomy of the National Bank of Georgia	The NBG introduced the Green Taxonomy, developed in line with the best international taxonomies. The implementation action plan has been finalised	The Green Taxonomy implemented; the respective documentation, procedure, calculation tools implemented and training for responsible staff conducted
Implementation of the green lending framework	The green lending procedure implemented	Harmonisation of the green lending procedure and the green taxonomy of the NBG

In 2021, we published our first TCFD (Taskforce on Climate-related Financial Disclosures) report to demonstrate our commitment to taking active measures to mitigate climate change, to assess and mitigate climate risks, and to identify climate opportunities. Since 2021, we have advanced our TCFD framework further, especially in strategic planning and risk management. We have taken significant steps to develop our scenario analysis capabilities to better understand and act on the implications of climate-related risks and opportunities for our business and customers. We have continued working with an external consultant and developed a stress testing model covering various economic sectors in Georgia in order to capture the stress testing impact on the whole credit portfolio of TBC Bank. These developments are described in the climate-related financial disclosures on pages 118-141 of the Report. We understand that the transition to a lower-carbon and sustainable economy requires internal knowledge building, as well as awareness raising among customers, businesses, and the public. We focus on internal capacity building, involving in-house and external experts on a variety of topics: green lending, the NBG green taxonomy, the impact of climate change, climate-related risks, and scenario analysis.

Pillar 3: Social Impact

In order to expand our focus on diversity, gender, and inclusion issues, we have developed a Diversity, Equality and Inclusion Policy (available at our website: www.tbcbankgroup.com), which sets targets and establishes a methodology to advance diversity, equality and inclusion, integrating its approach into the company's operations and management processes and focusing on diverse areas including gender, multicultural, multigenerational, and disability backgrounds. We remain committed to having a gender-balanced workforce and culture that supports and empowers women.

2021 ESG Strategy target / initiative	2022 status	2023 status
Enhance the diversity of our employees	Diversity, Equality and Inclusion (DEI) Policy, targets, and action plan defined	Share of women in middle managers and agile leaders at 40%
Increase customer loyalty, investor confidence, and employee motivation	Comprehensive ESG training framework covering all TBC employees and different responsibility levels established	Measure ESG awareness among employees and customers

1 Renewable energy and energy-efficiency loans, women and youth financing, NBG green and social taxonomy, green bonds and social guarantees. More details are given on page 141.

Pillar 4: Governance

The Group ESG Strategy is reviewed and approved by the Supervisory Board annually, while implementation is overseen by two ESG-related committees at the Supervisory Board and executive management levels. During the year, the Committee supported and provided steering on the implementation of strategy, policies, and programmes in relation to ESG matters for the Group and its subsidiaries, ensuring that the Group's ESG Strategy is implemented effectively, meeting the outlined objectives across all business areas.

In 2023, we started to develop individual ESG strategies in the subsidiaries of the Group. Several workshops were conducted with staff from the subsidiaries and working groups were established.

2021 ESG Strategy target / initiative	2022 status	2023 status
Enhance the ESG governance framework	ESG governance framework established at both Supervisory Board and executive management levels	Enhance ESG governance and achieve a higher maturity level
Set up a system for measuring impacts on sustainability across the Group, customers, employees, and society	Regular reports on key parameters to the ESG-related Committees at Board and executive management level established	Increased granularity and automation of reporting, regular reporting on climate-related risks, scenario analysis, stress testing, ESG risk appetite
ESG strategies in material subsidiaries	Separate ESG Strategies developed	Implementation of ESG Strategies in subsidiaries

In 2024, we will continue to follow our strategic plan and will focus on the following topics:

SUSTAINABLE PORTFOLIO

In 2024, we will continue to focus on the growth of the sustainable portfolio. The ESG strategy sets an ambitious target of GEL 1.4 billion for our sustainable portfolio. The ESG strategy sets aspirational targets, such as Net-Zero greenhouse gas (GHG) emissions related to our direct environmental impact by 2025 and an increase in the sustainable portfolio, which consists of renewable energy loans, energy efficiency loans, and financing with social components such as women and youth financing, supporting start-ups and rural enterprises.

ACTION PLAN FOR THE DIRECT NET-ZERO TARGET

In 2024, we will focus on the development of detailed transitional plans, which will be based on the measurement results of the Group's performance against the Paris Agreement targets for the reduction of GHG emissions. To support the process, we contracted an international consultant company, local and international experts and developed a detailed scope of work covering the following activities: calculation of financed emissions, carbon reporting, Paris Agreement alignment, a decarbonization action plan, a carbon impact assessment methodology, carbon footprint assessments of selected customers, and building institutional capacity.

MEASURE THE GROUP'S INDIRECT PERFORMANCE AGAINST THE PARIS AGREEMENT TARGETS

In 2023, we built internal capacity on relevant GHG emissions calculation methodologies and approaches. We calculated financed emissions according to the PCAF standard. This was achieved via training and the use of external consultancies. As the next step, we aim to measure our indirect performance in line with internationally established standards and align it with science-based targets.

ESG ACADEMY

In 2023, we established the ESG Academy in order to raise awareness and knowledge of ESG topics including green and social financing, regulatory requirements, diversity and affirmative approaches, sustainable business models and practices among the Bank's customers as well as TBC staff. The first training programme 'Green mind-set and green financing' is supported by the partner international financial institutions (IFIs) – the Green for Growth Fund (GGF) and the European Fund for Southeast Europe (EFSE). The development of the training program started in November 2023; it will last for 22 months and will include extensive training over two days for 900 employees and one-day's training for up to 300 retail, MSME and corporate customers.

How we create value for

Financial services

A Bank that is always by your side

Banking services

Retail banking
Leading retail banking franchise

+7% YoY
1.6 mln
# of monthly active customers

Medium, small and micro enterprises (MSME) banking
Top choice bank for MSMEs

+19%[1] YoY
GEL 21.3 bln
Total loan book portfolio

Corporate and investment banking (CIB)
Leading CIB and wealth management (WM) franchise

+12%[1] YoY
GEL 19.9 bln
Total deposit portfolio

Other financial services

TBC Pay
TOP payments provider

+26% YoY
GEL 10.2 bln
Volume of payments transactions

TBC Leasing
Leading leasing services provider

+30% YoY
GEL 377 mln
Leasing portfolio

1 Growth in constant currency.

RETAIL BANKING

2023 was a successful year for our retail banking franchise. In addition to double-digit growth in our loan and deposit books, we made significant progress in expanding our digital customer footprint and upgrading core aspects of our retail banking platform.

Retail		
	Mass Retail	• A leading position across the mass retail segment; • A full suite of financial products and services; • Acclaimed digital channels; • Efficient, convenient and accommodating next-gen branches.
	Affluent Retail	• Number one choice for affluent customers; • Innovative, flexible subscription model offering tailored products and services; • Strong positioning in lifestyle offerings.

YEAR IN REVIEW

ENHANCING DIGITALIZATION

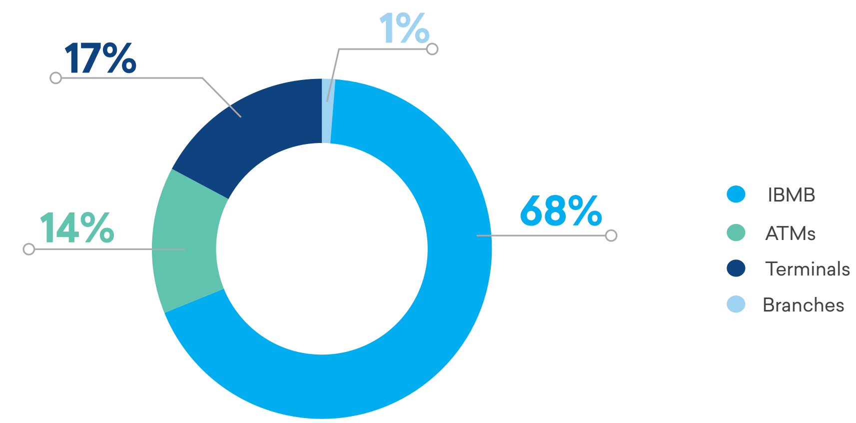
Continuing to expand our digital customer footprint

The overall monthly active customer base increased in 2023 by 7% to 1.6 million, accounting for approximately two-thirds of the total bankable population[1] in Georgia. We have also made excellent progress in helping the uptake of digital banking services both within our existing retail customer base and in reaching new customers as we support the ongoing shift in preference from cash to digital financial services in Georgia. This is reflected in a 15% increase in digital monthly active users (MAU) to 921,000 whilst the number of monthly active cardholders has risen by 12% in 2023 to 938,000. Importantly, more of our customers are making daily use of our digital banking services, as seen by the ratio of digital daily active users (DAU) to MAU of 46% in 2023.

Increased transaction offloading to digital channels

Our customers are conducting more of their everyday banking transactions through remote channels, with 99% of retail transactions now conducted outside our branches. Breaking this down further, the share of retail transactions made through mobile and internet channels increased by an impressive 5 percentage points (pp) to 68% in 2023. Not only does this offer more convenience for our customers, but it has also enabled us to free up front office employees for the provision of more value-added customer services and support.

RETAIL TRANSACTIONS BY CHANNEL

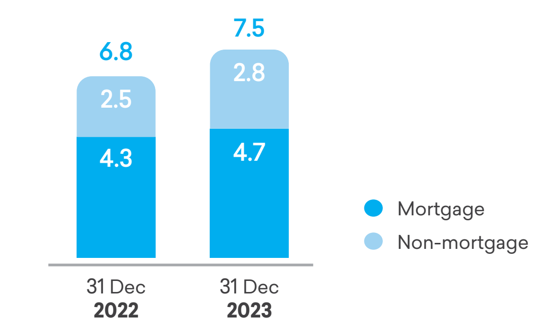


DELIVERING STRONG BALANCE SHEET GROWTH

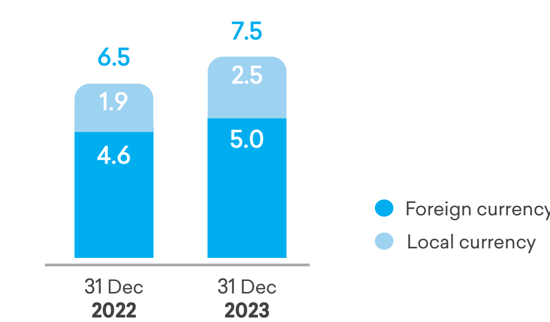
In 2023, our retail loan book grew by 11% year-on-year on a constant currency basis. This was driven by both mortgage and non-mortgage lending. The mortgage portfolio grew by 11% on a constant currency basis and accounts for 63% of the total retail loan portfolio, and we remain the leading player on the mortgage market. Non-mortgages, primarily made up of car and unsecured consumer loans, grew by 11% on a constant currency basis, with a 37% share of the total retail portfolio.

Our retail deposits also demonstrated strong growth, increasing by 14% year-on-year on a constant currency basis. Also, our market share[3] in retail loans and deposits stood at 38.1% and 36.0%, respectively.

RETAIL GROSS LOANS PORTFOLIO (GEL BLN)[2]



RETAIL DEPOSIT PORTFOLIO (GEL BLN)[2]



MEASURING SUCCESS IN 2023

GEL 7.5 bln	GEL 7.5 bln	1.6 mln	921 K	938 K
(2022: GEL 6.8 bln)	(2022: GEL 6.5 bln)	(2022: 1.5 mln)	(2022: 801 K)	(2022: 840 K)
RETAIL LOANS[2]	RETAIL DEPOSITS[2]	MONTHLY ACTIVE CUSTOMERS	DIGITAL MONTHLY ACTIVE USERS	# OF MONTHLY ACTIVE CARDHOLDERS

1 Bankable population includes population of Georgia, aged 18-65. Based on Geostat.
2 Segmental numbers of 2022 do not correspond to the numbers disclosed in 2022, due to the updated methodology. For detailed information, please refer to Note 27.
3 Market shares are based on data published by National Bank of Georgia on analytical tool Tableau. In this context retail refers to individual customers.

TBC introduced the new "Hi! app" application for our youth segment. It combines all the necessary and tailored services and products our children and their parents need to make their daily lives easier.

BOOSTING CUSTOMER ENGAGEMENT AND DIVERSIFYING OUR USER BASE

In 2023, we embarked on several significant initiatives to enhance customer engagement and diversify our customer base.

- We successfully launched a **new loyalty program**, expanding the previous credit card related offering to include 938,000 active debit card users, which should greatly enhance the program's reach and usage. Through the mobile banking platform, customers can earn Ertguli loyalty points in real-time and effortlessly redeem them. The scheme offers various membership tiers linked to card and product usage, enabling faster points accumulation via exclusive promotions. Our user-friendly mobile app acts as a central hub, showcasing incentives and simplifying point tracking and redemption. Going forward, we plan to improve redemption options, empower partner merchants with efficient campaign tools, introduce engaging gamification, and offer smart deals to boost customer engagement.
- Marking a major leap in our digital transformation journey, we introduced **subscription packages for our mass retail segment in our digital channels**, surpassing the fourth quarter's initial target of 30% with a 60% digitalization rate by 2023. We also introduced the Concept Digital Package subscription via mobile bank, enhancing user experience and meeting customers' specific needs. Additionally, we unveiled a digital card accessible to both mass and affluent customer segments, enabling instant benefits upon subscription to various packages.
- We launched a **mass market retail brokerage platform** within our mobile app, enabling the convenient and user-friendly trading experience of more than 6,500 equities and exchange-traded funds listed on American stock exchanges without any commission. By eliminating the need for third-party intermediaries and physical presence, TBC Digital Bank enables users to create diversified portfolios that align with their financial goals and risk appetite. Our investment platform represents a big step forward in democratizing investment opportunities.
- We launched a **new banking app Hi!**, designed specifically for under 18s. Hi! offers a range of products and services tailored to assist young people in navigating the early stages of their financial journey in a secure, fun and informative way. Within the first 3 months since launch, Hi! acquired c. 7,000 monthly active users. The app provides a user-friendly interface and aimes to provide educational resources and tools to empower young individuals in managing their finances responsibly. With hyper personalized offerings for young people, Hi! is committed to fostering a positive financial experience for the next generation.
- We rolled out **video banking for our retail customers living abroad**. This tool facilitates swift onboarding processes and provides a convenient and efficient solution for clients to access various banking services. Face-to-face interactions enable personalized service and real-time query resolution. Notably, customers can utilise this video banking tool to open new accounts, obtain cards and initiate deposits. We are confident that this initiative ensures an accessible and user-friendly banking solution, catering to the needs of Georgian citizens residing outside the country.
- We have further enhanced the functionality of the **online Buy Now Pay Later (BNPL)** offering. We introduced a post-sale BNPL option, enabling clients to receive a cash refund for their purchase and repay it over four installments, representing a significant stride in meeting the evolving needs of our customers. With c.50,000 BNPL loans disbursed this year alone, the increasing popularity of this product underscores its resonance with customers seeking flexible and convenient payment alternatives. By addressing changing consumer preferences, our BNPL offering not only meets market demands but also establishes a competitive edge in providing efficient solutions that go beyond traditional payment methods.

DEVELOPING OUR PAYMENTS BUSINESS

Payments has been a big focus of our retail business in 2023, with progress in a number of areas.

Payments net revenues[1] rose by 26% to GEL 269 million, amounting to 80% of Georgian net fee and commission income. The main driver of card transaction profitability is the combination of increased number of monthly active card holders and average ticket size for total payments.

Our customers are also increasingly using their cards for digital payments and the payments volume to cash ratio has risen from 39% to 41%.

1 Payments net revenues refers to net fee and commission incomes from payments business of Georgia.

- We have applied advanced data analytics capabilities to more effectively analyse customer card activity, enabling us to better predict cardholder churn as well as to offer more personalized campaigns to our one million cardholders. In 2023, we introduced instant cashback for our customers, which positively impacted overall customer satisfaction during marketing campaigns.
- Our roll out of transport solutions continues, with customers in 10 Georgian cities able to use TBC cards and digital wallets for transport payments, enabling more people to benefit from the easy and convenient payments in their daily lives.
- Digital wallets are gaining popularity in Georgia, already reaching up to 40% of total contactless payments. We continue to support our digital first strategy and introduced digital cards under mass retail and Concept subscription packages with various customer tailored offerings.

AWARD-WINNING RETAIL BANKING

We are delighted to announce that once again in 2023, our retail banking services have received international recognition:

Best Online User Experience (UX) Portal of Corporate/Institutional Digital Bank in Central & Eastern Europe 2023 from Global Finance

Best Integrated Consumer Banking Site in Georgia 2023 from Global Finance

Best Open Banking APIs in Central & Eastern Europe 2023 from Global Finance

Best in Social Media Marketing and Services in Central & Eastern Europe 2023 from Global Finance

TBC CONCEPT

TBC Concept is our flagship banking service for affluent customers. It contributes a significant share of total retail banking business, accounting for around 64% of our retail loans and 52% of our retail deposits and is also a major contributor to our fee and commission income.

MEASURING SUCCESS IN 2023		
GEL 4.8 bln (2022: GEL 4.2 bln) LOAN PORTFOLIO	**GEL 3.9 bln** (2022: GEL 3.5 bln) DEPOSIT PORTFOLIO	**116 K** (2022: 106 K) MONTHLY ACTIVE CUSTOMERS

With over 116,000 customers, TBC Concept is the leading private banking service provider in Georgia. We differentiate ourselves by providing convenient and reliable digital banking services, offering special benefits on banking products and delivering exclusive lifestyle offerings.

In 2023, TBC Concept continued to generate strong results. Our loan book and deposit portfolio increased by 13% and 11% year-on-year, respectively, on a constant currency basis. Customers are also engaging more with the services we offer, as highlighted by revenue per customer increasing by 6% year-on-year.

TBC Concept offers clients various subscription packages, which are tailored to the needs of specific customer groups. Our customers are increasingly engaging with us through digital banking. Hence, our highly popular "digital package" primarily serves customers who prefer to do their daily banking operations online without the support of a personal banker. Meanwhile, the "360 package" is designed for individuals who require a wider range of financial tools and are interested in brokerage services to better manage their funds, including the ability to invest in international equities and bonds.

In addition, affluent customers can benefit from our multi-functional TBC Concept Flagship Space. This is comprised of 80% lifestyle and 20% banking and includes exhibition spaces, cafés, co-working areas, self-service and personal banking zones. During the year, the TBC Concept Flagship Space hosted many different events for business, art and culture.

During 2023, we continued to work on developing customer engagement. This included the launch of a Visa Concierge chatbot which has been jointly developed by VISA and TBC Concept and which seamlessly integrates the VISA Concierge service with the diverse advantages offered by Concept 360. With just one click, customers can utilise the chatbot to seek assistance from the concierge, obtain details about Concept 360 privileges, sign up for various events and take advantage of special offers available through Concept 360.

Affluent customers had exclusive access to over 500 special offers and promotions in 2023, including music and film festivals, theater festivals, specially curated tours, travel, sports, shopping and other recreational activities. We also continued to offer our Concept clients concierge services, including trip planning, studying abroad, restaurant reservations, flower delivery, dry cleaning, laundry and car services.

We are proud that our private banking services once more earned international recognition and received Best Private Bank in Georgia 2023 award from Euromoney.

Making Life easier for emigrants

Video Banking

"This technological innovation simplified communication with my own country. Smartphones and new technologies are like a portal to Georgia. Directly as a result of technological improvement, I easily opened a TBC Bank account within 5 minutes through a video call.

I always wanted the money I earn through my work to benefit me and my family directly and simultaneously maintain the connection with Georgia, and in this regard, TBC assists." - Tsinari Ghvaladze

Open the account, manage your finances yourself.

MSME Banking

Our banking business for micro, small and medium enterprises (MSME) had a successful year in 2023, helped by a supportive economic environment for Georgian companies. This was reflected in robust balance sheet growth as the MSME loan book increased by 14% year-on-year in constant currency terms, with strong growth in both micro and SME segments. There was also further progress in the roll out and uptake of digital financial services for MSME customers.

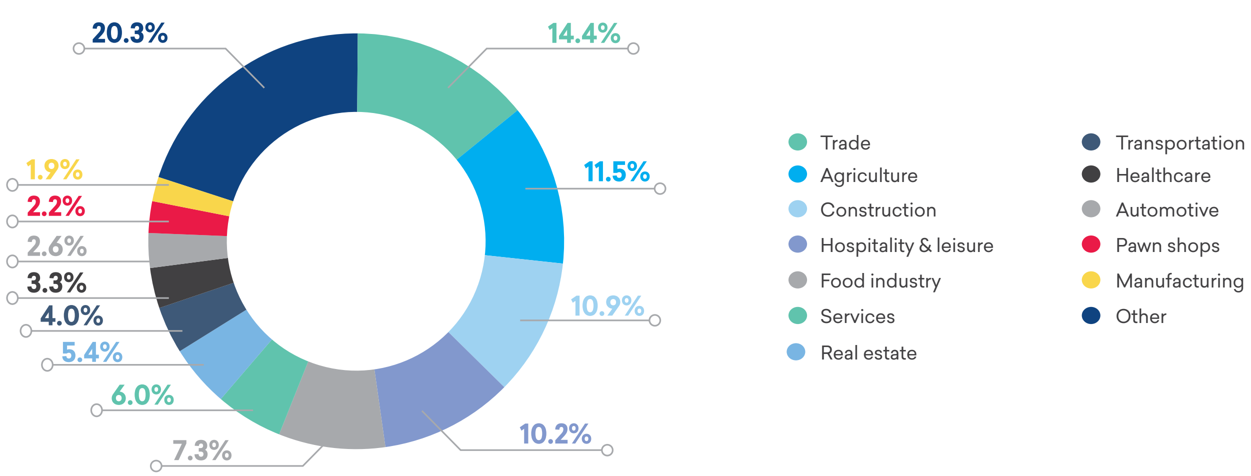
MSME

Micro

SME

- A full range of financial products and solutions from start-ups to well-established enterprises;
- Fast loan approval process driven by high automatization levels;
- Convenient subscription model;
- Best-in-class business support programme.

WELL-DIVERSIFIED MSME LOAN PORTFOLIO AS OF 31 DEC 2023



YEAR IN REVIEW

MAINTAINING MOMENTUM

The MSME segment maintained solid growth momentum in 2023. The number of monthly active customers increased by 3% year-on-year to c. 62,000. The share of MSME customers using our digital banking platforms is growing, with digital monthly active customers rising by 3% to up to c. 35,000, equivalent to 17% of our MSME customer base.

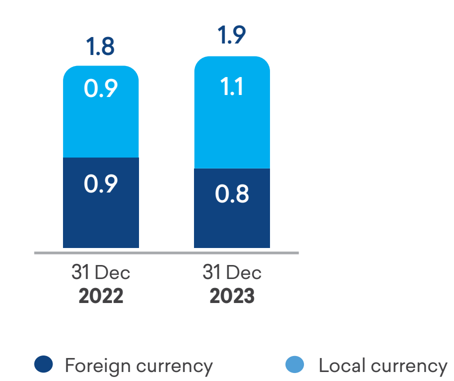
Over 68% of newly registered businesses are choosing to bank with TBC, which is testament to the quality of the products and service we are offering. Meanwhile, MSME business loan book and deposits rose by 14% and 8% year-on-year on a constant currency basis, respectively.

GROWTH HELPED BY STREAMLINED PROCESSES

Loan growth was driven by both micro and SME loans and continues to be supported by more streamlined business processes, including automation for loans below GEL 200,000. For the year as a whole, 77% of such loans were processed automatically, using pre-determined rules and a scoring model, which significantly decreased the time-to-money period. As a result, the share of micro loans in our total MSME portfolio increased by 1 pp year-on-year and reached 51%, making us the largest provider of micro business financing in the country.

MSME GROSS LOANS PORTFOLIO (GEL BLN)[1]

MSME DEPOSIT PORTFOLIO (GEL BLN)[1]



MEASURING SUCCESS IN 2023

GEL 5.5 bln (2022: GEL 4.8 bln) MSME LOANS[1]	**GEL 1.9 bln** (2022: GEL 1.8 bln) MSME DEPOSITS[1]	**68%** (2022: 77%) OF NEWLY REGISTERED BUSINESSES CHOOSE TBC[2]	**62 K** (2022: 60 K) MONTHLY ACTIVE CUSTOMERS[3]

1 Segmental numbers of 2022 do not correspond to the numbers disclosed in 2022, due to the updated methodology. For detailed information, please refer to Note 27.
2 Based on internal estimates as of 31 December 2023.
3 Includes monthly active MSME legal entities.

ENHANCING SERVICE OFFERING FOR MERCHANTS

We continually strive to improve the quality of products and services we offer our MSME customers.

- We have streamlined our merchant onboarding process by automating 80% of the point of sale (POS) application processing. As a result, the average merchant registration time has been slashed from one business day to one hour. Furthermore, the remote signing of POS agreements using SMS one-time-password (OTP) further enhances efficiency. With the help of mobile POS terminals (TPOS), the entire merchant onboarding procedure now takes just 20-30 minutes, providing additional convenience and flexibility for small and micro merchants in untapped markets.
- Recognizing the critical importance of cash availability for our merchants, in 2023 we improved the settlement process and rolled out a real-time settlement system for our acquiring business customers. This enables MSME customers to receive funds on their account instantly when transactions are made, compared to the following business day previously.
- We have worked to improve the customer experience during the onboarding process as well as daily reporting capabilities by providing advanced analytical solutions using the www.tbcpayments.ge portal. We have added a subscription model for monthly reporting, enabling merchants to customize their reports according to their preferred timeframes.
- As e-commerce in Georgia increases, we are developing tools to help our MSME customers accept online payments. In 2023, we simplified integration for merchants using the Shopify platform, and introduced Google Pay as an alternative payment method alongside the existing Apple Pay and card payments for e-commerce.
- The number of merchant acquiring customers increased by 5% year-on-year in 2023 to almost 14,000 and the number of active POS terminals rose by 14% to nearly 33,000. We have extended partnerships with Georgia's leading hospitality and delivery companies, strengthening the position in large corporate business segments as well.

DIGITALIZATION AND REMOTE SERVICES INITIATIVES

- We have undertaken various initiatives to improve the functionality of our digital MSME platform, including implementing video checks for existing customers. The transition from traditional on-site physical visits to much more flexible video visits has made the loan application process much simpler and faster.
- We have expanded our outreach by investing in building the sales agent network as a channel for client acquisition through the www.tbcconsuli.ge platform. This user-friendly platform enables easy enrollment for individuals to join our sales team, where they will be able to sell common banking products and earn commissions.
- We have created a benchmark model which considers specific characteristics of businesses, allowing us to calculate a client's income according to predefined parameters, eliminating the need for filling in detailed income statement forms. Beyond simplifying the application process, this change helps mitigate the risk associated with potential fraudulent income declarations by clients. This in turn will enable us to increase the share of automated decisions.
- We have also implemented risk-based pricing for micro and agricultural loans, enhancing our approach to loan assessments and ensuring more tailored and accurate lending terms. The volume of fully digitally disbursed loans increased substantially in 2023, rising from 63% to 85%.

OUR BUSINESS SUPPORT PROGRAMME

Educational resources for businesses

We are dedicated to helping our business clients succeed by offering a comprehensive support program. It includes educational resources and tech tools available on www.tbcbusiness.ge, making everything accessible on one platform. This included the addition of new business courses and training sessions, which benefited more than 54,000 customers in 2023. These sessions covered a range of subjects including marketing, finance, management and taxation, empowering participants with essential knowledge and skills.

SUPPORTING START-UPS

The Startuperi platform supports early-stage companies, providing both financial and non-financial resources. The programme aims to increase the number of successful startups in Georgia by providing them with easily accessible capital, a digital platform for advertising campaigns, as well as various educational programmes, conferences and partnerships with large companies.

This year we continued our pre-accelerator programme with Impact Hub Georgia, which saw more than 50 selected start-ups compete for investment and supported in developing a business plan, communication strategy and technical plan, with the final taking place in Tallinn, Estonia.

In 2023, we also launched Start-up loans for innovative businesses, which aims to finance start-up ideas without previous experience, collateral or downpayment with up to 18 months of grace period.

AGRICULTURAL INITIATIVES

To stimulate business growth in rural regions and facilitate new employment opportunities, we actively support local enterprises by offering accessible and affordable financial support.

We work in partnership with several state programmes, including "Enterprise Georgia", "Host in Georgia" and "Preferential Agro Credit", to support local production, as well as agricultural and hospitality businesses. The programmes offer reduced interest rates through government subsidies. In 2023, we disbursed around 2,600 loans totaling GEL 469 million.

We also undertook a 360-degree agricultural campaign, which was a blend of engaging video campaigns and an educational newspaper dedicated to agribusiness, which included experiences from diverse agricultural backgrounds and farmers in various regions.

TBC ANNUAL BUSINESS AWARDS

Since its inception in 2015, our Annual Business Awards event has aimed to promote and support business activities in Georgia. Over the past seven years, it has evolved into the most eagerly awaited business event of the year, drawing in over 4,000 companies from a broad cross-section of the economy. These businesses have showcased their success stories, inspiring others to transform their ideas into reality. This year we had over 400 applicants competing for awards.

EARNING INTERNATIONAL RECOGNITION

We are proud that our digital banking offering continues to receive international recognition and received Best SME Bank Award in Central & Eastern Europe 2023 award from Global Finance.

Supporting innovative and technology

Startup loans

ECOWHEELS Ltd

When our factory starts working in Rustavi, we will be able to recycle **8 tons of wheels per day**.

Luka Kapanadze, Ecowheels

Since childhood, I have been interested in nature and landscaping. Now I am a student and during my studies I had the idea to **change my city and create more green spaces in it.**

Gigi Tabaghua, Santi

CORPORATE AND INVESTMENT BANKING

Our CIB segment delivered strong growth in 2023, with loans increasing by 31% year-on-year and deposits up by 8%, both in constant currency terms. We remain the market leader in corporate banking with 40.7%[1] market share of the loan market.

CIB		
	Corporate	The largest and most trusted partner for corporate clients with the leading position both in loans and deposits.
	Wealth management	An established wealth management business with growing financial advisory and brokerage franchises.
	Investment banking	TBC Capital – the leading investment bank in corporate debt capital markets (DCM) transactions and research.

YEAR IN REVIEW

CORPORATE BANKING

DYNAMIC CREDIT GROWTH BOOSTING MARKET SHARE

Our CIB loan book grew by 31% year-on-year in constant currency terms. This was mainly driven by increased exposure to large and mid-sized corporate clients which accounted for 56% of CIB loans, a 3 pp year-on-year increase. At the same time, the concentration ratio of the largest borrowers remains low, with the top 10 borrowers accounting for just over 6% of the total loan book. As a result, our market shares in corporate loans stood at 40.7%[1] at the end of 2023.

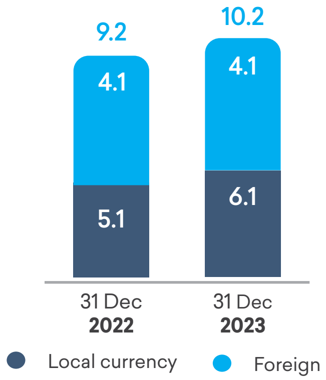
The loan book remains well-diversified across a wide range of sectors of the Georgian economy, with strong growth in 2023 in the production & trade of construction materials, agriculture and heavy manufacturing segments in particular. No single industry accounts for more than 22% of the total loan book. We also continue to diversify risk through loan syndication, which also generates additional fee and commission income.

We remain market leaders in trade finance with our GEL 2.4 billion guarantees portfolio up by 12% on a constant currency basis, accounting for more than 46%[3] market share. In 2023, our factoring portfolio increased by 57% year-on-year on a constant currency terms to GEL 205 million. In 2023, we launched a dynamic platform catering to businesses of all sizes, capable of swiftly managing daily invoices and offering fully digitalized factoring solutions. This transformation streamlined procedures, cutting down financing time by more than 80%. This accelerated pace and digitalization initiative not only enhanced efficiency, but also significantly improved our customer journey and experience.

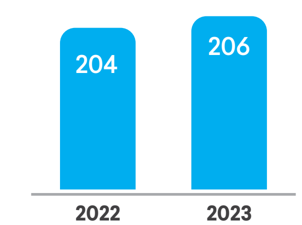
TRANSACTIONAL BANKING PERFORMING STRONGLY

Our CIB deposit book increased by 8% year-on-year in constant currency terms, driven by solid growth in local currency deposits. As a result, our market share[1] in corporate deposits stood at 44.9%. The volume of FX transactions from corporate clients amounted to GEL 21.7 billion, up by 7% year-on-year, however due to lower FX volatility compared to last year, the margins generated on FX transactions led to a moderate increase in non-interest income. Cash management volumes from corporate clients increased by GEL 242 million or 4% year-on-year and amounted to GEL 6.9 billion.

CIB DEPOSIT PORTFOLIO (GEL BLN)[2]



CIB NON-INTEREST INCOME (GEL MLN)[2]



By installing bulk cash depository machines for our branches and large corporate clients, we have improved our offloading ratio to 18.1%. We collected GEL 1.6 billion cash from our customers, which is a 23% improvement year-over-year. Currently, we operate 84 of these machines, which are located in the premises of our large clients and in all our major branches across the country.

ENHANCING DIGITALISATION AND PROCESS EFFICIENCY

- We have made progress in our commitment to optimize and digitalise the end-to-end credit origination and disbursement process. We have reduced time-to-money by up to 40%.
- We've established a secure platform that enables signing of legal documents from any location, digitally. This initiative significantly reduces the need for in-person visits to branches, improving customer experience and accessibility. As of December 2023, around 51% of credit products, including loans and trade finance, were signed digitally, representing significant progress in our digitalization initiatives.
- During 2023, we successfully integrated a fully functional factoring module with payment capability into our internet bank. Now, customers can digitally access details on their factoring agreements and handle overdue payments.

MEASURING SUCCESS IN 2023

GEL 8.3 bln	GEL 10.2 bln	GEL 2.1 bln	8.0 K
(2022: GEL 6.3 bln)	(2022: GEL 9.2 bln)	(2022: GEL 1.4 bln)	(2022: 7.7 K)
CIB LOANS[2]	CIB DEPOSITS[2]	AUM	# OF CUSTOMERS

1 Based on data published by the National Bank of Georgia on the analytical toon Tableau as of 31 December 2023; in this context, corporate refers to legal entities.
2 Segmental numbers of 2022 do not correspond to the numbers disclosed in 2022, due to the updated methodology. For detailed information, please refer to Note 27.
3 Based on data published by National Bank of Georgia.

PREDICTIVE TOOL DEVELOPED TO CALCULATE CLIENT POTENTIAL

As a key component of our ongoing commercial excellence transformation initiative launched in 2020, we have improved our corporate client management and analytical tools by incorporating estimates of client potential. Leveraging extensive data analytics and machine learning capabilities, this tool plays a significant role in identifying the banking potential of clients. This feature allows us to better evaluate profitability, understand client expectations, identify financial needs and communicate more effectively with companies. As a result, our corporate clients receive a timely and high-quality service.

INVESTMENT BANKING AND WEALTH MANAGEMENT

IMPROVING OUR BROKERAGE AND ADVISORY SERVICES

TBC Capital is the leading provider of investment banking services, brokerage and research solutions in Georgia. We offer a full range of financial services from structuring to executing deals or advising on complex corporate transactions. This year our corporate advisory team successfully closed its largest transaction to date – the minority buyout of a leading payments provider in Uzbekistan, Payme, for the consideration of USD 55.7 million. By closing this transaction, we reached an important milestone of concluding the first out-of-Georgia M&A (mergers and acquisitions) deal. Furthermore, in 2023, TBC Capital successfully closed two more important deals – the first one was a border-crossing M&A transaction in the e-commerce industry, while the second deal was a cross-sector synergy facilitating transaction between the healthcare and education industries. Furthermore, the advisory branch continues to grow by expanding its expertise across a growing number of industries and by completing multiple consulting and valuation projects for private investors, as well as large corporates with international shareholder bases.

LEADING GEORGIA'S CAPITAL MARKET DEVELOPMENT

While still at an early stage of development, Georgia's capital markets are experiencing rapid growth - the local corporate market's total new issuance increased by 75% year-on-year to GEL 1.3 billion GEL. TBC Capital is at the forefront of developing the DCM market, holding a 56%[1] market share in debt capital markets transactions across a broad range of sectors. We acted as placement agents in key milestone transactions, whether as sole manager or alongside local investment banks. This included Tegeta Motors which, with TBC Capital as the sole lead manager, issued the first-ever GEL bonds for individual investors with a fixed coupon rate on the market, enabling our retail investors to invest money in Georgian Lari, supporting country's Larisation strategy. Also, TBC Capital acted as a joint lead manager to place a USD 150 million Sustainability Linked Bond, which marked the largest ever transaction on the Georgian capital markets. We also participated in a number of ESG bond issues, serving as the placement agent for three ESG bonds, encompassing both green and sustainability-linked initiatives. In two of those, TBC Capital acted as the sole lead manager, underlying our commitment to promoting ESG bonds in Georgia.

TBC Capital acted as the sole lead manager for a total of five private bond placements in 2023, including IFI bonds.

LOCAL MARKET - PUBLIC OFFERINGS

CELLFIE MOBILE	GEL 65,000,000	3 Year, Public Placement, TIBR6M+3.5%	December 2023	Joint Lead Manager
TEGETA MOTORS	GEL 20,000,000	2 Year, Public Placement, 14.5%	December 2023	Lead Manager
AUSTRIAN GEORGIAN DEVELOPMENT	USD 15,000,000	2 Year, Public Placement, 8.5%	October 2023	Lead Manager
SILK REAL ESTATE	USD 20,000,000	3 Year, Public Placement, 9.25%	September 2023	Joint Lead Manager
GEORGIA CAPITAL	USD 150,000,000 (SLB)	5 Year, Public Placement, 8.5%	August 2023	Joint Lead Manager
TEGETA MOTORS	GEL 20,000,000 (Green)	2.5 Year Public Placement, TIBR6M+3.5%	June 2023	Lead Manager
TBC LEASING	GEL 15,000,000 (Green)	3 Year, Public Placement, TIBR6M+2.75%	June 2023	Lead Manager
ENERGY DEVELOPMENT GEORGIA	USD 10,000,000	2 Year, Public Placement, 8.5%	June 2023	Lead Manager
SILK REAL ESTATE	USD 20,000,000	3 Year Public Placement, 9.0%	April 2023	Joint Lead Manager
TBC LEASING	GEL 100,000,000	3 Year Public Placement, TIBR3M+2.75%	March 2023	Lead Manager
RICO EXPRESS	GEL 130,000,000	3 Year Public Placement, TIBR1D+2.0%	March 2023	Lead Manager

LOCAL MARKET - PRIVATE OFFERINGS

TBC BANK GROUP PLC	USD 15,000,000	3 Year Private Placement	March 2023	Lead Manager
TBC LEASING	USD 6,545,000	5 Year Private Placement	January 2023	Lead Manager

IFI DEALS

ADB	GEL 20,000,000	2.5 Year Private Placement	June 2023	Lead Manager
FMO	GEL 45,000,000	5 Year Private Placement	May 2023	Lead Manager

1 TBC Capital's market share in publicly and privately issued corporate bonds in Georgia during 2023.

LAUNCHING DIGITAL INVESTMENT PLATFORM FOR BROKERAGE CUSTOMERS

In 2023, we extended the range of financial service tools we offer by launching a digital investment solution in the TBC Mobile app. This platform provides a convenient and commission-free trading experience for over 6,500 equities and exchange-traded funds listed on American stock exchanges and reflects our commitment to making sophisticated financial services accessible to a wider demographic. Alongside the app launch, TBC Capital ran an educational campaign to equip users with investment guidelines and user-friendly tools to enhance their financial literacy. As of December 2023, the app had over 6,200 registered users.

During 2023, TBC Capital's total assets under management (AUM) increased by over 50% year-on-year to almost GEL 2.1 billion, which was mainly attributed to growth in resident clients' AUM. This success is attributed to our continued provision of personal advisory services for High Net Worth Individuals (HNWI), cash management services to corporate clients and the mass affluent retail segment.

FURTHER EXPANSION OF OUR RESEARCH SERVICES

Our research division supports decision-makers with comprehensive and timely macroeconomic and sector-specific analyses relating to Georgia and the broader regional landscape. This includes consistent weekly, monthly, and quarterly publications. In 2023, we expanded our content to include new offerings, including electricity market overview, retail trade in apparel and electronics and infrastructure sector overview. TBC Capital also held more than 40 individual and large-scale presentations and conferences with clients and wider audiences on such topics as FMCG industry, real estate near the seaside, primary education and energy.

As strategic advisers, we provide our audience with insights on how the latest developments can impact their business and the broader economy in general. We work with not only the clients of TBC, but also different business groups, IFIs and representatives of embassies through business associations and chambers of commerce. In this regard, we researched how EU candidate status could impact the Georgian economy and presented the findings to more than 200 members of the local business community. In aggregate, TBC Capital delivered over 200 publications in 2023, and the complete list can be accessed at www.tbccapital.ge. Moreover, over the course of the year, TBC Capital ran several large-scale conferences catering to both local and international stakeholders invested in Georgia.

INCREASING SHARE OF INVESTMENT PRODUCTS IN WEALTH MANAGEMENT AUM

Our Wealth Management team continues to offer a wide range of personalized banking and investment products to our clients, as well as exclusive lifestyle benefits for premium events in the country. During 2023, investment product penetration to total AUM increased from 21% to 33%, emphasizing the value of our personal advisory services and increasing financial sophistication within this customer segment.

Among the new products and services added in 2023, we launched security-backed loans, a strategic initiative that facilitates access to new lending resources for our wealth management clients. Also, we rolled out VISA Concierge, which resonated very well, with a penetration rate exceeding 50% among eligible clients, underscoring the importance of our value-added services.

We were named Best Corporate Bank in Georgia in the inaugural category awarded by Euromoney. This accolade recognizes our continuous commitment to providing our clients with the best possible products and services. We were also named:

Best Trade Finance and Supply Chain provider in Georgia 2023 from Global Finance

Best Foreign Exchange Provider in Georgia 2023 from Global Finance

Best Treasury and Cash Management in Georgia 2023 from Global Finance

Market Leader and the Best Service Provider in Trade Finance in Georgia

Best Corporate Bank in Georgia 2024 from Euromoney

Best Investment Bank in Georgia 2023 from Euromoney

Best Private Bank in Georgia 2023 from Euromoney

Supporting the Georgian Economy

Infrastructural Developments

We are committed to advancing infrastructure in Georgia through diverse partnerships and initiatives. Our key projects include the construction of approximately 100 kilometers of roads, 30 kilometers of highways and 70 bridges.

We expect public and private investment in infrastructure projects throughout Georgia to continue in the years to come, a trend which we are very well placed to participate actively in.

Nuts Incorporated

Founded in 2018, Nuts Incorporated has established itself as one of the leading agricultural companies specialising in the growing and processing of nuts in Georgia. Together with the 700 hectares of almond and 2,500 hectares of hazelnut orchards, the company operates almond and hazelnut processing plants, enabling them to produce a diverse range of nut products. Nuts Incorporated has a large export footprint in Europe, accounting for more than 40% of the firm's harvest.

In 2023, TBC Bank partnered with the group by extending a lending facility which was used to expand hazelnut orchards by 1,000 hectares and to acquire nut processing facilities.

TBC Bank is proud to be a part of the company's growth story and looks forward to seeing the firm's further success.

GEOP

Founded in 2014, "Georgian Products" (GEOP) is a manufacturer of pet products with its primary focus on pet furniture production. GEOP offers customers a selection of more than 140 products, all manufactured with environmentally friendly materials. The company's sales exceeded GEL 25 million in 2023, all of which is generated from export markets in the EU and the US.

TBC has been the company's partner since its establishment. With the aid of TBC's lending facilities, the company has equipped its production facilities, enabling the firm to manufacture high quality products at competitive prices.

TBC Bank is honored to contribute to the company's journey of expansion and excited to see its ongoing success.

START INVESTING NOW

INVESTMENTS IN DIGITAL BANK

Investment module in mobile bank

A new trending feature in our mobile bank. The investment module in our mobile bank app simplifies the steps to successful investments.

TBC PAY

TBC Pay is the leading payments provider in Georgia, offering convenient payments solutions to customers via its wide network of self-service terminals. Operating alongside the Georgian retail banking business, TBC Pay forms another part of the payments customer value proposition for retail clients, enabling convenient services such as P2P and bill payments.

MEASURING SUCCESS IN 2023		
4.5 K (2022: 4.3 K) # OF SELF-SERVICE TERMINALS	**GEL 10.2 bln** (2022: GEL 8.1 bln) VOLUME OF PAYMENTS TRANSACTIONS	**GEL 27 mln** (2022: GEL 20 mln) PROFIT

AT A GLANCE

TBC Pay was launched in 2008, since which time it has established itself as the largest payment service provider in Georgia. Currently, the company operates around 4,500 self-service terminals throughout the country, as well as online and mobile applications. During 2023, the volume of transactions has increased by 26% year-on-year.

YEAR IN REVIEW

The company's primary focus is to improve customer experience. In 2023, the company reviewed and improved its service availability, including a full overhaul of its network infrastructure.

In 2023, transaction turnover increased by 25% year-on-year to GEL 2.0 billion. Operating income[1] increased by 29% year-on-year to GEL 61 million. In addition, profit grew by 35% year-on-year to GEL 27 million.

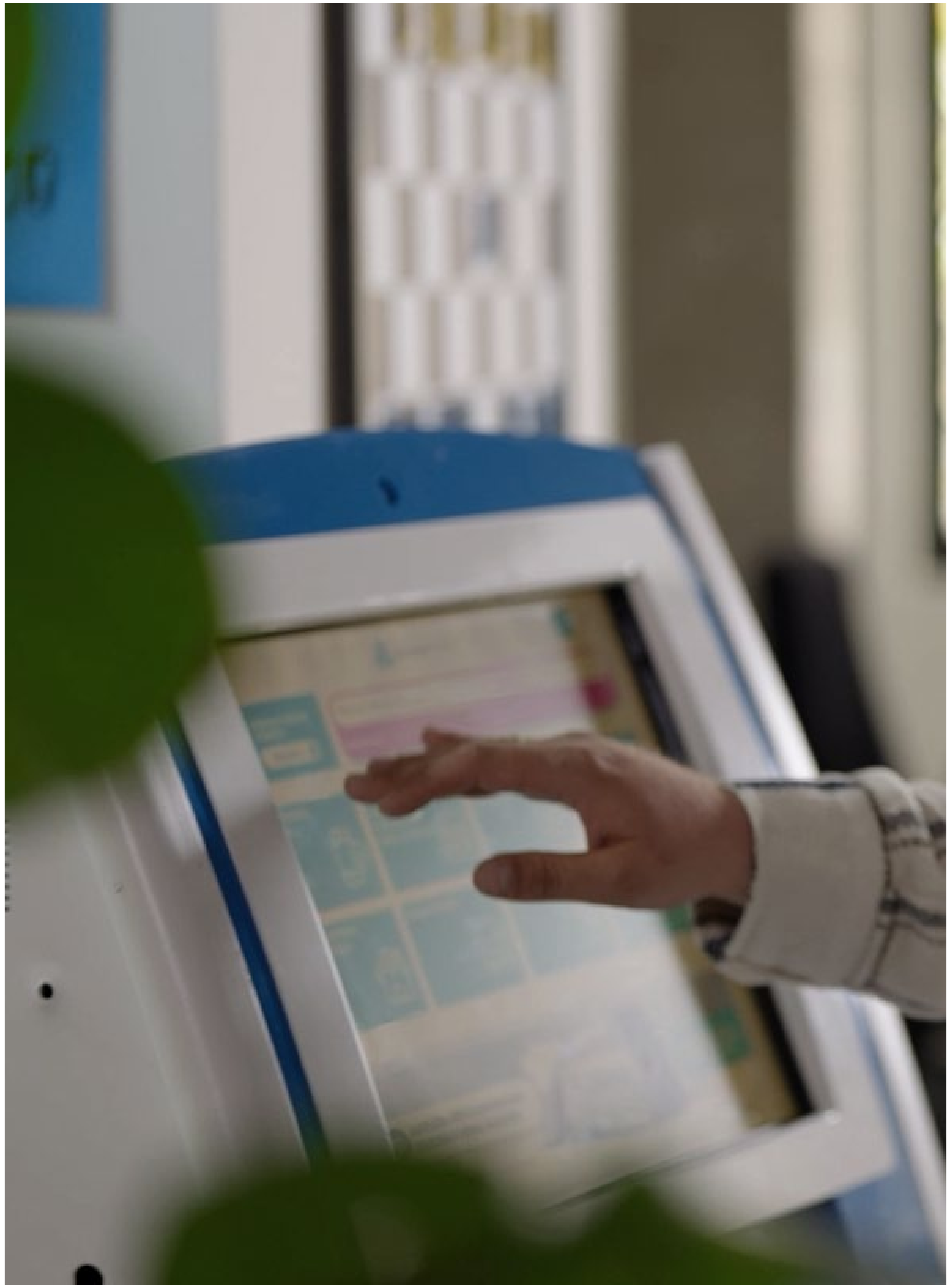
Furthermore, in 2023, we installed a new IT platform which allows agents to offer their customers payment services in the name of TBC Pay with the help of an API on their websites and mobile applications.

LOOKING AHEAD

In 2024, TBC Pay plans to continue focusing on improving customer experience and system sustainability, achieving high security standards, and diversifying payment products.

After legislative changes in 2023, payment service providers can now participate in open banking projects, which give customers an opportunity to access their finances in one space instead of using different online or mobile bank platforms. Our team is actively working in this area and plans to obtain an open banking licence in early 2024. We also plan to expand agent channels with the new technological platform implemented in 2023.

1 Operating income refers to sum of net interest and net non-interest incomes.



TBC LEASING

A wholly owned subsidiary of TBC Bank, TBC Leasing offers an alternative source of financing to our retail and business clients. As of the end of 2023, it had 86% share[1] of the leasing market.

MEASURING SUCCESS IN 2023

86%	2,002	GEL 377 mln	GEL 20 mln
(2022: 80%)	(2022: 2,034)	(2022: GEL 290 mln)	(2022: GEL 14 mln)
MARKET SHARE[1]	# OF CUSTOMERS	LEASING PORTFOLIO	PROFIT

AT A GLANCE

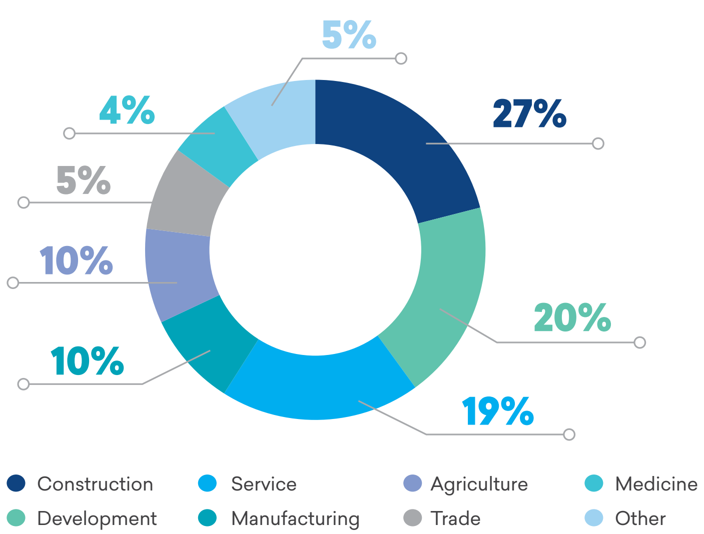
Our technical know-how and specialist knowledge and expertise enable us to offer our clients all-round asset finance solutions and other complementary advisory services, including financial leasing, operating leasing, and sale and leasebacks, all of which are tailored to the individual customer's needs.

We serve both individual customers and businesses operating across Georgia through authorized representative dealerships, vendors, direct sales channels, and TBC Bank branches. The ability to tap into TBC Bank's wide sales network is a major competitive advantage.

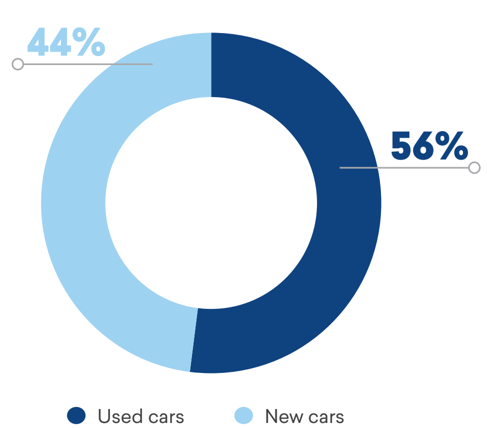
YEAR IN REVIEW

The leasing portfolio expanded by 30% year-on-year in 2023 on a constant currency basis reaching GEL 377 million as of 31 December 2023, giving us a dominant 86%[1] market share. 92% of the portfolio related to legal entities, led by the construction, service and manufacturing sectors. The remaining 8% of the portfolio related to individual clients. New cars accounted for 44% of the total retail portfolio, used cars the remaining 56%. In 2023, TBC Leasing generated profit of GEL 20 million, up 43% year-on-year.

CORPORATE LEASING PORTFOLIO BREAKDOWN AS OF 31 DEC 2023



RETAIL LEASING PORTFOLIO BREAKDOWN AS OF 31 DEC 2023



TBC Leasing continues its active involvement in the financing of green, renewable and energy-efficient assets through various initiatives, including:

- In 2023, TBC Leasing successfully placed GEL 15 million green public bonds. The placement was the first national currency denominated green issuance on the local capital market among financial institutions. The proceeds from the issuance have been directed to finance growth of TBC's green leasing portfolio. The decision to issue Green Bonds, along with the financing of energy-efficient assets - electric vehicles, production equipment, solar panels - is a core part of the company's goal to help increase the availability of sustainable financing in the country and the development of the local capital market.
- In addition, we commenced a collaboration with the Green for Growth Fund (GGF) to develop a digital platform, which will allow our customers to submit requests for funding for prospective solar photovoltaic projects and obtain quotes from TBC Leasing in a more efficient way. This platform will be integrated into TBC Leasing's website and will be equipped with a leasing and an impact calculator for solar PV systems – which will enable potential clients to estimate the leasing rates from different technology suppliers, including the main impact metrics such as energy and carbon dioxide (CO_2) emission reduction, savings in monetary terms and estimated payback period.

As a result, our green leasing portfolio has grown to GEL 32 million in 2023 from just GEL 25 million a year earlier. Over the past five years, our green portfolio has increased by 6 times. We plan to further increase our green leasing portfolio in the coming years.

LOOKING AHEAD

Despite solid growth in recent years, with a 5-year CAGR of 7%, the Georgian leasing market has substantial growth potential given its still low penetration level, as leasing volumes account for only around 1% of Georgia's GDP, significantly below peer countries where leasing typically accounts for 4-5%[2] of GDP. We believe TBC Leasing is well positioned to continue to benefit from the further structural growth of this market.

1 Based on internal estimates.
2 Based on UK Good Governance Fund, Leasing Market Research.

COLLEAGUES

We are dedicated to cultivating a safe and thriving workplace environment, supporting individual development and growth, promoting diversity, equality and inclusion within our workforce, all while delivering top-tier services to our clients.

MEASURING SUCCESS IN 2023		
58% (2022: 59%) EMPLOYEE NET PROMOTER SCORE[1]	**37%** (2022: 36%) WOMEN IN MIDDLE MANAGERIAL POSITIONS[2]	**88%** (2022: 89%) ENGAGEMENT INDEX[3]

OVERVIEW

We value our people as our greatest asset and aim to be the top employer in the areas in which we operate. With an effective talent acquisition and development framework, we support the Group's strategy and help to create maximum value for both TBC and our employees. We have implemented hybrid working arrangements providing our employees the flexibility to choose their work locations. Currently, the majority of our non-customer facing employees operate from remote settings, leading to higher levels of employee satisfaction and improved overall efficiency throughout the Group. In 2023, we implemented a significant salary increase averaging 24% for our bank employees in customer-facing and support roles, which together comprise 56% of our workforce.

In 2023, around 500 members of the TBC Bank visited France for the Rugby World Cup to celebrate our accomplishments and foster a spirit of collaboration. Furthermore, TBC Bank employees participated in leadership training programs, including those by BLED (Bled school of management), Develor (Develor international), LPI (Leadership Pipeline Institute) and IMD (Institute of Management Development), held in Georgia and other countries.

OUR MAIN STRATEGIC PRIORITIES

Talent acquisition and development

We strive to be the best employer in the Georgian market and in line with this goal, we aim to build a best-in-class talent acquisition and development function.

We actively monitor the labour market in Georgia and other countries in order to expand our capabilities to attract key personnel globally, in areas such as business, finance, risk and IT.

For entry-level positions in back-office functions, we run a well-regarded internship programme to attract the best students from Georgia's leading universities. After the successful completion of a one-year internship, the best candidates are offered employment in various departments, including finance, risk, corporate, marketing, IT and data analytics. In addition, we are actively cooperating with local universities and colleges, conducting job fairs, visits to universities over the county and actively participating in different marketing activities, in order to attract recent graduates across a wide range of roles.

Since 2019, our internal IT Academy has been a hub for tech education, offering courses in front-end, back-end development, DevOps, and more. These courses are available free to both our employees and potential candidates. Led by experienced staff and industry professionals, the Academy has trained over 1,100 individuals from outside the organisation and 1,500 within, bringing in more than 300 skilled professionals to TBC Group.

In 2023, our IT Academy launched a project in partnership with USAID (TBCxUSAID for technological education), aiming to train more than 700 participants, through 9 newly designed courses. We also introduced an iOS Laboratory. This project focuses on female empowerment and reaching regional areas.

TBC Academy, established in 2011, provides a wide spectrum of learning programs to every member of the TBC group. In 2023, more than 2,000 employees participated in various courses and programs including business development, agile transformation, brand experience, law, financial analytics, and the refinement of essential soft skills.

Notably, TBC Academy expanded its Leadership programs, transcending national boundaries and providing our employees with opportunities to develop leadership skills on a global scale. Among the essential topics covered in the programs were: Strategic mindset, Communication, Negotiation, Leading Leaders etc. Up to 200 people successfully graduated from these programs, with highly positive feedback.

We have also provided financial support to our employees to attend various external courses and gain international certifications such as MBA, CFA, FRM, ACCA and others.

Ensuring a secure work environment continues to be our priority. In 2023 we renewed mental health program sessions, which offer a range of benefits and various activities to support our employees, such as:

- Monthly newsletters focused on mental health for our employees, delivered via internal communication channels;
- Workshops, meetings, and physical activities for TBC Bank staff.

Throughout the year, we conducted six workshops dedicated specifically to stress management in everyday life, along with offline seminars featuring professional speakers to enhance employee awareness. Additionally, we organized various physical activities, such as Yoga Therapy. All these activities were planned and implemented based on feedback from our employees.

We offer competitive remuneration packages to our employees, which are comprised of a fixed salary, performance-based bonuses and a benefits package, which includes health insurance, critical disease and life insurance, paid sick leave, as well as six months fully-paid maternity and paternity leave. Additional benefits include a social assistance package in case of marriage, childbirth and family member support, paid days off for all employees and extra paid days off for employees with more than three children, as well as special social payments for employees with more than four children.

Throughout 2023, significant changes were implemented. In addition to rolling out a new HR Core system, we provided improved benefits for employees, such as enhanced maternity benefits and insurance terms.

Performance management

Our performance management system is carefully designed to reinforce employee productivity while fostering a culture of open communication and constructive feedback.

It is closely allied with our Group's overall goals, focusing on clarity, fairness, and honesty. We're dedicated to making sure our team members understand their roles within the company. We involve them in setting their own goals and provide guidance to help them succeed. Regular feedback and constructive conversations are a natural part of the performance management process.

We recognize that different roles call for different performance evaluation methods. For our front-line team, we set monthly goals and tie rewards to their performance in sales and customer service. Middle managers and our non-customer-facing staff are assessed using KPIs and a competency-based approach. In our commitment to continuous improvement, we use a 360-degree evaluation process. This allows every team member to receive feedback from their managers, colleagues and subordinates. It's a comprehensive way for our employees to understand how others view their performance, discover strengths and identify areas for growth, all while acquiring new skills.

Throughout 2023, we proactively worked on fortifying our feedback culture. We organized a series of training sessions for our employees, underlining the significance of open communication and collaboration, firmly convinced that by working together, we can attain remarkable accomplishments.

Employee engagement and motivation

We strive to develop a supportive and empowering organizational culture to offer equal opportunities for work and development and to foster a healthy work-life balance. Our strategy centers on actively promoting our company values to be applied internationally by every employee, while encouraging cultural diversity and helping foster a global mindset.

1 The Employee Net Promoter Score (ENPS) was measured in December 2023 by an independent consultant for the Bank's employees.
2 Branch managers, division and department heads, as well as middle level of the Group's subsidiaries.
3 Engagement Index was measured in December 2023 by an independent consultant for the Bank's employee's and measures how much employees feel involved and committed to TBC Bank.

HOW WE CREATE VALUE FOR COLLEAGUES CONTINUED

Our CEO and the executive management team are the main drivers in endorsing the corporate culture and values through regular communication with employees. Hybrid meetings (virtual and in-person) are held consistently to share the Group's strategy and achievements as well as obtain feedback. Our existing social and cultural activities are reviewed on a regular basis to keep them relevant for our colleagues.

We support and encourage our employees to actively consider applying for different positions, to participate in open selection processes for a new job role, and to seek promotions within the Group. Under equal conditions, the priority is given to internal candidates. In 2023, the promotion and horizontal transfer rate was around 35% for the Bank. In 2023 we have been actively working on strengthening our IT functions by hiring international and local senior domain experts, to support our business strategy. The Group succession Planning Policy was created and approved in 2023. We successfully collaborated with Egon Zehnder in this process and still actively use their help in key people development.

Emphasis is placed on acknowledging the achievements of our team members by sharing success narratives across our internal communication channels. On top of that, we have implemented various internal rewards with the aim of fostering a service-oriented culture and enhancing the focus on customer satisfaction among our employees. Additionally, a mentorship program designed specifically for the frontline staff was implemented, with the aim of facilitating the seamless integration of new hires into the operational processes.

We consistently track our employee satisfaction and engagement. Last year, 78% of our workforce actively participated in the anonymous Employee Engagement survey, and our employee net promoter score (ENPS) remained at a high level, at 58%[1], compared to 59% in 2022, remaining well above the European industry average of 42%[2]. The survey findings undergo comprehensive analysis and are subsequently presented to the executive management and the Supervisory Board, feeding into strategic planning for future initiatives.

Sustaining a secure working environment continues to be our foremost concern. With the entire team, we are actively pursuing new and effective approaches to enhance employee wellbeing and operational efficiency. For example, in 2023 a revitalized mental health program was launched across the group, emphasizing a range of physical and educational activities.

Equality and diversity

We are dedicated to fostering diversity, equality, and inclusivity within our workforce while actively combatting discrimination in all its forms. Our organisation embraces and encourage our employees differences in age, gender, race, color, disability, ethnic background, family or marital status, gender identity or expression, language, national origin, physical and mental capabilities, political affiliation, religion, sexual orientation, socio-economic background, and all other qualities that contribute to the individuality of our team members.

We guide our activities with our Diversity, Equality and Inclusion Policy. The Policy provides clear guidance for ensuring the proactive and consistent integration of diversity, equality and inclusion in the Group's work inside the company, in the marketplace and in the community at large. The policy is available at: www.tbcbankgroup.com.

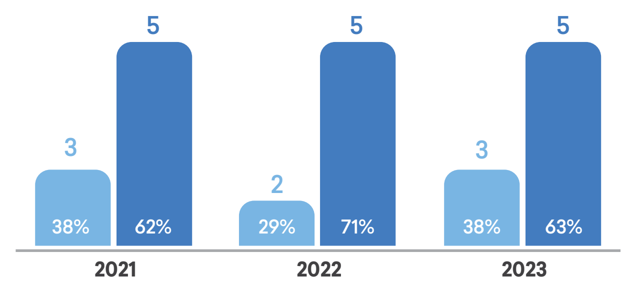
We remain committed to having a gender-balanced workforce and culture that supports and empowers women. We set a target at the Bank level to increase the number of women in middle managers and agile leaders from the current level of 40% to 43% by 2024. Starting from 2023, the agile managerial positions - Product Owners and Chapter Leads - were included in combined target for middle management and agile leaders in order to reflect the organisational transformation and structure in the Bank. Our experience shows that an agile structure creates a more dynamic working environment, instills an open culture and empowers women and men in different roles and functions. Furthermore, in 2022 and 2023, we expanded our approach to certain subsidiaries of the Group and incorporated individual diversity targets within their ESG strategies.

Affirming our commitment as endorsers of the WEPs (Women's Empowerment Principles), we pledge to champion gender equality, foster employee diversity, empower women, and highlight our dedication in public forums. For robust monitoring and evaluation, we consistently collect, analyse, and report sex-disaggregated data monthly, establishing a baseline, measuring outcomes, evaluating the impact of our initiatives, and tracking progress toward internal diversity targets for specific positions.

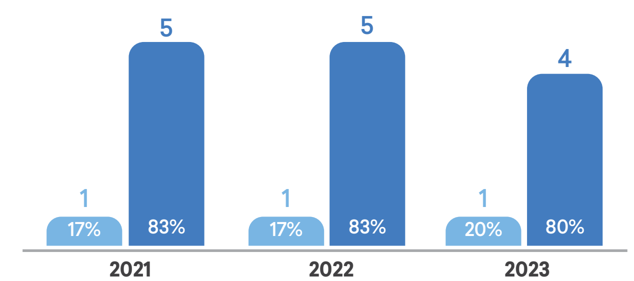
In our ongoing support for equality, diversity, and inclusion, we continue to focus on training. From April 2023, our employees partake in weekly face-to-face sessions covering topics like a healthy working environment, addressing stereotypes, recognizing discrimination and its impact, understanding various forms of violence, and the significance of equality and equity in the workplace and society.

The tables below show the data at the Group level.

SUPERVISORY BOARD*

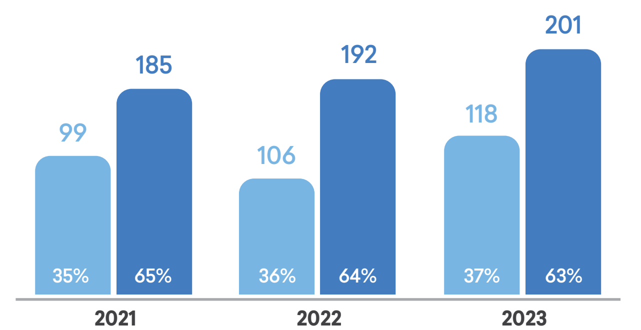


EXECUTIVE MANAGEMENT

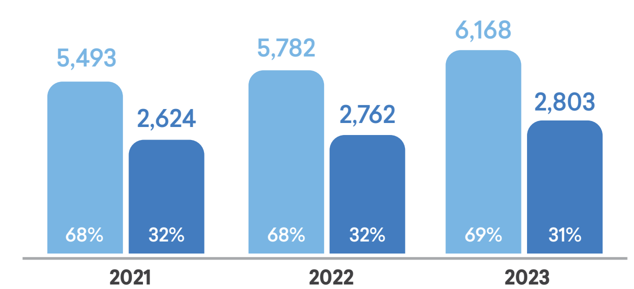


Throughout 2022, we had three female non-executive directors until Maria Luisa Cicognani stepped down from the Board in September 2022. On June 26, 2023 Janet Heckman was appointed to the Supervisory Board of JSC TBC Bank.

MIDDLE MANAGERIAL POSITIONS**



ALL EMPLOYEES

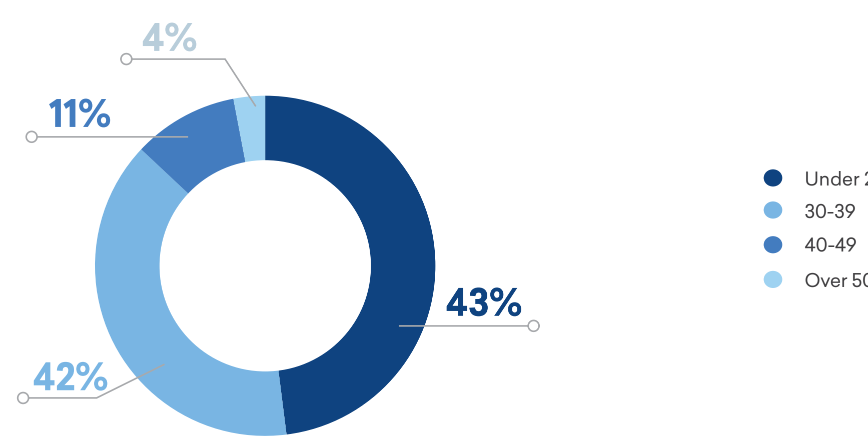


*** Branch managers, division and department heads, as well as middle level of the Group's subsidiaries.*

Female Male

We have a diverse team consisting of experienced professionals and young, talented individuals fresh from top universities in Georgia and abroad. We strongly believe that this mix of ages fosters a dynamic, high-performing team, resulting in better outcomes.

AGE DIVERSITY STATISTICS 2023

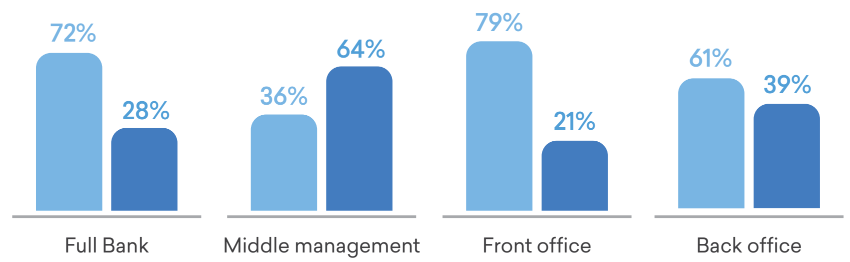


1 The Employee Net Promoter Score (ENPS) was measured in December 2023 by an independent consultant for the Bank's employees.
2 The European industry average of Employee Net Promoter Score (ENPS) was measured in December 2023 by an independent consultant.

GENDER PAY GAP[1]

We regularly review our pay levels and make sure that men and women are paid equally for doing the same type of job. In 2023, our mean gender gap for the Bank employees remained at the same level as 2022 at 44%, which means that, on average, men received higher remuneration than women (mean gender pay gap in hourly pay). This is mainly due to the higher number of women being employed in junior roles, including front-office customer service positions. While for middle management, the mean gender pay gap was negative -17% in 2023 and -5% in 2022, which means that women were better remunerated than men. We remain committed to achieving a better gender balance and increasing the proportion of women working in senior and middle-level roles.

GENDER DISTRIBUTION ACROSS DIFFERENT POSITIONS*



The data in the given table is presented for the Bank only.

Female Male

ETHICAL STANDARDS, RESPONSIBLE CONDUCT AND SAFETY AT WORK

TBC Group is dedicated to conducting business with a focus on upholding high ethical standards, respecting human rights, cares about the environmental and community concerns, and encouraging its employees to act with integrity and responsibility towards each other and other stakeholders.

For this purpose, we have developed a set of policies at the Group level. We closely monitor adherence to these. All group level policies are revised and updated on a regular basis. During our 2023 revision process, several policies (AML Policy, Sanctions Policy, Anti-Bribery, Anti-Corruption and Prevention of the Facilitation of Tax Evasion Policy, Group Risk Appetite Statement related to Financial Crime) were combined into one policy - Anti-Financial Crime Policy. Also, Code of Ethics and Code of Conduct were combined into one policy - Code of Conduct and Ethics.

These policies can be found on our IR website at www.tbcbankgroup.com and are comprised of:

- Code of Conduct and Ethics;
- Diversity, Equality and Inclusion Policy;
- Anti-Financial Crime Policy;
- Human Rights Policy;
- Incident Response Policy (Whistleblowing Policy);
- Global Data Protection Policy;
- Environmental and Climate Change Policy.

We have introduced an Employee Discrimination, Violence and Harassment policy and the Health and Safety Policy at the Bank level, with distribution extending to the group level.

The Employee Discrimination, Violence and Harassment policy applies to all employees, customers and all persons with whom employees communicate or provide financial services. The policy defines types of violence covering physical and/or mental violence as well as the threat of damage to a person or property, verbal abuse, psychological pressure, sexual harassment, etc. Furthermore, the policy establishes a committee which is responsible for reviewing reported cases, decision-making and adequate response actions, including cancelation and/or restriction of services for a customer, contractor or other third party. The policy emphasizes once more, how important it is to provide a safe and secure environment to our employees, both in the front and back office.

In 2023, we implemented a new Health and Safety Policy. According to Georgian legislation, since September 2019 every company has been obliged to hire a Health, Safety and Environment (HSE) specialist to ensure implementation of the HSE management system and standards. Currently, we outsource HSE management to an experienced company that, together with the Bank's team, is in the process of developing an HSE policy and strategy. Once every four months, HSE specialists carry out inspections and develop specific reports about the risks and hazards in all branches and offices. Twice a year, HSE specialists measure the microclimate and light in every branch and office to make a more comfortable working environment for employees. Risk assessments are updated every four months, highlighting which risks and hazards should be controlled. Every six months, we conduct fire and evacuation drills. Once a year we conduct trainings for all employees in HSE, fire, electric, ergonomics, emergency action plan, stress and human factors. The Health and Safety framework applies to all employees and contractors, both full-time and part-time.

The Compliance Department regularly conducts tailored training sessions for different employee groups based on their job specifications in the following areas: anti-corruption, anti-bribery, ethical issues, as well as anti-money laundering and sanctions. During 2023, over 7,420 employees have undergone such training. Periodic audits are also conducted by the Internal Audit Department to identify any violations or inappropriate behaviour.

Furthermore, on an annual basis, we conduct mandatory tests for all employees of the TBC Group to raise awareness and highlight the importance of our internal policies and procedures. The topics include but are not limited to: safe working environment, code of conduct and code of ethics, data and information security, whistleblowing, environmental issues, inside information, corruption, money laundering, fraud and operational risks.

This year, internal control team conducted in-person fraud awareness trainings for our front office staff, involving approximately 1,400 employees. These sessions aimed to enhance their ability to identify and prevent potentially fraudulent activities, reinforcing our commitment to a secure operational environment. This proactive approach aligns with our ongoing efforts to uphold the highest standards of integrity and protect our organisation from threats.

1 The gender pay gap is calculated as of April 2023.

Together we'll win – supporting the Georgian Rugby team in France

As an integral part of our corporate culture, around 500 members of the TBC Group visited France for the Rugby World Cup to celebrate our accomplishments and foster a spirit of collaboration.

COMMUNITY

We acknowledge our social responsibility and are committed to create a more promising future for the communities in which we operate. Our wide range of impactful and sustainable initiatives primarily center around promoting business growth, empowering youth and women, and fostering culture and sports.

ENCOURAGING MSME BUSINESS DEVELOPMENT AND ENTREPRENEURSHIP

In the ever-evolving landscape of the business world, micro, small and medium enterprises (MSMEs) play an important role in promoting economic growth and entrepreneurship. With a deep understanding of the unique challenges faced by MSMEs, TBC Bank continues to empower these businesses, enabling them to thrive and contribute to the prosperity of the nation. Detailed information regarding these initiatives can be found in our MSME section on pages 52-57.

SUPPORTING YOUNG GENERATIONS IN GEORGIA

Throughout its history, TBC has consistently backed aspiring young individuals, many of whom have flourished into accomplished artists, scientists and professionals, excelling in diverse fields both within Georgia and internationally. In 2023, TBC maintained its support of the younger generation through the following initiatives:

- Since 2018, **TBC Scholarship** has been one of the largest social responsibility projects in Georgia. The project aims to discover and support young, talented people from vulnerable families from all over the country. Each year, in co-operation with 14 partner organizations that specialise in children's education and development, up to 200 Georgian young talented adults receive the scholarship in order to develop their knowledge and skills to become successful professionals. Since the launch of the project, TBC has supported up to 400 schoolchildren with various talents in science, sport and arts.
- In 2023, TBC Bank was a general sponsor of the **Tbilisi 2023 International Book Festival**, an event with a 26-year legacy that has grown to become one of the largest and most influential educational fairs in Georgia. Notably, it has become a source of great inspiration for the youth of our nation, as nearly 40% of its attendees belong to Gen Z.
- Supporting **STEM education** is one of TBC's priorities. This year, with the general support of the TBC Education Program, **WRO – World Robot Olympiad** was held. The purpose of the competition is to popularize STEM among students and help them develop creative thinking and practical skills. 123 children from 8 different regions of Georgia took part in this year's Olympics. For the last nine years, TBC has partnered with young researchers and innovators in the annual competition for Georgian high school students - **Leonardo da Vinci**. The competition enables schoolchildren to demonstrate their talents in tech fields and gain access to further their educational opportunities. TBC provides marketing support for the competition, allocates its facilities and awards the winners.
- Under the general support and sponsorship of TBC, the 10th anniversary event of the intellectual forum **TEDxTbilisi** was held in Georgia. TEDxTbilisi is an educational platform, which hosts more than 500 guests every year and allows them to hear innovative and interesting ideas. This was the first collaboration between TEDxTbilisi and TBC, wherein TBC has provided financial and communicational support for the forum.
- In 2023, TBC, in collaboration with Geolab, PH International and USAID, created fully funded online technological courses for 10th and 11th graders within the **TBC Educational Program**. This is one of the company's biggest educational projects that has beneficiaries in all the regions of Georgia. The program includes three-month technological courses in 9 different focus areas. Within the framework of the project, regional outings all over Georgia are organized. These meetings include recommendations and panel discussions from leading specialists in various fields of technology. At the end of 2023, there are more than 1,200 graduates throughout Georgia.

CREATING EQUAL OPPORTUNITIES FOR WOMEN

- TBC and USAID Economic Security Program jointly hosted for the third consecutive year the **Grace Hopper Award**, which recognizes accomplished women in the information and communication technology (ICT) industries in 6 different categories. The award also recognizes individuals and organizations for their contributions in empowering women in ICT industry and for leading positive change in the sector in Georgia.
- The **"500 Women in Tech"** project is an important initiative aimed at eliminating gender biases in the tech industry in Georgia. Developed in cooperation with the Business and Technology University of Tbilisi, UN Women, and the Government of Norway, this program covered over 18 months and provided opportunities for women to study various professions in the tech field. One of the key goals of the program was to empower women through continuous learning and skill development. To further this mission, more than 60 participants were upskilled by TBC IT Academy after completing the project's courses.

SUPPORTING OUR CULTURAL HERITAGE

- Since 2003, TBC has been the main sponsor of the **SABA Literary Award**, the biggest and preeminent literary event in Georgia. To celebrate the 21st Anniversary of SABA, we decided to give our readers a special opportunity and added a new nomination - "SABA Reader". This year, up to 400 books were reviewed and 16 winners were chosen in 12 different categories, with a prize fund of GEL 70,000. TBC and SABA also collaborate on www.saba.com.ge the largest online platform for Georgian electronic and audio books. The platform was established in 2012 and provides access to around 7,500 audio and electronic books for approximately 400,000 users.
- **Libraries for emigrants** - The collaborative efforts of the "TBC for Immigrants" team led to a partnership between TBC and the National Parliamentary Library of Georgia which aims to make Georgian books available to Georgian migrants worldwide. As a result of this initiative, thousands of Georgians living abroad now have access to literature in their native language, with Georgian books distributed to various international libraries, including in Turkey and Italy.

SUPPORTING RUGBY IN GEORGIA

The year 2023 was very important for Georgian Rugby, as the national team participated in the men's Rugby World Cup for the sixth time. TBC and the Georgian Rugby Union are working hand in hand to popularize rugby in Georgia and to generate national interest in this sport. We believe that rugby can become one of Georgia's calling cards in the world and play an important role in the development of young generations.

We are committed to the long-term development goals of the Georgian Rugby Union and we believe that in the end we will win together - this is also the slogan of our campaign dedicated to the national team of Georgia.

SHOVI NATURAL DISASTER RELIEF FUND

On August 3rd, 2023, a TBC charity account was opened to help the victims of the natural disaster in Racha. TBC donated GEL 500,000, while GEL 200,000 was donated by Georgian citizens, companies and organizations.

TBC has been cooperating with the Red Cross Society of Georgia and USAID's "Strong Village Program" in the process of targeting the funds collected in the Shovi Fund. In partnership with USAID's Strong Village Program, a grant competition was announced to support micro and small enterprises in the Glola community of Oni Municipality. A portion of the total cost of the grant project (GEL 55,000) was financed by TBC's charity account.

SUPPORTING UKRAINIANS

Following the Russian invasion of Ukraine, TBC established a charity fund and invited organizations and individuals to donate funds in support of the Ukrainian people. Over the past two years around GEL 2,000,000 has been raised collectively by individuals, organizations and TBC (GEL 250,000 contribution). These funds have been transferred to the National Bank of Ukraine to support such causes as to alleviate hardships of the Ukrainian people caused by the war, rebuild Ukraine, support education and health sectors. At the local level, TBC's Ukraine charity fund financed local reputable organizations and various projects assisting Ukrainian nationals who had to move to Georgia as war refugees.

"These courses allowed me to learn **new things in technology** and test myself in this field. With the knowledge gained in TBC courses, I can already create simple websites. **I would definitely recommend this course to my friend who is interested in computer technology**

Mariam Suluashvili from Poti

"I have been passionate about this field for years and I was waiting for an opportunity that would bring me closer to my **dream work** and help me to develop in the desired direction. I'**m going to dedicate my life to technology**, to coding. I think these TBC courses will be the initial foundation of my future profession."

Liza Tarieladze from Shuakhevi

"I definitely recommend to all my peers who are interested in getting to know modern technologies better to register for TBC courses, where you will find a **friendly environment, professional trainers and interesting challenges**

Luka Zedginidze from Akhaltsihke

Georgia's Biggest Technology Education Program

Fully funded, online technology courses for school students from all across Georgia.

Financial review

FINANCIAL HIGHLIGHTS

Income statement

in thousands of GEL	2023	2022	Change YoY
Net interest income	1,495,596	1,243,095	20.3%
Net fee and commission income	334,476	265,650	25.9%
Other non-interest income	302,040	437,644	-31.0%
Total operating income	**2,132,112**	**1,946,389**	**9.5%**
Total credit loss allowance	(147,434)	(115,507)	27.6%
Operating expenses	(681,762)	(560,982)	21.5%
Profit before tax	**1,302,916**	**1,269,900**	**2.6%**
Income tax expense	(183,858)	(246,825)	-25.5%
Profit for the year	**1,119,058**	**1,023,075**	**9.4%**

Balance sheet and capital highlights

in thousands of GEL	31-Dec-23	31-Dec-22*	Change YoY
Total Assets	31,771,136	28,329,010	12.2%
Gross Loans	21,276,749	17,857,276	19.1%
Customer Deposits	19,942,516	17,841,357	11.8%
Total Equity	4,747,709	4,265,802	11.3%
CET 1 Capital (Basel III)	4,235,033	3,333,039	27.1%
Tier 1 Capital (Basel III)	4,772,913	3,873,439	23.2%
Total Capital (Basel III)	5,374,301	4,516,525	19.0%
Risk Weighted Assets (Basel III)	24,336,690	21,508,072	13.2%

** The capital ratios for 2022 are calculated based on the local accounting standards*

Key APMs

	2023	2022*	Change YoY
ROE	25.4%	26.0%	-0.6 pp
ROA	4.0%	4.0%	0.0 pp
NIM	6.3%	5.9%	0.4 pp
Cost to income	32.0%	28.8%	3.2 pp
Cost of risk	0.7%	0.6%	0.1 pp
NPL to gross loans	2.0%	2.2%	-0.2 pp
NPL provision coverage ratio	74.7%	92.1%	-17.4 pp
Total NPL coverage ratio	143.6%	155.1%	-11.5 pp
CET 1 CAR (Basel III)	17.4%	15.5%	1.9 pp
Tier 1 CAR (Basel III)	19.6%	18.0%	1.6 pp
Total CAR (Basel III)	22.1%	21.0%	1.1 pp
Leverage (Times)	6.7x	6.6x	0.1x

** Capital ratios for 2022 are calculated based on local accounting standards*

For the ratio definitions please refer to APMs on pages 286-290.

Net interest income

In 2023, net interest income amounted to GEL 1,495.6 million, up by 20.3% on a YoY basis.

The YoY rise in interest income by GEL 469.6 million, or 21.2%, was mostly attributable to an increase in interest income from loans related to a GEL 3,419.5 million, or 19.1%, increase in the respective portfolio, as well as a 0.6 pp rise in the respective yield.

YoY interest expense increased by GEL 217.1 million, or 22.2%, mainly related to an increase in the deposit portfolio of GEL 2,101.2 million, or 11.8%, and a 0.9 pp growth in deposit cost.

In 2023, our NIM stood at 6.3%, up by 0.4 pp on a YoY basis.

In thousands of GEL	2023	2022	Change YoY
Interest income	2,689,427	2,219,781	21.2%
Interest expense*	(1,193,831)	(976,686)	22.2%
Net interest income	1,495,596	1,243,095	20.3%
NIM	**6.3%**	**5.9%**	**0.4 pp**

** Interest expense includes net interest gains from currency swaps*

Non-interest income

Total non-interest income amounted to GEL 636.5 million in 2023, decreasing by 9.5% YoY, primarily due to a normalisation of FX revenues, offset by growth in fee and commission income.

In thousands of GEL	2023	2022	Change YoY
Non-interest income			
Net fee and commission income	334,476	265,650	25.9%
Net gains from currency derivatives, foreign currency operations and translation	272,303	411,806	-33.9%
Other operating income	29,737	25,838	15.1%
Total other non-interest income	**636,516**	**703,294**	**-9.5%**

Credit loss allowance

Credit loss allowance for loans in 2023 amounted to GEL 130.4 million, which translated into 0.7% cost of risk. The increase in credit loss allowance for loans was mainly driven by strong loan book growth as well as normalisation of cost of risk (CoR).

In thousands of GEL	2023	2022	Change YoY
Credit loss allowance for loans to customers	(130,380)	(105,247)	23.9%
Credit loss allowance for other transactions	(17,054)	(10,260)	66.2%
Total credit loss allowance	**(147,434)**	**(115,507)**	**27.6%**
Operating income after expected credit and non-financial asset impairment losses	**1,984,678**	**1,830,882**	**8.4%**
Cost of risk	**0.7%**	**0.6%**	**0.1 pp**

Operating expenses

In 2023, our operating expenses rose by 21.5% on a YoY basis, mainly related to the overall business growth.

In thousands of GEL	2023	2022	Change YoY
Operating expenses			
Staff costs	(385,471)	(306,526)	25.8%
Allowance of provision for liabilities and charges	-	(2,000)	-100.0%
Depreciation and amortisation	(99,643)	(85,108)	17.1%
Administrative and other operating expenses	(196,648)	(167,348)	17.5%
Total operating expenses	**(681,762)**	**(560,982)**	**21.5%**
Cost to income	**32.0%**	**28.8%**	**3.2 pp**

Profit

In FY 2023, we delivered strong profitability and generated GEL 1,119.1 million in profit, up by 9.4% YoY, driven by strong core revenue growth and asset quality trends.

The YoY decrease in income tax expense is mainly driven by a one-off tax charge in 2022, due to changes in the Georgian taxation model.

As a result, our ROE and ROA for full year 2023 were 25.4% and 4.0%, respectively.

In thousands of GEL	2023	2022	Change YoY
Profit before tax	**1,302,916**	**1,269,900**	**2.6%**
Income tax expense	(183,858)	(246,825)	-25.5%
Profit for the year	**1,119,058**	**1,023,075**	**9.4%**
ROE	**25.4%**	**26.0%**	**-0.6 pp**
ROA	**4.0%**	**4.0%**	**0.0 pp**

Funding and Liquidity

As of 31 December 2023, the total liquidity coverage ratio (LCR), as defined by the NBG, was 115.3%, above the 100% limit, while the LCR in GEL and foreign currency (FC) stood at 109.8% and 120.1%, accordingly, above the respective limits of 75% and 100%.

Over the same period, the net stable funding ratio (NSFR), as defined by the NBG, stood at 119.9%, compared to the regulatory limit of 100%.

	31-Dec-23	31-Dec-22*
Minimum net stable funding ratio, as defined by the NBG	100.0%	100.0%
Net stable funding ratio as defined by the NBG	119.9%	135.3%
Net loans to deposits + IFI funding	94.6%	87.7%
Leverage (Times)	6.7x	6.6x
Minimum total liquidity coverage ratio, as defined by the NBG	100.0%	100.0%
Minimum LCR in GEL, as defined by the NBG	75.0%	75.0%
Minimum LCR in FC, as defined by the NBG	100.0%	100.0%
Total liquidity coverage ratio, as defined by the NBG	115.3%	146.6%
LCR in GEL, as defined by the NBG	109.8%	164.2%
LCR in FC, as defined by the NBG	120.1%	135.9%

** The capital ratios for 2022 are calculated based on the local accounting standards*

Regulatory Capital

As of 31 December 2023, our capital ratios remained at a strong level and as a result, our CET1, Tier 1 and Total Capital ratios stood at 17.4%, 19.6% and 22.1%, respectively, above the minimum regulatory requirements by 3.1 pp, 3.0 pp and 2.3 pp, accordingly. The QoQ decreases in all CET1, Tier 1 and Total capital adequacy ratios were largely driven by high portfolio growth and annual operational RWA growth.

In thousands of GEL	31-Dec-23	31-Dec-22*
CET 1 capital	4,235,033	3,333,039
Tier 1 capital	4,772,913	3,873,439
Total capital	5,374,301	4,516,525
Total Risk-weighted assets	24,336,690	21,508,072
Minimum CET 1 ratio	14.3%	11.6%
CET 1 Capital adequacy ratio	17.4%	15.5%
Minimum Tier 1 ratio	16.6%	13.8%
Tier 1 Capital adequacy ratio	19.6%	18.0%
Minimum total capital adequacy ratio	19.8%	17.3%
Total Capital adequacy ratio	22.1%	21.0%

** The capital ratios for 2022 are calculated based on the local accounting standards*

Loan portfolio

As of 31 December 2023, the gross loan portfolio reached GEL 21,276.7 million, up by 19.1% YoY or 18.6% on a constant currency basis.

In thousands of GEL	31-Dec-23	31-Dec-22[1]	Change YoY
Gross loans and advances to customers			
Retail Georgia	**7,513,229**	**6,753,242**	**11.3%**
– GEL	5,000,607	4,374,224	14.3%
– FC	2,512,622	2,379,018	5.6%
CIB Georgia	**8,283,723**	**6,301,961**	**31.4%**
– GEL	3,061,811	2,455,229	24.7%
– FC	5,221,912	3,846,732	35.7%
MSME Georgia	**5,480,822**	**4,803,986**	**14.1%**
– GEL	2,868,942	2,627,760	9.2%
– FC	2,611,880	2,176,226	20.0%
Total loans and advances to customers*	**21,276,749**	**17,857,276**	**19.1%**

** Total gross loans and advances to customers include Azerbaijan loan portfolio*

	2023	2022[1]	Change YoY
Loan yields	**11.8%**	**11.2%**	**0.6 pp**
– GEL	14.9%	15.5%	-0.6 pp
– FC	8.5%	7.0%	1.5 pp
Total loan yields*	**11.8%**	**11.2%**	**0.6 pp**

** Total loans yields include Azerbaijan*

Loan portfolio quality

As of 31 December 2023, our asset quality metrics remained strong with NPL to gross loans at 2.0%, driven by strong performance of the retail portfolio. Over the same period our PAR 90 improved by 0.1 pp driven by retail segment.

Par 90	31-Dec-23	31-Dec-22	Change YoY
– Retail Georgia	0.8%	1.2%	-0.4 pp
– CIB Georgia	0.7%	0.4%	0.3 pp
– MSME Georgia	2.2%	2.2%	0.0 pp
Total PAR 90*	**1.1%**	**1.2%**	**-0.1 pp**

** Total PAR 90 includes Azerbaijan*

Non-performing Loans (NPL)

In thousands of GEL	31-Dec-23	31-Dec-22[1]	Change YoY
– Retail Georgia	127,102	146,167	-13.0%
– CIB Georgia	114,130	80,307	42.1%
– MSME Georgia	183,829	162,111	13.4%
Total non-performing loans*	**425,743**	**390,651**	**9.0%**

** Total non-performing loans include Azerbaijan NPLs*

NPL to gross loans	31-Dec-23	31-Dec-22[1]	Change YoY
– Retail Georgia	1.7%	2.2%	-0.5 pp
– CIB Georgia	1.4%	1.3%	0.1 pp
– MSME Georgia	3.4%	3.4%	0.0 pp
Total NPL to gross loans*	**2.0%**	**2.2%**	**-0.2 pp**

** Total NPL to gross loans include Azerbaijan NPLs*

NPL Coverage		31-Dec-23		31-Dec-22[1]
	Provision coverage	Total coverage**	Provision coverage	Total coverage**
– Retail Georgia	120.4%	179.5%	146.6%	190.3%
– CIB Georgia	46.9%	110.6%	57.9%	119.9%
– MSME Georgia	57.5%	136.0%	57.3%	136.2%
Total NPL coverage*	**74.7%**	**143.6%**	**92.1%**	**155.1%**

*** Total NPL coverage include Azerbaijan loans coverage*
*** Total NPL coverage ratio includes provision and collateral coverage*

1 Segmental numbers of 2022 do not correspond to the numbers disclosed in 2022, due to the updated methodology. For detailed information, please refer to Note 27.

Cost of risk

In 2023, our total cost of risk (CoR) was within the expected range at 0.7%. The main driver was MSME portfolio, while we saw significant improvements in retail portfolio throughout the year.

Cost of risk (CoR)	2023	2022[1]	Change YoY
– Retail Georgia	0.8%	1.4%	-0.6 pp
– CIB Georgia	0.1%	0.0%	0.1 pp
– MSME Georgia	1.4%	0.5%	0.9 pp
Total cost of risk*	**0.7%**	**0.6%**	**0.1 pp**

** Total cost of risk includes Azerbaijan CoR*

Deposit portfolio

The total deposit portfolio amounted to GEL 19,942.5 million as of end 2023, increasing by 11.8% YoY or 11.6% on a constant currency basis.

In thousands of GEL	31-Dec-23	31-Dec-22[1]	Change YoY
Customer accounts			
Retail Georgia	**7,469,587**	**6,536,649**	**14.3%**
– GEL	2,532,317	1,905,377	32.9%
– FC	4,937,270	4,631,272	6.6%
CIB Georgia	**10,200,321**	**9,249,232**	**10.3%**
– GEL	6,105,284	5,136,442	18.9%
– FC	4,095,037	4,112,790	-0.4%
MSME Georgia	**1,900,459**	**1,761,342**	**7.9%**
– GEL	1,052,675	908,024	15.9%
– FC	847,784	853,318	-0.6%
MOF	**515,079**	**412,442**	**24.9%**
– GEL	515,079	412,442	24.9%
Total customer accounts*	**19,942,516**	**17,841,357**	**11.8%**

** Total customer accounts are adjusted for eliminations*

	2023	2022[1]	Change YoY
Deposit rates	**4.5%**	**3.6%**	**0.9 pp**
– GEL	8.4%	7.7%	0.7 pp
– FC	0.9%	0.9%	0.0 pp
Total deposit rates*	**4.5%**	**3.6%**	**0.9 pp**

** Total deposit rates include MOF deposits*

APMs (based on monthly averages, where applicable)	2023	2022*
Profitability ratios:		
ROE	25.4%	26.0%
ROA	4.0%	4.0%
Cost to income	32.0%	28.8%
NIM	6.3%	5.9%
Loan yields	11.8%	11.2%
Deposit rates	4.5%	3.6%
Cost of funding	5.2%	4.6%
Asset quality & portfolio concentration:		
Cost of risk	0.7%	0.6%
PAR 90 to gross loans	1.1%	1.2%
NPLs to gross loans	2.0%	2.2%
NPL provision coverage	74.7%	92.1%
Total NPL coverage	143.6%	155.1%
Credit loss level to gross loans	1.5%	2.0%
Related party loans to gross loans	0.1%	0.1%
Top 10 Borrowers to total portfolio	6.4%	5.4%
Top 20 Borrowers to total portfolio	9.5%	8.5%
Capital & liquidity positions:		
Net loans to deposits plus IFI funding	94.6%	87.7%
Net stable funding ratio (NSFR)	119.9%	135.3%
Liquidity coverage ratio (LCR)	115.3%	146.6%
Leverage	6.7x	6.6x
CET 1 CAR (Basel III)	17.4%	15.5%
Tier 1 CAR (Basel III)	19.6%	18.0%
Total 1 CAR (Basel III)	22.1%	21.0%

** Capital ratios for 2022 are calculated based on the local accounting standards*

The detailed information about APMs is given on pages 286-290.

1 Segmental numbers of 2022 do not correspond to the numbers disclosed in 2022, due to the updated methodology. For detailed information, please refer to Note 27.

Risk management

OVERVIEW

The Group operates a strong, independent, business-minded risk management system. Its main objective is to safeguard the sustainable earnings capacity of the balance sheet on the basis of risk-adjusted returns through the implementation of an efficient risk management system. The Group has adopted four primary risk management principles to better accomplish its major objectives:

- **Govern risks transparently to ensure cross-functional, harmonised understanding and trust.** Consistency and transparency in risk-related processes and policies are preconditions for gaining the trust of multiple stakeholders. Communicating risk goals and strategic priorities to governing bodies and providing a comprehensive follow-up in an accountable manner are key priorities for the staff responsible for risk management;
- **Manage risks prudently to promote sustainable earnings growth and resilience.** Risk management acts as a backstop against unrewarded or even excessive risk-taking. Strong risk management with a well-established, forward-looking stress testing framework ensures the Group's sustainability and resilience;
- **Ensure that risk management underpins the implementation of strategy.** Staff responsible for risk management provide assurance on the feasibility of achieving objectives through risk identification and management. The risk management function provides a framework under which stakeholders are empowered to make risk-based decisions by identifying, quantifying, and adequately pricing risks. It also creates the conditions for formulating risk mitigation actions, thus supporting the long-term generation of desired returns and the achievement of planned targets;
- **Use risk management to gain a competitive advantage.** Providing tools for faster decision-making and supporting business operations, ensuring the sustainability and resilience of the business model, establishes risk management as a core component of the Group's competitive strategy.

Risk management framework

The Group employs a comprehensive enterprise-wide Risk Management Framework, placing a strong emphasis on cultivating a robust risk culture throughout the organisation. This framework is strategically designed to ensure that effective governance capabilities and methodologies are in place, facilitating sound risk management and informed decision-making.

Aligned with the Group's overarching strategic objectives, the risk management framework establishes standards and objectives while delineating roles and responsibilities. The Group's principal risks, as detailed in this section, are systematically controlled and managed within the framework, promoting consistency across the organisation and its subsidiaries.

Led by the Chief Risk Officer and developed by the Group's independent Risk function, the framework undergoes an annual review and approval process by the Supervisory Board. It encompasses risk governance through the Group's three lines of defence operating model.

The Group's risk appetite, supported by a robust set of principles, policies, and practices, defines acceptable levels of tolerance for various risks. This structured approach guides risk-taking within established boundaries, ensuring a proactive and disciplined risk management stance.

The Group operates under the principle that all teams share responsibility for managing risk, with a particular emphasis on those facing the client. However, the Risk function assumes a crucial role in overseeing and monitoring risk management activities. This includes development of the framework and ensuring adherence to supporting policies, standards, and operational procedures. The Chief Risk Officer regularly reports to the Supervisory Board Risk Committee on the Group's risk profile and performance as well as on the effectiveness of the Group's system of internal control.

Moreover, the Group has instituted a rigorous process to identify and manage material and emerging threats. These threats, which are deemed to potentially adversely affect the Group's ability to meet its strategic objectives, are regularly reported to the Supervisory Board. The Group's applied, comprehensive approach considers the interdependence of material and emerging threats, enhancing the overall risk intelligence provided to stakeholders.

GOVERNANCE

The Group's risk governance structure is crafted to ensure robust oversight and strategic decision-making within risk management. At its core, risk-focused committees and risk functions assume pivotal roles in orchestrating effective risk management practices within the Group as a whole and its individual subsidiaries.

At the Supervisory Board level, while the boards are responsible for overseeing risk management, in some instances, activities within risk management and control are delegated to risk committees for effective handling. Responsibilities encompass aligning risk practices with strategic goals, setting risk appetite, discussing and approving risk policies, fostering a culture of responsible risk-taking, and monitoring risk identification and assessment processes. The committees are tasked with overseeing regular assessments of emerging and principal risks that could impact the business model, performance, solvency, and liquidity. Their leadership is critical for effective risk management and the long-term viability of the Group.

At the management board level, committees assume a crucial role in steering effective risk management within subsidiaries. Whether through a single risk committee or multiple committees with more granular scopes (e.g. financial risks, reputational risk, or information security), their responsibilities include closely overseeing risk exposures and making key decisions on risk mitigation and control. While specific duties may differ, the overall mission remains consistent: aligning risk management practices with regulatory requirements and risk tolerance. In cases where Group companies are of a smaller scale, risk committees may not be present, and the management board itself assumes these responsibilities.

Risk culture and three lines of defense

At the core of the Group's Risk Management Framework and practices is a robust risk culture that underscores the institution's commitment to prudent and strategic risk-taking. The Group expects its leaders to demonstrate strong risk management behaviour, providing clarity on the desired level of risk taking, developing their respective capabilities and frameworks, and motivating employees to ensure risk-minded decision making.

The key principles governing risk culture across all the Group's subsidiaries include: Board leadership (the Board sets the tone and establishes a foundation for a risk-aware culture throughout the organization); employee understanding and accountability (the Group ensures that employees at every level understand the institution's approach to risk and there is a clear understanding that individuals are accountable for their actions concerning risk-taking behaviors aligned with the Group's standards); communication (open, transparent, and effective communication is fundamental to the Group's risk culture); and remuneration incentives (the Group reinforces its risk culture by aligning remuneration incentives with sound risk management practices).

This holistic approach to risk culture ensures that the Group and its subsidiaries are equipped with a resilient and proactive mindset, where risk management is ingrained in the organisational DNA.

To comprehensively manage risks, the Group ensures adherence to the three lines of defence model:

- First Line of Defence: Business lines, as frontline defenders, engage in risk-taking activities with awareness of their impact on risks that may contribute to or hinder the achievement of the Group's objectives. A well-established risk culture is a foundation for risk-taking decisions.
- Second Line of Defence: Risk management functions ensure effective risk management and controls by consolidating expertise, identifying, measuring, and monitoring risks, and assisting the first line. They act
- independently from the business lines and provide frameworks and tools for effective risk management.
- Third Line of Defence: The internal audit function provides assurance to the Supervisory Board that the risk management and control efforts of both the first and second lines of defence meet the expectations set by the Supervisory Board..

Risk appetite

Risk appetite is defined as the set of acceptable limits that shape the combinatory level of risk that the Bank is prepared to accept in pursuit of return and value creation consistent with the approved strategy. The Group's Risk Appetite Framework, which governs enterprise risk management, establishes the extent and process of permissible risk-taking to guide the Group's business outcomes.

Considering the ever-changing risk profile of the Group, the risk appetite frameworks of the Group and its key subsidiaries are regularly reviewed, updated, and approved by the Supervisory Board to make sure they remain aligned with the Group's desired level of risk-taking.

Risk identification

The identification of risks serves as the foundational step in the Group's risk management process. This process systematically recognises and documents any potential direct or indirect risks that could impact the achievement of organizational objectives. It is imperative that this identification leverages input from the Group's lines of defence within the organisation as well as external stakeholders to ensure a comprehensive and anticipatory definition.

The risk identification process within the Group is governed by the Risk Registry Framework. Regular reviews and adjustments of the Risk Registry are undertaken to ensure its consistent relevance and effectiveness.

Risk measurement

The Group places significant emphasis on a comprehensive approach to risk measurement, aligning with its commitment towards proactive risk management practices. Each identified risk direction is accompanied by tools for quantitative and qualitative measurement. The process is dynamic, continuously adapting to changes in the financial landscape and regulatory environment. Regular reviews and assessments ensure the effectiveness of the risk measurement tools and methodologies.

Risk mitigation

Risk mitigation is a proactive approach aimed at minimizing the potential negative consequences of risks. To proactively approach every material risk, the Group develops and implements harmonised risk policies and frameworks, which play a key role by:

- Setting standards and guidelines – risk policies outline the standards and guidelines for how risks should be managed within the organisation and provide a structured approach to addressing risks, ensuring consistency and compliance with regulatory and internal requirements.
- Defining roles and responsibilities – risk policies clarify the roles and responsibilities of different individuals and departments in the risk mitigation process.
- Establishing procedures – risk policies provide a guiding framework for developing procedures for risk mitigation activities.
- All policies are subject to regular reviews and updates to adapt to new challenges and refine its risk management strategies over time.

Risk monitoring and reporting

Risk reporting stands as a cornerstone within the Group's robust risk management framework. The Group and its subsidiaries are mandated to establish robust risk reporting processes. These processes are designed to regularly communicate material risk exposures and the overall risk profile to the Supervisory and Management Boards as well as senior management.

Regular monitoring is essential to ensure compliance with established risk appetite and regulatory limits. It serves as a proactive measure to observe the evolution of the prevailing risk environment. The Group emphasises a structured approach to risk reporting, encompassing monitoring, to effectively capture, assess, and communicate risks. This ensures the provision of clear and timely information, fostering accountability among stakeholders in managing and addressing risks.

In addition to routine reporting, ad-hoc reporting can be triggered by key vulnerabilities, significant risk identification, or deviations from the targeted risk profile. This agile approach ensures that the risk reporting mechanism remains responsive to emerging risks and evolving circumstances.

Internal control

TBC Group is introducing its streamlined Integrated Control Assurance Framework, seamlessly aligning risk, control, compliance, and internal audit functions for integrity, efficiency, and regulatory compliance. This comprehensive framework ensures meticulous adherence to policies and procedures, catering to the diverse needs of our products and services. The integrated view enables a collective audit asset database that is generated across first, second, and third lines of defence as well as regulatory and legal, reflecting our commitment to transparency and accountability.

The Internal Control Framework extends to the evaluation, testing, and follow-up of high and critical-risk processes, while simultaneously focusing on enhancing risk awareness and refining internal controls. Continuous monitoring and improvement initiatives are integral components, enhancing operational effectiveness within the framework. This approach fosters a culture of internal control, showcasing our dedication to excellence in managing internal controls and risks.

Stress testing and contingency planning

It is essential for the Bank to examine its financial performance under conditions that diverge from baseline expectations. For that reason, the Bank subjects itself to various stress scenarios with the intent to identify vulnerabilities, quantify potential losses, and assess the sufficiency of risk mitigation measures. Currently, the Bank has established its own comprehensive stress testing framework, which encompasses a range of scenarios to assess its resilience. This includes scenarios related to capital, liquidity, credit, cyber and other risk factors relevant to the prevailing risk environment. Stress testing is crucial to evaluate the ability to withstand adverse conditions, such as economic downturns, market volatility, and unforeseen events. Regular reviews and adjustments are essential to ensure the consistent relevance and effectiveness of the stress testing frameworks.

The Bank regularly performs stress test exercises. Stress tests are conducted either within predefined frameworks such as ICAAP, ILAAP and Recovery Planning, or/and on an ad-hoc basis to assess the impact of certain system-wide or idiosyncatic events on the Bank's capital, liquidity, and financial positions. Although the overall stress testing approach is consistent, the severity of the stress scenarios differs according to the relevant framework.

In addition to stress testing analysis, the Recovery Plan serves as a strategic blueprint for both the Supervisory Board and the management to ensure readiness for specific stress conditions. The Recovery Plan provides clear recovery options with specific steps to be undertaken including transparent and timely communication to internal and external stakeholders. The framework is subject to regular reviews and adjustments to ensure its consistent relevance and effectiveness.

The Bank also has a Business Continuity Plan in place. This plan ensures that the organisation is prepared to respond effectively to disruptions. By outlining strategies to maintain revenue streams and minimize financial losses during disruptions, these practices help to safeguard the organisation's financial stability and long-term viability.

Material existing and emerging risks

Risk Management is a critical pillar of the Group's strategy. It is essential to identify emerging risks and uncertainties that could adversely impact the Group's performance, financial condition, and prospects. This section analyses the material principal and emerging risks and uncertainties that the Group faces. However, we cannot exclude the possibility of the Group's performance being affected by risks and uncertainties other than those listed below.

The Supervisory Board has undertaken a robust assessment of both the principal and emerging risks facing the Group and the long-term viability of the Group's operations, in order to determine whether to adopt the going concern basis of accounting.

PRINCIPAL RISKS AND UNCERTAINTIES

SPECIFIC FOCUS IN 2023

1. The Group's performance may be compromised by adverse developments in the region, in particular the war in Ukraine, the possible spread of the geopolitical crisis and/or the potential outflow of migrants from Georgia as well as further military escalation in the middle east, which could have a material impact on the operating environment in Georgia.

Risk description

The Group's performance is highly vulnerable to geopolitical developments in Georgian market.

Although inflows to the Georgian economy are quite diversified, the country is still vulnerable to geopolitical and economic developments in the region. In particular, the Russian invasion of Ukraine, the consequent sanctions imposed on Russia and specific Russian nationals and the resulting elevated uncertainties may have an adverse impact on the Georgian economy. The country is also exposed to renewed military conflicts in its breakaway regions occupied by Russia, while some relatively distant conflicts, such as the escalation in the middle east, might affect the Georgian economy through a stronger US$, higher oil prices, migration flows, etc.

While the inbound migration effect continues to make an important contribution to economic activity, any sizeable outflow could lead to a deterioration in the business environment. The reverse would probably be the case in any rapid conflict resolution scenario, which would create positive economic spillovers as well, such as the likely stronger rebound of growth in Russia and Ukraine.

Materialisation of these risks could severely hamper economic activity in Georgia, and negatively impact the business environment and client and customer base of the Group.

Risk mitigation

The Group actively employs stress testing and other risk measurement and monitoring tools to ensure that early triggers are identified and translated into specific action plans to minimise any negative impact on the Bank's capital adequacy, liquidity, and portfolio quality. In extreme stress cases, where regulatory requirements may be breached, the Bank has a Recovery Plan in place, which helps to guide the Supervisory Board and the management through the process of recovery of the capital and/or liquidity positions within a prescribed timeframe.

2. The Group's operating region introduces financial rime risk.

Risk description

Financial crime risk covers money laundering, terrorist financing, bribery and corruption, and sanctions risks. The risks associated with sanctions have increased, particularly in recent years. Therefore the Group's specific focus in 2023 remained on managing sanctions risk.

Historically, Georgia has enjoyed close business relations with Russia and Ukraine. The aggression launched by the Russian Federation against Ukraine on the 24th of February 2022 resulted in a vigorous international response, which included the imposition of tough economic sanctions by the US, the EU, the UK and other countries. As a consequence, Russian and Belarusian members of legislative and government agencies, oligarchs, businessmen, state-owned companies, financial institutions and other legal entities have been directly sanctioned, while numerous economic restrictions and trade prohibitions have been enforced on specific sectors of activity and categories of goods and services in Russia, Belarus, Crimea, and other occupied territories. Leading countries are tightening and expanding the sanctions programme by extending some restrictions and adding new entities and individuals to their list. Moreover, as a consequence of the conflict, many Russian citizens have relocated to Georgia. Considering the level of interaction between the Group, Russia and Russian citizens, and the breadth of the sanctions' prohibitions and restrictions, the risk of being involved in attempts to circumvent sanctions has substantially increased.

In addition to the sanctions risk related to Russia, a significant increase in international shipping costs has exposed Georgia to the risk of financing of transshipments via Iran for its import and export activities with Asian countries, which is prohibited by the US government.

Breaches of the US, EU and UK sanctions regime would expose the Group to fines and regulatory actions by the local regulator, the National Bank of Georgia, and by US, EU and UK authorities and enforcement agencies. In addition to the regulatory risk, the Group also faces a reputational risk, mainly with its correspondent banks and other financial third-party relationships.

Risk mitigation

The Group has a zero tolerance stance towards breaching or facilitating the breach or avoidance of UN, UK, US and EU sanctions. The Group is committed to avoiding transactions with direct or indirect sanctioned parties or goods or services.

The Group has adopted a Group-wide Financial Crime Policy that sets requirements in the following key risk areas: money laundering, terrorist financing, bribery, corruption, and sanctions. The policy applies to all Group member companies, business activities and employees. Employees receive trainings on financial crime risk management. The employees are made aware of the Group's appetite for and approach to financial crime management as well as the potential consequences following the failure to comply with the financial crime policy.

The Group aims to protect its customers, shareholders, and society from financial crime and any resulting threat. The Group is fully committed to complying with applicable international and domestic laws and regulations related to financial crime as well as relevant legislation in other countries where Group member financial institutions operate. It has a long-standing ambition to meet the respective industry best practice standards.

The Group has implemented internal policies, procedures and detailed instructions designed to prevent any association with money laundering, financing of terrorism, or any other unlawful activities such as bribery, corruption, sanctions or tax evasion. The Group's AML/CTF compliance programme, as implemented, comprises written policies, procedures, internal controls and systems including, but not limited to: policies and procedures to ensure compliance with AML laws and regulations; KYC and customer due diligence procedures; a customer acceptance policy; customer screening against a global list of terrorists, specially designated nationals, relevant financial and other sanctions lists; regular staff training and awareness raising; and procedures for monitoring and reporting suspicious activities by the Bank's customers.

The Bank has dedicated material resources to sanctions risk management. It has:

- Purchased software and databases that assist the Bank on sanctions risk mitigation;
- Engaged external advisers to produce recommendations on improvements in sanctions risk management;
- Engaged external audits to assess internal policies and procedures; and
- Empowered dedicated staff with the relevant, specific knowledge

As part of the second line of defence, the Bank's Compliance Department seeks to manage risk in accordance with the risk appetite defined by the Group and promotes a strong risk culture throughout the organisation. The Group has a sophisticated, artificial intelligence-based AML solution in place to enable AML Officers to monitor clients' transactions and identify suspicious behaviour. Using data analytics and machine learning, the Group developed an anomaly detection tool to bring very complex cases to the surface, using client network analysis to identify organized money laundering cases and enriched pre-defined patterns to create an automated system. This approach has an immense business value as it uncovers cases in ways that would otherwise be prohibitively expensive, since manual analysis of these transactions is an extremely time-consuming process for AML officers. The tool compiles all these incidents into dashboards and presents them to AML officers for further action.

The Bank's Compliance Department works on constantly improving the software to increase operational efficiency and decrease false-positive alerts. The Bank performs an enterprise-wide AML Risk Assessment annually, in line with the approved methodology. Overall, during the annual assessment, which took place in 2023, Group-wide residual risks for 2022 were assessed as medium. The Bank's Compliance Department addresses areas of attention in a timely and proper manner.

FINANCIAL RISKS

1. The majority of the Group's earnings capacity is generated via credit risk bearing asset side elements.

Risk description

Credit risk is the greatest material risk faced by the Bank, given that the Bank is principally engaged in traditional

lending activities. It is the risk of losses due to the failure of a customer or counterparty to meet their obligations to settle outstanding amounts in accordance with agreed terms. The Bank's customers include legal entities as well as individual borrowers. Due to the high level of dollarisation in Georgia's financial sector, currency-induced credit risk is a component of credit risk, which relates to risks arising from foreign currency-denominated loans to unhedged borrowers in the Bank's portfolio. Credit risk also includes concentration risk, which is the risk related to credit portfolio quality deterioration as a result of large exposures to single borrowers or groups of connected borrowers, or loan concentration in certain economic industries. Losses incurred due to credit risk may be further aggravated by unfavourable macroeconomic conditions.

Currency-induced credit risk (CICR) – The Bank has a significant credit portfolio in foreign currencies. A potential material GEL depreciation is one of the most significant risks that could negatively impact credit portfolio quality. As of 31 December 2023, 48.6% of the Bank's total gross loans and advances to customers (before provision for loan impairment) was denominated in foreign currencies. The income of many customers is directly linked to foreign currencies via remittances, tourism or exports. Nevertheless, customers may not be protected against significant fluctuations in the GEL exchange rate against the currency of the loan. The GEL remains in free float and is exposed to a range of internal and external factors that, in some circumstances, could lead to its depreciation. In 2023, the average US$/GEL currency exchange rate strengthened by 9.9% year-on-year.

Concentration risk – Although the Bank is exposed to single-name and sectoral concentration risks, the Bank's portfolio is well diversified both across sectors and single-name borrowers, resulting in only a moderate vulnerability to concentration risks. However, should exposure to common risk drivers increase, the risks are expected to amplify accordingly. At a consolidated level, the Bank's maximum exposure to the single largest industry (real estate) stood at 9% of the loan portfolio as of 31 December 2023. At the same time, exposure to the 20 largest borrowers stood at 9.5% of the loan portfolio.

In addition, credit risk also includes counterparty credit risk, as the Bank engages in various financial transactions with both banking and non-banking financial institutions. Through performing banking services such as lending in the interbank money market, settling a transaction in the interbank foreign exchange market, entering into interbank transactions related to trade finance or investing in securities, the Bank is exposed to the risk of losses due to the failure of a counterparty bank to meet its obligations.

Risk mitigation

A comprehensive Credit Risk Assessment Framework is in place with a clear division of duties among the parties involved in the credit analysis and approval process. The credit assessment and monitoring processes differ by segment and product type to reflect the diverse nature of these asset classes. The Bank's credit portfolio is highly diversified across customer types, product types and industry segments, which minimises credit risk at the Bank level. As of 31 December 2023, the retail segment represented 35.3% of the total portfolio, which was comprised of 62.9% mortgage and 37.1% non-mortgage exposures. No single business sector represented more than 9% of the total portfolio as of 31 December 2023.

Credit approval

The Bank focuses on robust credit-granting by establishing clear lending criteria and efficient credit risk assessment processes, including CICR and concentration risk.

Credit assessments vary by segment and product, reflecting the characteristics of the different asset classes.

Decisions are either automated or manually assessed, following segment-specific guidelines. Automated decisions use internal credit risk scorecards, aiming for increased automation to enhance decision speed and competitive advantage. For loans needing manual review or unsuited to automation, credit committees decide, based on the client's indebtedness and risk profile, in legal compliance. These committees, structured in multiple tiers, review and approve loans, differing by size and risk of the credit product.

To address the CICR, the client's ability to withstand a certain amount of exchange rate depreciation is incorporated into the credit underwriting standards, which also include significant currency depreciation buffers for unhedged borrowers.

Credit monitoring

The Bank emphasizes proactive risk management, with credit risk monitoring as a core element. We use a robust system to quickly respond to macro and micro changes, identifying vulnerabilities in our credit portfolio to make informed decisions. Our risk resilience involves regular monitoring of concentration risk, CICR, and other credit risk factors. We employ a portfolio supervision system to detect weaknesses in credit exposures, analyse risk trends, and recommend actions against emerging risks. Particular attention is paid to currency-induced credit risk, due to the high share of loans denominated in foreign currencies in the Bank's portfolio. The vulnerability to exchange rate depreciation is monitored in order to promptly implement an action plan, as and when needed. Given the experience and knowledge built through recent currency volatility, the Bank is in a good position to promptly mitigate exchange rate depreciation risks.

Tailoring monitoring to segment specifics, we focus on individual credit exposures, portfolio performance, and external trends affecting risk profiles. Our vigilant stance includes early-warning systems to identify financial deterioration or fraud in clients' positions. These systems track signs like overdue days, refinancing, LTV changes, or tax liens. Large overdue exposures receive individual monitoring to assess clients' loan servicing capabilities.

In fraud prevention, we monitor first payment defaults across credit experts, bank branches, or companies employing our clients. Our institutions have credit monitoring and reporting processes for their Supervisory and Management Boards or risk committees, ensuring transparency and informed decision-making.

In addition to our underwriting and monitoring efforts, relevant buffers are built into our capital adequacy requirements to ensure that our banks are sufficiently capitalised to cover CICR, concentration risk, and credit risk in general. We utilize stress testing and sensitivity analysis to assess our credit portfolio's resilience, preparing for different economic conditions and evolving client needs.

Credit risk appetite

The credit risk appetite of the Bank is defined by the Risk Appetite Frameworks of the Group and its financial institution subsidiaries, guiding credit risk-taking. These frameworks offer qualitative guidance and quantitative limits to set acceptable credit risk levels. Key quantitative metrics include NPL proportion, cost of risk, and NPL coverage. Risk appetite frameworks also set strict limits and ensure close monitoring of Currency-Induced Credit Risk and Concentration Risk, covering sectoral and single-name concentrations.

Credit ratings are essential in determining credit risk tolerance. They provide a thorough assessment of a borrower's creditworthiness, which is crucial for understanding their ability to fulfill their financial commitments. These ratings are fundamental in establishing guidelines for acceptable risk levels and are integrated into our risk management framework. They enhance our ability to define and manage credit risk, allowing for a detailed understanding of borrower creditworthiness, leading to informed decision-making and appropriate risk threshold setting.

We approach credit risk by combining comprehensive risk appetite frameworks with the strategic use of credit ratings. This integrated approach enables the Bank to effectively navigate the changing credit risk landscape with resilience and agility.

Collateral management

Collateral is a key factor in mitigating credit risk, forming a large part of loan portfolios. TBC Bank accepts diverse collaterals like real estate, cash deposits, vehicles, equipment, inventory, precious metals, securities, and third-party guarantees, according to credit product type and the borrower's credit risk. A centralised unit of TBC Bank oversees collateral management, ensuring its adequacy in credit risk mitigation.

The collateral management framework includes policy-making, independent valuation, a haircut system during underwriting, monitoring (revaluations, statistical analysis) and portfolio analysis. Collateral Management & Appraisal Department (CMAD) complies the draft documents: collateral management policy (approved by the SB of TBC Bank

Group PLC), collateral management procedures manual (approved by BoD of the Bank) and other regulations/internal rules (approved by Risk Director of the Bank); purchases an appraisal service that must be in line with International Valuation Standards (IVS), acting NBG regulations and internal rules; authorizes appraisal reports and manages the collateral monitoring process (collaterals with high market value are revaluated annually, while statistical monitoring is used for collaterals with low market value).

The CMAD quality checks for valuations involves internal employee reviews and external company assessments. Collateral management activities are largely automated through a web-application.

Collections and recoveries

In managing credit risk, the Bank activates collection and recovery procedures when clients miss payments or their financial standing deteriorates, threatening exposure coverage. This process begins after failed attempts at restructuring non-performing exposures. Specialised teams in each segment handle overdue exposures, creating loan recovery plans tailored to clients' specific situations and adhering to our ethical code.

Our collections processes involve supporting clients struggling to meet their obligations. The strategies depend on exposure size and type, with customised plans for different customer subgroups based on their risk levels. The goal is to negotiate with clients to secure cash recoveries through revised payment schedules as the primary repayment source. If acceptable terms are not reached, recovery may involve selling assets or repossessing collateral. Foreclosure may be initiated through legal processes if negotiation fails. Additional recovery strategies include sale of the portfolio and collaboration with external debt collection agencies.

These measures reflect our commitment to responsible credit risk management, safeguarding financial stability, and maintaining ethical standards within the Bank.

Counterparty risk

To manage counterparty risk, the Bank defines limits on an individual basis for each counterparty, while on a portfolio basis it limits the expected loss from both treasury and trade finance exposures. As of 31 December 2023, the Bank's interbank exposure was concentrated with banks that external agencies, such as Fitch, Moody's and Standard and Poor's, have assigned high A-grade credit ratings.

Measurement of expected credit losses

The Bank's provisioning methodology is in line with IFRS 9 requirements. The methodology, along with a corresponding IT provisioning tool, was developed with support from Deloitte and representatives of the Bank's risk, finance and IT departments.

The IFRS 9 models are complex and make it possible to incorporate expectations of macro developments based on predefined scenarios. The expected credit loss (ECL) measurement is based on four components used by the Bank: (i) the probability of default (PD); (ii) exposure at default (EAD); (iii) loss given default (LGD); and (iv) the discount rate. The Bank uses a three-stage model for ECL measurement and classifies its borrowers in three stages:

- Stage I – the Bank classifies its exposures as Stage I if no significant deterioration in credit quality has occurred since the initial recognition, and the instrument was not credit-impaired when initially recognised;
- Stage II – the exposure is classified as Stage II if any significant deterioration in credit quality has been identified since the initial recognition, but the financial instrument is not considered credit-impaired; and
- Stage III – the exposures for which credit-impaired indicators have been identified are classified as Stage III instruments.
- The ECL amount differs depending on exposure allocation to one of the three stages:
- Stage I instruments – the ECL represents that portion of the lifetime ECL that can be attributed to default events occurring within the subsequent 12 months from the reporting date;
- Stage II instruments – the ECL represents the lifetime ECL, i.e. credit losses that can be attributed to possible default events during the whole lifetime of a financial instrument. Generally, lifetime is set equal to the remaining contractual maturity of the financial instrument. Factors such as the existence of contractual repayment schedules, options for the extension of repayment maturity and monitoring processes held by the Bank affect the lifetime determination;
- Stage III instruments – a default event has already occurred and the lifetime ECL is estimated based on the expected recoveries.

The Bank actively reviews and monitors the results produced from the IFRS 9 models to ensure that the respective results adequately capture the expected losses.

2. The Bank underwrites the responsibility to adhere at all times to minimum regulatory requirements on capital, which may compromise growth and strategic targets. Additionally, adverse changes in FX rates may impact capital adequacy ratios.

Risk description

Capital risk is a significant focus area for the Bank. Capital risk is the risk that a bank may not have a sufficient level of capital to maintain its normal business activities, and to meet its regulatory capital requirements under normal or stressed operating conditions. The management's objectives in terms of capital management are to maintain appropriate levels of capital to support the business strategy, meet regulatory and stress testing-related requirements, and safeguard the Bank's ability to continue as a going concern.

The Bank's ability to comply with regulatory requirements can be affected by both internal and external factors. Some key concerns include the deterioration of asset quality leading to losses, reductions in income, rising expenses, and potential difficulties in raising capital.

Local currency volatility has been and remains a significant risk for the JSC TBC Bank's capital adequacy. A 10% GEL depreciation would translate into a 0.8 pp, 0.7 pp and 0.6 pp drop in JSC TBC Bank's CET 1, Tier 1 and Total regulatory capital adequacy ratios, respectively.

Risk mitigation

The Bank's entities undertake stress testing and sensitivity analysis to quantify extra capital consumption under different scenarios. Such analyses indicate that the Bank holds sufficient capital to meet the current minimum regulatory requirements. Capital forecasts, as well as the results of stress testing and what-if scenarios, are actively monitored with the involvement of the Bank's Executive Management and the Risk Committee of the Supervisory Board to help ensure prudent management and timely action, when needed. These analyses are used to set appropriate risk appetite buffers internally, on top of the regulatory requirements.

The Bank regularly performs stress tests serving multiple purposes. They are performed routinely, either under the frameworks listed or on an ad-hoc basis, to assess the magnitude of certain stressful environments. Stress tests are performed for the Internal Capital Adequacy Assessment Process (ICAAP), regulatory stress tests and the Recovery Plan, among other purposes.

The key objective of the regulatory stress test is to define the net stress test buffer under the capital adequacy minimum requirement framework. Starting from 2018, regulatory stress tests are performed and submitted to the regulator.

The purpose of the ICAAP is to identify all the material risks faced by the Bank and to have an internal view of the capital needed to cover those risks. The objective of the ICAAP is to contribute to the Bank's continuity from a capital perspective by ensuring that it has sufficient capital to bear its risks, absorb losses and follow a sustainable strategy, even during a stress period.

Stress testing under the Recovery Plan assumes more severe stress scenarios, specifically aimed at breaching regulatory requirements and assessing the Bank's ability to recover the capital position with the help of viable recovery options within a reasonable timeframe.

Under the risk appetite and the capital planning process, the Bank sets aside capital as a buffer to withstand certain amount of local currency fluctuation.

3. The Group inherently is exposed to funding and market liquidity risks.

Risk description

Liquidity risk is the risk that the Group either may not have sufficient financial resources available to meet all its obligations and commitments as they fall due or may only be able to access those resources at a high cost.

Liquidity risk is categorised into two risk types: funding liquidity risk and market liquidity risk.

a. Funding liquidity risk is the risk that the Group will not be able to efficiently meet both expected and unexpected current and future cash flows without affecting either its daily operations or its financial condition under both normal conditions and during a crisis.

1 Excluding USD Mandatory reserves, where no interest is accrued from May, 2022 per NBG regulation.

b. Market liquidity risk is the risk that the Group cannot easily offset or eliminate a position at the then-current market price because of inadequate market depth or market disruption.

While the Group currently has sufficient financial resources available to meet its obligations as they fall due, liquidity risk is inherent in banking operations and can be heightened by numerous factors. These include an over-reliance on, or an inability to access, a particular source of funding, as well as changes in credit ratings or market-wide phenomena. Access to credit for companies in emerging markets is significantly influenced by the level of investor confidence and, as such, any factors affecting investor confidence (e.g. a downgrade in credit ratings, central bank or state interventions, or debt restructurings in a relevant industry) could influence the price or the ability to access the funding necessary to make payments in respect of the Group's future indebtedness.

Both funding and market liquidity risks can emerge from a number of factors that are beyond the Group's control. There is adequate liquidity to withstand significant withdrawals of customer deposits, but the unexpected and rapid withdrawal of a substantial number of deposits could have a material adverse impact on the Group's business, financial condition, and results of operations and/or prospects.

Risk mitigation

The Group's liquidity risk is managed though the Supervisory Board's Group Liquidity Risk Management Policy. The Assets and Liabilities Management Committee (ALCO) is the core asset-liability management body ensuring that the principal objectives of the Group's Liquidity Risk Management Policy are met on a daily basis. The approved Liquidity Risk Management Framework ensures the Group meets it payment obligations under both normal and stress situations.

To mitigate the liquidity risk, the Bank holds a solid liquidity position by maintaining comfortable buffers over the regulatory minimum requirements. All regulatory ratios are monitored regularly, with an early-warning system in place to detect potential adverse liquidity events. This is facilitated by the Risk Appetite Frameworks of the Bank's relevant financial institutions, which set buffers over the regulatory limits, ensuring early detection of potential liquidity vulnerabilities. The liquidity risk position and compliance with internal limits are closely monitored by the ALCO of JSC TBC Bank.

JSC TBC Bank's liquidity risk is managed by the Balance Sheet Management division and Treasury department and is monitored by the Management Board and the ALCO, within their pre-defined functions. The Financial Risk Management (FRM) division is responsible for developing procedures and policy documents and setting risk appetites on funding and market liquidity risk management. In addition, the FRM performs liquidity risk assessments and communicates the results to the Management Board and the Risk Committee of the Supervisory Board on a regular basis.

The Bank maintains a diversified funding structure to manage the respective liquidity risks. The Bank's principal sources of liquidity include customer deposits and accounts, borrowings from local and international banks and financial institutions, subordinated loans from international financial institution investors, local interbank short-duration term deposits and loans, proceeds from the sale of investment securities, principal repayments on loans, interest income, and fee and commission income. The Bank relies on relatively stable deposits from Georgia as its main source of funding. The Bank also monitors the deposit concentration for large deposits and sets limits for deposits by non-Georgian residents in its deposit portfolio.

To maintain and further enhance its liability structure, the Bank sets targets for deposits and funds received from international financial institution investors in its risk appetite via the respective ratios. The loan to deposit and IFI funding ratio (defined as the total value of net loans divided by the sum of the total value of deposits and funds received from international financial institutions) stood at 94.6%, 87.7% and 101.3%, as of 31 December 2023, 2022 and 2021, respectively.

The management believes that, in spite of a substantial portion of customers' accounts being on demand, the diversification of these deposits by the number and type of depositors, coupled with the Bank's past experience, indicates that these customer accounts provide a long-term and stable source of funding for the Bank. Moreover, the Bank's liquidity risk management includes the estimation of maturities for its current deposits. The estimate is based on statistical methods applied to historic information about the fluctuations of customer account balances.

Stress testing is a major tool for managing liquidity risk. Stress testing exercises are performed within the ILAAP and Recovery Plan Frameworks as well as on an ad hoc basis, when there is a significant change in the prevailing risk environment. The former assesses the adequacy of the liquidity position and relevant buffers and whether they can sustain plausible severe shocks, while the latter provides a set of possible actions that could be taken in the unlikely event of regulatory requirement breaches to support a fast recovery in the liquidity position. The recovery plan encompasses a Liquidity Contingency Funding Plan which, along with the risk indicators and mitigation actions, outlines the roles and responsibilities of those involved in executing the plan. Both the ILAAP and the Recovery Plan are performed by the Bank on an annual basis.

4. Market risk arises from optimising capital allocation and asset liability management operations.

Risk description

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates, and equity prices.

Foreign exchange (FX) risk arises from the potential change in foreign currency exchange rates, which can affect the value of a financial instrument. This risk stems from the open currency positions created due to mismatches in foreign currency assets and liabilities. The Bank identifies, assesses, monitors, and communicates the risk arising from exchange rate movements and the factors that influence this risk.

Interest rate risk arises from potential changes in market interest rates that can adversely affect the value of the Bank's financial assets and liabilities. This risk can arise from maturity mismatches between assets and liabilities, as well as from the re-pricing characteristics of such assets and liabilities.

The majority of the deposits and loans offered by the Bank are at fixed interest rates, while a portion of the Bank's borrowing is based on a floating interest rate. Since the interest margins on those assets and liabilities have different repricing characteristics, they may increase or decrease as a result of market interest rate changes.

Risk mitigation

The Bank's market risk is governed through the Supervisory Board's Bank FX Risk Management and Bank Interest Rate Risk Management policies.

FX Risk: To mitigate FX Risk, the Bank sets risk appetite and operational limits on the level of exposure by currency as well as on aggregate exposure positions that are more conservative than those set by the regulators. Compliance with the limits is closely monitored by t ALCO of JSC TBC Bank. Compliance with these limits is also reported periodically to the Management Board and to the Supervisory Board and its Risk Committee.

In addition, the heads of the treasury department and financial risk management division separately monitor JSC TBC Bank's compliance with the set limits daily. In order to safeguard against the inherent volatility in the foreign exchange market, the Bank employs a risk management process aimed at mitigating FX risk. This involves the strategic use of spot, forward, and swap transactions.

To assess currency risk, JSC TBC Bank performs a VAR sensitivity analysis on a regular basis. This analysis calculates the effect on the Bank's income determined by the worst possible movements of currency rates against the Georgian Lari, with all other variables held constant. During the years ended 31 December 2023 and 2022, this sensitivity analysis did not reveal any significant potential effect on the Bank's equity: as of 31 December 2023, the maximum loss with a 99% confidence interval was equal to GEL 10.2 million, compared to a maximum loss of GEL 6.0 million as of 31 December 2022).

Interest rate risk: To mitigate interest rate risk, JSC TBC Bank considers numerous stress scenarios, including different yield curve shifts and behavioural adjustments to cash flows (such as deposit withdrawals or loan prepayments), to calculate the impact on one year profitability and the enterprise value of equity. In addition, appropriate limits on both net interest income (NII) and economic value of equity (EVE) sensitivities are set within the Risk Appetite Framework approved by the Supervisory Board. Please see details in Interest Rate Risk in Note 35, Financial and Other Risk Management on page 255.

Interest rate risk in JSC TBC Bank is managed by the Balance Sheet Management division and the Treasury department and is monitored by the ALCO. The ALCO decides on actions that are necessary for effective interest rate risk management and follows up on their implementation. The Financial Risk Management division is responsible for developing guidelines and policy documents and setting the risk appetite for interest rate risk. The major aspects of interest rate risk management development and the respective reporting are periodically provided to the Management Board, the Supervisory Board, and the Risk Committee.

To minimize interest rate risk, the Bank regularly monitors interest rate (re-pricing) gaps by currencies and, in case of need, decides to enter into interest rate derivatives contracts.

Furthermore, many of the Bank's loans to customers contain a clause allowing it to adjust the interest rate on the loan in case of adverse interest rate movements, thereby limiting exposure to interest rate risk. The management also believes that the Bank's interest rate margins provide a reasonable buffer to mitigate the effect of a possible adverse interest rate movement.

5. Any decline in the Group's net interest income or net interest margin (NIM) could lead to a reduction in profitability, impacting the accumulation of organic capital.

Risk description

Net interest income accounts for most of the Group's total income. Potential new regulations, along with a high level of competition in Georgia, may negatively impact the Bank's net interest margin. Additionally, downward trend of GEL refinance rate and foreign currency benchmark rates will continue to have a negative pressure on NIM in 2024.

In 2023, the robust 0.4 pp YoY growth in NIM to 6.3% was mainly driven by the growth in loan yields in Georgia influenced by high NBG Refinance and other foreign market rates.

Risk mitigation

The Group continues to focus on the growth of fee and commission income, driven by increased efforts towards customer experience-related initiatives and innovative products in the Georgian market. This safeguards the Bank from potential margin compressions on lending and deposit products in the future.

To meet its asset-liability objectives and manage the interest rate risk, the Bank uses a high-quality investment securities portfolio, long-term funding, and derivative contracts.

6. The Group's performance may be compromised by adverse developments in the economic environment.

Risk description

A potential slowdown in economic growth in Georgia will likely have an adverse impact on the repayment capacity of borrowers, restraining their future investment and expansion plans. Negative macroeconomic developments could compromise the Group's performance in various ways, such as exchange rate depreciation, a sizable decline in gold prices, a spike in interest rates, rising unemployment, a decrease in household disposable income, falling property prices, worsening loan collateralisation, or falling debt service capabilities of companies as a result of decreasing sales. Potential political and economic instability in Georgia's neighbouring countries and main trading/economic partners could negatively affect their economic outlook through worsening current and financial accounts in the balance of payments (e.g. decreased exports, tourism inflows, remittances and foreign direct investments).

After two years of consecutive double-digit expansion, Georgian economic growth started to normalise, although it still remained strong at 7.5% in 2023. Normalisation was driven by a moderation in trade flows and remittances, which were affected by lower international commodity prices and broadly flat migrant inflows. At the same time, conventional tourism and FDIs remained resilient. Disinflationary movement in consumer price dynamics, mainly driven by the imports, led annual CPI growth to decelerate significantly, standing at 0.4% in December 2023. Resilient inflows enabled the GEL to continue appreciating in the first half of the year. The second half was characterised by normalisation towards the long-term trend. Accordingly, while the GEL exchange rate experienced some volatility throughout the year, currency inflows aided by central bank interventions in the second half of the year were sufficient to keep the rate broadly stable. The NBG remained hawkish and delivered only four cuts, reducing the monetary policy rate from 11.0% to 9.5%. Moreover, the central bank accumulated a substantial number of reserves with a net purchase of US$ 1,446 million in January-August 2023, causing gross international reserves to hit an all time high of US$5.3 billion. The NBG only switched to net sales in September, supplying US$ 169 million to the market in the last four months of the year.

The credit market increased by 17.0% year on-year as of December 2023, at constant exchange rates, compared to 12.4% growth at the end of 2022, mainly on the back of business loans, while retail growth slightly moderated. Despite the still strong economic growth and broadly stable GEL, credit penetration level in Georgia increased in 2023 due to accelerated lending - domestic credit provided by the banking sector relative to GDP stands at 65.6%, up from 61.5% in 2022, however, down from 71.5% in 2021. In contrast, asset quality still improved as non-performing loans declined further to 1.5% per IMF definition.

Risk mitigation

To decrease its vulnerability to economic cycles, the Group identifies cyclical industries and proactively manages its underwriting approach and clients within its Risk Appetite Framework. The Group has in place a macroeconomic monitoring process that relies on close, recurrent observation of the economic developments in Georgia and neighbouring countries to identify early warning signals indicating imminent economic risks. This system allows the Group to promptly assess significant economic and political events and analyse their implications for the Group's performance. These implications are duly translated into specific action plans with regards to reviewing underwriting standards, risk appetite metrics and limits, including the limits for each of the most vulnerable industries. Additionally, the stress testing and scenario analysis conducted during the credit review and portfolio-monitoring processes enable the Group to evaluate the impact of macroeconomic shocks on its business in advance. Resilience towards a changing macroeconomic environment is incorporated into the Group's credit underwriting standards. As such, borrowers are expected to withstand certain adverse economic developments through prudent financials, debt-servicing capabilities and conservative collateral coverage.

Taking into account the regional crisis, the Group adjusted its Risk Management Framework, leveraging its pre-existing stress testing practices. This included more thorough and frequent monitoring of the portfolio as well as stress testing, to ensure close control of changes in capital, liquidity, and portfolio quality in times of increased uncertainty.

For more details on the developments in the economies of the Group's operations in 2023, please refer to the Operating Environment section on pages 24-26.

NON-FINANCIAL RISKS

1. The Group is exposed to regulatory and enforcement action risk.

Risk description

The Group's activities are highly regulated and thus face regulatory risk. In Georgia, the NBG sets lending limits and other economic ratios (including, but not limited to, lending, liquidity, and investment ratios) along with the mandatory capital adequacy ratio. In addition to complying with the minimum reserves and financial ratios, the Bank is required to submit periodic reports. It is also subject to the Georgian tax code and other relevant laws.

Following the Company's listing on the London Stock Exchange's premium segment, the Group became subject to increased regulations from the UK Financial Conduct Authority. In addition to its banking operations, the Group also offers other regulated financial services products, including leasing, insurance, and brokerage services.

The Group is also subject to financial covenants in its debt agreements. For more information, see the Group's Audited Financial Statements.

Risk mitigation

The Group has established systems and processes to ensure full regulatory compliance, which are embedded in all levels of the Group's operations. The Group's "three lines of defence" model defines the roles and responsibilities for risk management.

The first line of defence is responsible for compliance risk, strongly supported by the Bank's compliance department as the second line of defence. The Chief Compliance Officer oversees compliance within the Bank and reports quarterly to the relevant committee of the Supervisory Board, with a managerial reporting line to the CEO. The Group'sBank's Audit Committee is responsible for ensuring regulatory compliance at the Supervisory Board level.

The Bank's compliance programme provides compliance policies, trainings, risk-based oversight and ensures compliance with regulatory requirements.

The Bank's Compliance Department seeks to manage regulatory risk by:

- Ensuring that applicable changes in laws and regulations are implemented by the process owners in a timely manner;
- Participating in the new product/process risk approval process;
- Conducting analysis of customer complaints, the operational risk event database, internal audit findings and litigation cases to proactively reveal process weaknesses; and
- Conducting an annual compliance risk assessment (RCSA) of internal processes.

The Bank's Compliance Department ensures that all outcomes of the above-mentioned analysis and processes are addressed in a timely and appropriate manner. Additionally, as a second line of defence the Compliance Department defines the risk metrics and monitors them at the frequencies defined by the Bank's Risk Appetite Framework. The Compliance Department is responsible for escalating breaches of defined limits to the relevant boards.

2. The Group is exposed to legal risk.

Risk description

Legal risk refers to the potential for loss, whether financial or reputational, resulting from penalties, damages, fines,

or other forms of financial detriment, which impacts or could impact one or more entities of the Group and/or its employees, business lines, operations, products and/or its services, and results from the failure of the Group to meet its legal obligations, including regulatory, contractual or non-contractual requirements.

Risk mitigation

The legal function as a second line of defence is an independent function hierarchically integrated with all the Group's legal teams. The Group's businesses and lines have responsibility for identifying and escalating legal risk in their area to the legal function.

The legal function is entrusted with the responsibility of (a) managing (including prevention) legal risks; and (b) interpreting the laws and regulations applicable to the Group's activities and providing legal advice and guidance to the Group. The management of the legal risks includes defining the relevant legal risk policies, developing Group-wide risk appetite for legal risk, and oversight of the implementation of controls to manage and escalate legal risk. The advisory responsibility of the legal function is to provide legal advice to Executive Officers and the Supervisory Board in a manner that meets the highest standards.

The senior management of the legal function oversees, challenges and monitors the legal risk profile and effectiveness of the legal risk control environment across the Group. The legal risk profile and control environment are reviewed by management through business risk committees and control committees. The Group Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of legal risk management across the Group.

3. The Group's operational complexity generates risk that arises from inefficient and uncontrolled operations that could in turn adversely impact profitability and reputation.

Risk description

One of the main risks that the Group faces is operational risk, which is the risk of loss resulting from internal and external fraud events, inadequate processes or products, business disruptions and systems failures, human error or damages to assets. Operational risk also implies losses driven by legal, compliance, or cybersecurity risks.

The Group is exposed to many types of operational risk, including fraudulent and other internal and external criminal activities; breakdowns in processes, controls or procedures; and system failures or cyber-attacks from an external party with the intention of making the Group's services or supporting infrastructure unavailable to its intended users, which in turn may jeopardize sensitive information and the financial transactions of the Group, its clients, counterparties, or customers.

Moreover, the Group is subject to risks that cause disruption to systems performing critical functions or business disruption arising from events wholly or partially beyond its control, such as natural disasters, transport or utility failures, etc., which may result in losses or reductions in service to customers and/or economic losses to the Group.

The operational risks discussed above are also applicable where the Group relies on outsourcing services from third parties. Considering the dynamic environment and sophistication of both banking services and possible fraudsters, the importance of constantly improving processes, controls, procedures and systems is heightened to ensure risk prevention and reduce the risk of loss to the Group.

The increased complexity and diversification of operations, coupled with the digitalisation of the banking sector, mean that fraud risks are evolving. External fraud events may arise from the actions of third parties against the Group, most frequently involving events related to banking cards, loans, and client phishing. Internal fraud events arise from actions committed by the Group's employees, although such events happen less frequently. During the reporting period, the Group faced several instances of fraud, none of which had a material impact on the Group's profit and loss statement.

The rapid growth in digital crime has exacerbated the threat of fraud, with fraudsters adopting new techniques and approaches to obtain funds illegally. Therefore, unless properly monitored and managed, the potential impact could become substantial.

Risk mitigation

To oversee and mitigate operational risk, the Group maintains an Operational Risk Management Framework, which is an overarching document that outlines the general principles for effective operational risk management and defines the roles and responsibilities of the various parties involved in the process. Policies and procedures enabling the effective management of operational risks complement the framework. The Management Board ensures a strong internal control culture within the Group, where control activities are an integral part of operations. The Board sets the operational risk appetite and compliance with the established risk appetite limits is monitored regularly by the Risk Committee of the Supervisory Board.

The Group utillises the three lines of defence principle, where the operational risk management department serves as a second line of defence, responsible for implementing the framework and appropriate policies and methodologies to enable the Group to manage operational risks.

The Group actively monitors, detects, and prevents risks arising from operational risk events and has permanent monitoring processes in place to detect unusual activities or process weaknesses in a timely manner. The risk and control self-assessment exercise (RCSA) focuses on identifying residual risks in key processes, subject to the respective corrective actions. Through our continuous efforts to monitor and mitigate operational risks, coupled with the high level of sophistication of our internal processes, the Group ensures the timely identification and control of operational risk-related activities. Various policies, processes, and procedures are in place to control and mitigate operational risks, including, but not limited to:

- The Group's Risk Assessment Policy, which enables thorough risk evaluation prior to the adoption of new products, services, or procedures;
- The Group's Outsourcing Risk Management Policy, which enables the Group to control outsourcing (vendor) risk arising from adverse events and risk concentrations due to failures in vendor selection, insufficient controls and oversight over a vendor and/or services provided by a vendor, and other impacts on the vendor;
- The Risk and Control Self-Assessment (RCSA) Policy, which enables the Group to continuously evaluate existing and potential risks, establish risk mitigation strategies and systematically monitor the progress of risk mitigation plans. The completion of these plans is also part of the respective managers' key performance indicators;
- The Group's Operational Risk Event Identification Policy, which enables the Group to promptly report on operational risk events, perform systematic root-cause analysis of such events, and take corrective measures to prevent the recurrence of significant losses. A unified operational loss database enhances further quantitative and qualitative analysis. The Operational Risk Event Identification Policy also oversees the occurrence of IT incidents and the respective activities targeted at solving the identified problems;
- The Group's Operational Risk Awareness Programme, which provides regular trainings to the Group's employees and strengthens the Group's internal risk culture;
- The Group also utilises risk transfer strategies, including obtaining various insurance policies to transfer the risks of critical operational losses.

The Operational Risk Management Department has reinforced its risk assessment teams and methodologies to further fine-tune the existing control environment. The same applies to the set of actions aimed at homogenising operational risk management processes throughout the Group's member companies.

During the reporting period, one of the key operational risk management focus areas was the Risk and Control Self- Assessment (RCSA) exercise, under which the Group's top priority processes were reviewed and areas of improvement were identified.

Moreover, to further mitigate operational risks driven by fraudulent activities, the Group has introduced a sophisticated digital fraud prevention system, which analyses client behaviour to further minimise external fraud threats.

The Operational Risk Management Framework and its complementary policies were updated to ensure effective execution of the operational risk management programme.

4. The Group's digitally-oriented operational footprint faces a growing and evolving threat of cyberattacks. Risk description

The Group's rising dependency on IT systems increases its exposure to potential cyberattacks. Given their increasing sophistication, potential cyberattacks may lead to significant security breaches. Such risks change rapidly and require continued focus and investment.

No material cyber-security breaches have happened at the Bank in recent years, however, one of the bank's software suppliers faced a ransomware attack. We received timely information about the incident and responded in accordance with our incident response procedures. After conducting thorough analysis and investigations, we confirmed that there was no risk to the Bank's infrastructure, software, or production services. While we investigated and responded to the incident, only some new feature development processes experienced delays. The development process was reinstated once we ensured that the vendors had fully resolved the incident and its root causes.

Risk mitigation

The Group has in place a comprehensive system in place to mitigate the risk of cyberattacks, as described below.

Threat landscape

In order to adequately address the challenges posed by cyberattacks, we are continuously analysing the Group's cyber threat landscape and assessing all relevant threat scenarios and actors, considering their intentions and capabilities, as well as the tactics, techniques, and procedures they are using or may use during their campaigns. Our focus is to be prepared against Advanced Persistent Threats. Among the many different threat vectors we are covering and monitoring, the top four are below:

- Attacks against internet facing applications and infrastructure;
- Software supply chain attacks;
- Phishing attacks against our customers; and
- Phishing attacks against our employees.

Our vision and strategic objectives

Information and cyber security are an integral part of the Group's governance practices and strategic development. The Group's cyber security vision and strategy is fully aligned with its business vision and strategy and addresses all the challenges identified during the threat landscape analysis.

Our vision is to strengthen our security in depth approach, enable secure and innovative businesses, and maintain a continuous improvement cycle. Our strategic objectives are:

- To maintain our defence in depth approach by strengthening the team and implementing cutting-edge technologies, in order to maintain resilience against Advanced Persistent Threats, which may come from state-sponsored actors or organised cybercriminals;
- To maintain compliance with industry leading information and cyber security standards, sustain a continuous improvement cycle for our information and business continuity management systems, and be one step ahead of regulatory requirements; and
- To optimize and automate security processes and provide security services seamlessly to the Group's business (where possible).

Our security in depth approach and cyber-resilience program

In order to follow our vision and achieve our strategic objectives, we run effective information and cyber security programmes, functions and systems, as follows:

- Layered preventive controls are in place, covering all relevant logical and physical segments and layers of the organisation and infrastructure in order to minimise the likelihood of successful initial access:
  - Data security controls
  - Identity and access controls
  - Endpoint security controls
  - Infrastructure security controls
  - Application security controls
  - Internal and perimeter network security controls
  - Physical security controls
- A professional team is in charge of effectively implementing, assuring the effectiveness of, maintaining and fine- tuning the preventive controls mentioned above. The number and level of expertise of the team members is significant. Our team members hold industry leading certificates and work on a daily basis to strengthen and extend their professional skill sets.
- Layers of preventive controls in conjunction with a comprehensive awareness programme provide the best combination in order to minimise the likelihood of successful attacks. Our robust awareness programme helps employees and customers to improve their cyber hygiene, understand the risks associated with their actions, identify cyberattacks they might face during day-to-day operations, and improve the overall risk culture. Our awareness program provides relevant materials to all key roles, from the Management Board to IT engineers and developers. It covers annual trainings and attestations for all employees, newcomer trainings and attestations, social engineering simulations, security tips and notifications for all employees, security awareness raising campaigns for customers, and more.
- Since we believe that 100% prevention is not achievable, the Group has threat hunting capabilities and a security operations centre in place that seeks to monitor every possible anomaly in near real-time that is identified across the organisation's network in order to detect potential incidents and respond in a timely and effective manner to minimise the negative impact of possible attacks. To be up-to-date and track the techniques and tactics of our adversaries, we are elaborating cyber threat intelligence procedures according to industry best practices and following the MITRE ATTACK framework.
- Information security governance and effective risk management processes ensure that the Bank has the correct guidance, makes risk-informed decisions in compliance with its risk appetite, complies with regulatory requirements and achieves a continuous improvement cycle. The Information Security Committee, which is chaired by the CEO, has the ultimate responsibility to assure that an appropriate level of security is maintained, and a continuous improvement cycle of management processes is achieved. The Bank is in compliance with the NIST Cyber Security Management Framework, and its Information Security Management System is ISO 27001 certified.
- On top of all of the above, the Bank further strengthens its cyber resilience through an effective Business Continuity Management System and cyber insurance policy, in order to manage contingencies and recover from serious disruptions with minimum possible impact.

How we measure and assure an acceptable level of security

To assess and assure an acceptable level of information and cyber security, we rely on external/internal audit reports, red teaming exercise reports, and the results of penetration tests, which are conducted by our high professional internal team and reputable external third-party partners.

- On an annual basis we conduct:
  - An external audit of SWIFT Customer Protection Framework;
  - An external audit of the NBG's Cyber Security Framework, which is based on the NIST Cyber Security Management Framework;
  - External surveillance audits of ISO 27001;
  - Penetration tests against internet facing applications and critical infrastructure with help of our highly reputable partners.
- Our internal team is in charge of continuous penetration tests of internal and external applications and infrastructure.
- We conduct regular red and purple teaming exercises and assess our security capabilities against real world advanced threat actors.

5. The Group identifies risk in its growing dependence on data.

Risk description

In the domain of data management and data governance within the Group, two prominent risks are noteworthy, each presenting unique challenges to the preservation and efficacy of the Group's information assets. The first risk centres on the imperative need for data quality, a cornerstone for sound decision-making, regulatory compliance, and overall risk management. This challenge emanates from diverse sources, encompassing errors during data entry, the lack of standardised formats, and inconsistencies across data sources. The ramifications of compromised data quality include financial losses, operational inefficiencies, regulatory non-compliance, and reputational damage.

The complexity is further heightened in dynamic market environments, necessitating robust mechanisms for data validation and cleansing.

Simultaneously, the Group confronts a second pivotal risk associated with outdated and sometimes obsolete infrastructure. Legacy systems, characterized by outdated hardware and software, present a formidable challenge by impeding the seamless flow of data and obstructing the adoption of cutting-edge technologies. The risk

intensifies with the rapid pace of technological advancements, rendering legacy infrastructure susceptible to security vulnerabilities and compliance issues. Moreover, the limited scalability of outdated systems constrains the Group 's ability to process and analyse vast datasets efficiently, thereby impinging on the agility required for informed decision-making in the fast-paced financial landscape.

Risk mitigation

Mitigating these data risks requires a holistic and strategic approach tailored to the Group. To address the challenge of data quality, the Bank is adopting advanced data quality management systems, implementing data profiling techniques, and enforces stringent data governance policies. Strategic investments in technologies like machine learning and artificial intelligence can automate the detection and correction of data anomalies, fostering a proactive stance towards maintaining accurate and consistent data. Cultivating a data-driven culture within the organisation, along with clear data lineage and documentation practices, enhances transparency and traceability.

In tackling the risks associated with outdated infrastructure, the Group has embarked on a strategic and phased modernization approach. Investing in state-of-the-art technologies such as cloud computing and virtualization is imperative for increased flexibility, scalability, and security. A comprehensive assessment of the existing infrastructure, coupled with a roadmap for migration and upgrades, enables a systematic transition without disrupting critical operations. Embracing DevOps practices facilitates continuous integration and deployment, fostering a culture of agility and adaptability. Through these proactive measures, the Group is positioning itself to capitalise on emerging opportunities while effectively mitigating the risks associated with both compromised data quality and outdated technological foundations.

6. The Group is exposed to Model Risk.

Risk description

Statistical, machine learning and artificial intelligence models are increasingly used in key business processes due to the rapid adoption of big data technologies and advanced data modelling techniques. In line with regulatory guidance and best practices, the Group defines a model as a quantitative method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data into quantitative estimates. The Group has also developed model identification standards to operationalise the model definition.

Increasing reliance on models increases the need for proactive model risk management. The Group defines model risk as a risk of adverse consequences (e.g., financial loss, reputational damage, etc.) arising from decisions based on incorrectly developed, implemented, or used models.

Risk mitigation

The Model Risk Management (MRM) function is the second line of defence and is responsible for identifying, measuring, and managing model risk in the Group. MRM is organized around two components – governance and validation. The governance component of MRM develops and implements the policy, risk appetite and standards that define the roles and responsibilities of the different stakeholders and encompass all phases of the model lifecycle, from planning and development to initial model validation, model use, model monitoring, ongoing model validation and model retirement. It is also responsible for managing the model inventory and keeping model risk within the risk appetite. The validation component of the MRM is responsible for conceptual and technical model validations in line with the policy and standards developed and implemented by the governance component.

To mitigate model risk, the MRM function uses a risk-based approach during model validation processes. Model risk is identified during initial and ongoing model validations. Countermeasures to mitigate model risk and keep it within the risk appetite depend on the nature of the identified risk and can include actions like increasing validation frequency and/or depth, and calibration or redevelopment of the model.

7. The Group remains exposed to reputational risk.

Risk description

There are reputational risks to which the Group may be exposed, such as country risks related to international sanctions imposed on Russia in response to the war in Ukraine, relations with correspondent banks and international financial institutions. There are risks of phishing, other cybercrimes, and temporary service interruptions, which can be viewed as reputational risks due to the increasing digitalisation of services that the Group provides. There may also be isolated cases of anti-banking narratives in the mass media, which particularly intensify in the run-up to elections. However, most of these risks are not unique to the Group as they apply to the entire banking sector.

Risk mitigation

To mitigate the possibility of reputational risks, the Group works continuously to maintain strong brand recognition among its stakeholders. The Group follows all relevant external and internal policies and procedures and prevention mechanisms to minimise the impact of direct and indirect reputational risks. The Group monitors its brand value through public opinion studies and surveys and by receiving feedback from stakeholders on an ongoing basis.

Dedicated internal and external marketing and communications teams actively monitor mainstream media and social media coverage on a daily basis. These teams monitor risks and develop prevention policies, risk scenarios, and contingency plans. The Group tries to identify early warning signs of potential reputational or brand damage in order to mitigate and elevate them to the attention of the Supervisory Board before they escalate. A special Task Force is in place at the top management level, comprised of the management, strategic communications, marketing and legal teams to manage reputational risks when they occur. Communications and cyber security teams conduct extensive awareness- raising campaigns on cyber security and financial literacy, involving the media, the Banking Association of Georgia and Edufin (TBC's inhouse financial education platform), aimed at mitigating and preventing cyber threats and phishing cases.

8. The Group faces the risk that its strategic initiatives do not translate into long-term sustainable value for its stakeholders.

Risk description

The Group may face the risk of developing a business strategy that ensures sustained value creation, adapting to evolving customer needs, heightened competition, and regulatory restrictions. Additionally, uncertainties from economic and social disruptions, such as the ongoing war in Ukraine, may hinder the Group's timely execution of its strategy, potentially compromising its capacity for long-term value creation.

Risk mitigation

To mitigate the combined risks from a local and international perspective, the Group employs a multifaceted approach.

The formation of our strategic portfolio is primarily driven by the Group's strategy to broaden and diversify our business revenue streams. Thorough curation is conducted in the execution of strategy involving the Supervisory Board, the executive management, and middle management. These sessions serve as crucial checkpoints to ensure alignment with our strategic long-term objectives and our company's guiding principles that steer our course.

Moreover, monitoring of the performance of strategic projects extends to quarterly analyses and tracking of metrics used to measure strategy execution. In cases of significant deviations, corrective or mitigation actions are promptly implemented.

9. The Group is exposed to risks related to its ability to attract and retain highly qualified employees.

Risk description

As the Group becomes increasingly digitally focused, it requires more IT professionals in its various departments. This

shift accentuates the risk of potentially losing key personnel. In the highly competitive tech job market, this challenge extends not only to retaining these valuable employees but also to attracting, developing, and keeping new skilled workers. Ensuring these employees align with the Group's objectives is vital. The situation calls for strategic planning in human resources to effectively manage this risk while supporting the Group's digital evolution.

Risk mitigation

The aim of the Group is to adapt to the rapidly changing business environment, increase leadership capabilities, achieve a high level of engagement among employees, and equip them with the necessary skills. To this end, the Group actively monitors the labour market both in Georgia and abroad, proactively recruiting the best candidates and expanding its networks of key personnel. We create a robust international talent pipeline by regularly engaging with potential candidates, including passive job seekers with diverse profiles. We work on building an attractive international hiring brand. The Group treats all employees equally and fairly, supporting and coaching them to succeed.

We equip our people with the tools and frameworks for continuous learning, supported by a constant feedback loop. We give our staff an opportunity to grow and expand internationally. We have a Succession Planning Framework developed for senior positions in order to ensure a smooth transition and to offer promotion opportunities to employees. In addition, we have launched a Talent Management Framework, ensuring the constant identification of talented staff and monitoring their development within the Group.

Since 2019, our internal IT Academy has been a hub for tech education, offering courses in front-end and back-end development, DevOps, and other topics. These courses are available to both our employees and potential candidates at no cost. Led by experienced staff and industry professionals, the Academy has trained over 1,000 individuals from outside the organization and 1,300 within it, bringing in 300 skilled professionals to Group.

In 2023, our IT Academy launched a project in partnership with USAID focused on women's empowerment in the regional areas of Georgia. The project aims to train more than 700 participants, through nine newly designed courses. The IT Academy has also introduced an iOS Laboratory.

Candidates selected for courses have the opportunity to become highly paid professionals in the field of information technology by working on bootcamps, practical lectures, mentorship sessions and real projects under the guidance of leading specialists from JSC TBC Bank. Courses are updated through consultations with top management, which allows us to integrate the latest trends in the field into the teaching process.

The IT academy also enables the Bank to ensure the development of technological skills of existing employees, allowing them to transition into tech-based professions and digitize and automate their day-to-day work.

10. The Group is exposed to conduct risk.

Risk description

Conduct risk is defined as the risk of failing to achieve fair outcomes for customers and other stakeholders. The Bank's

Code of Ethics serves as a moral compass for all staff and sets high ethical standards that each employee is required to uphold. The Bank's employees undertake and perform their responsibilities with honesty and integrity. They are critical to maintaining trust and confidence in its operations and upholding important values of trust, loyalty, prudence and care.

Additionally, the Bank's management understands that it bears responsibility for a diversified group of domestic and international investors, and needs to embrace the rules and mechanisms to protect customers and maintain the confidence of investors and financial markets. The Group's directors strive to establish the "tone from the top", which sets out the messages describing and illustrating the core components of good conduct.

Risk mitigation

In managing conduct risk, the Bank entrusts different departments and divisions with carrying out the task of managing, mitigating, and eliminating conduct risk across all of the Bank's operations with clients and other stakeholders. The Compliance, Human Capital and Operational Risk departments cooperate to create a unified conduct Risk Management Framework and assist business lines and departments, in the following ways:

3. Developing and maintaining policies and procedures to ensure that individual employees and departments comply with regulatory provisions, best practices, the Code of Conduct, and the Code of Ethics;
4. Maintaining liaison with the Compliance Department, administering policies and procedures in conjunction with the compliance department and investigating complaints about the conduct of the department, its manager, or its employees;
5. The front-line employees of the organization should ensure that product information is accurate and complete, and is conveyed both in writing and orally in a simple, understandable manner, regardless of the level of sophistication of the client;
6. Keeping records of client interactions and emails containing sensitive and sales-related information, such as information in relation to the acquisition of new clients and the formulation of complex product offers;
7. By providing periodic training to all employees regarding evolving compliance standards within the Group, we ensure that new employees are educated regarding proper conduct;
8. By creating a culture of openness that encourages employees to speak out without fear of punishment, we are preventing and detecting conflicts of interest, creating moral incentive programmes, creating bonuses, and achieving a risk-adequate incentive and disciplinary policy for the Group;
9. Investing considerable time and effort in investigating, analysing, implementing, and monitoring sales and after-sales activities, and putting proper conduct into the required job skills, which ensures that conduct risk is not just managed by risk management units, including compliance departments.

EMERGING RISKS

The Group recognizes its exposure to risks arising from climate change.

Risk description

The risks associated with climate change have both a physical impact, arising from more frequent and severe weather changes, and a transitional impact that may entail extensive policy, legal, and technological changes to reduce the ecological footprint of households and businesses. For the Group, both risks could materialise through impaired asset values and the deteriorating creditworthiness of our customers, which could result in a reduction of the Group's profitability. The Group may also become exposed to reputational risks because of its lending to, or other business operations with, customers deemed to be contributing to climate change.

Risk mitigation

The Group has in place an Environmental and Climate Change Policy. The policy governs its Environmental Management System ("EMS") and ensures that the Group's operations adhere to the applicable environmental, health, safety, and labor regulations and practices. We take all reasonable steps to support our customers in fulfilling their environmental and social responsibilities. The management of environmental and social risks is embedded in the Group's lending process through the application of the EMS. The Group has developed risk management procedures to identify, assess, manage, and monitor environmental and social risks. These procedures are fully integrated in the Group's credit risk management process. To identify, assess and manage risks associated with climate change, the Group introduced an overall climate risk assessment and conducted a general analysis to understand the maturity level of the climate-related framework. The general analysis process covered assessment of the existing policies and procedures, identification of areas for further development, and gap analysis. Based on the analysis, the main focus areas were identified and reflected in the climate action strategy, considering the Group's business strategy. Furthermore, our Environmental and Climate Change Policy is fully compliant with local environmental legislation and follows international best practices (the full policy is available at www.tbcbankgroup.com).

In order to increase our understanding of climate-related risks to the Bank's loan portfolio, the Bank performed a high-level sectoral risk assessment, since different sectors might be vulnerable to different climate-related risks over different time horizons. In 2022, we advanced our TCFD framework further, especially in strategic planning and risk management, and performed climate stress testing. In 2023, we reviewed our climate stress testing model in order to consider new approaches, where available. Please see pages 118-141 for more details of our climate-related financial disclosures.

The Bank aims to increase its understanding of climate-related risks and their longer-term impacts over the coming years, which will enable it to further develop its approach to mitigation. Furthermore, the Bank's portfolio has strong collateral coverage, with around 79% of the loan book collateralised with cash, real estate, or gold. Since the collateral evaluation procedure includes monitoring, any need to change collateral values arises from our regular collateral monitoring process.

In June 2023, the Group released its full-scale sustainability report for 2022 in reference to Global Reporting Initiative (GRI) standards. The Global Reporting Initiative (GRI) helps the private sector to understand and realise its role and influence on sustainable development issues such as climate change, human rights and governance. The report is designed for all interested parties and groups in Georgia and abroad and aims to give them clear, fact-based information about the social, economic, and environmental impact of our activities in 2022. It presents our endeavours to create value for our employees, clients, suppliers, partners, and society as a whole. The Sustainability Report 2022 is available at www.tbcbankgroup.com.

At the executive level, responsibility for ESG and climate-related matters is assigned to the ESG Steering Committee, which was established by the Management Board in March 2021 and is responsible for implementing the ESG and climate action strategy and approving detailed annual and other action plans for key projects. The ESG Committee meets on a quarterly basis.

In January 2022, the Group established an Environmental, Social and Governance (ESG) and Ethics Committee at the Board level, as well as at the Supervisory Board level in line with the Company's "mirror boards" structure. This reflects the importance of sustainability in TBC's corporate governance and allows Board members to dedicate more time and focus to ESG topics. The Committee provides strategic guidance on climate-related matters and reports to the Board, which has overall oversight. For more details about the management of ESG matters, please see ESG strategy section on pages 36-39.

SELECTED REGULATIONS ON FINANCIAL RISKS

CAPITAL ADEQUACY

The Group's objectives in terms of capital management are to maintain appropriate levels of capital to support the business strategy, meet regulatory and stress testing-related requirements, and safeguard the Group's ability to continue as a going concern.

The Group complied with all its internally and externally imposed capital requirements throughout 2023.

In December 2017, the NBG adopted amendments to the regulations relating to capital adequacy requirements. The changes include amendments to the regulation on capital adequacy requirements for commercial banks, and the introduction of new requirements (i) on additional capital buffer requirements for commercial banks within Pillar 2; (ii) on the determination of the countercyclical buffer rate; and (iii) on the identification of systematically important banks and determining systemic buffer requirements. The purpose of these amendments is to improve the quality of banks' regulatory capital and achieve better compliance with the Basel III framework.

In 2020-2022, the NBG developed the concept and changes for the transition to IFRS. In January 2023, in line with the finalisation of the IFRS transition process, the NBG adopted amendments to the regulations relating to capital adequacy requirements. According to the new amendments, commercial banks must comply with supervisory regulations with IFRS-based numbers and approaches. Under the IFRS transition process, the NBG introduced a credit risk adjustment (CRA) buffer. The CRA buffer was implemented as a Pillar 2 requirement and was fully set on CET 1 capital.

In January 2023, the NBG made amendments to the systemic risk buffer calculation methodology. According to the new methodology, the current systemic risk buffer for JSC TBC Bank amounts to 2.5% and can be increased by 0.5% if the Bank's non-banking deposits market share in the previous three-month period exceeds 40%. The Bank must comply with the increased requirement in a 12-month period unless the average market share of the previous 12-month period falls below 40%.

In March 2023, the Financial Stability Committee of the NBG decided to set the neutral (base) rate of the countercyclical buffer at 1%. Banks are required to accumulate a countercyclical capital buffer according to a predetermined schedule: 0.25% by March 2024, 0.50% by March 2025, 0.75% by March 2026 and fully phased-in 1% by March 2027. The countercyclical buffer could be increased at times of strong credit activity and suspended during periods of stress.

The following table presents the capital adequacy ratios and minimum requirements:

in thousands of GEL	31-Dec-23	31-Dec-22[1]	31-Dec-21[1]
CET 1 capital	4,235,033	3,333,039	2,759,894
Tier 1 capital	4,772,913	3,873,439	3,379,414
Tier 2 capital	601,388	643,086	723,513
Total regulatory capital	**5,374,301**	**4,516,525**	**4,102,927**
Risk-weighted exposures:			
Credit risk-weighted exposures	21,018,445	18,818,597	18,091,753
Risk-weighted exposures for market risk	69,880	86,250	21,981
Risk-weighted exposures for operational risk	3,248,365	2,603,225	2,103,895
Total risk-weighted exposures	**24,336,690**	**21,508,072**	**20,217,629**
Minimum CET 1 ratio	14.3%	11.6%	11.7%
CET 1 capital adequacy ratio	17.4%	15.5%	13.7%
Minimum Tier 1 ratio	16.6%	13.8%	14.0%
Tier 1 capital adequacy ratio	19.6%	18.0%	16.7%
Minimum total capital adequacy ratio	19.8%	17.3%	18.4%
Total capital adequacy ratio	22.1%	21.0%	20.3%

GEL volatility has been and remains a significant risk to the Bank's capital adequacy. A 10% GEL depreciation would translate into a 0.8pp, 0.7pp and 0.6 pp drop in the Bank's CET 1, Tier 1 and Total regulatory capital adequacy ratios, respectively.

LIQUIDITY

The Bank's objectives in terms of liquidity management are to maintain appropriate levels of liquidity to support the business strategy, meet regulatory and stress testing-related requirements, and safeguard the Bank's ability to continue as a going concern.

The Bank complied with all its internally and externally imposed liquidity requirements throughout 2023.

The Bank assesses LCR and NSFR per NBG guidelines, whereby the ratios are implemented by the NBG have more conservative approaches than those set by Basel III standards. The LCR enhances short-term resilience. In addition to the total LCR limit set at 100%, the NBG defines limits per currency for the GEL and foreign currencies (FC). To promote Larisation in Georgia, the NBG set a lower limit for the GEL LCR than that for the FC LCR.

The NSFR is used for long-term liquidity risk management to promote resilience over a longer time horizon by creating additional incentives for JSC TBC Bank to rely on more stable sources of funding on a continuing basis. The regulatory limit is set at 100%.

1 2022 and 2021 figures are shown in accordance with NBG accounting standards, as for this period local GAAP was in force.

As of 31 December 2023, the ratios were well above the prudential limits set by the NBG, as follows:

	31-Dec-23	31-Dec-22	31-Dec-21
Minimum net stable funding ratio, as defined by the NBG	100.0%	100.0%	100.0%
Net stable funding ratio as defined by the NBG	**119.9%**	**135.3%**	**127.3%**
Minimum total liquidity coverage ratio, as defined by the NBG	100.0%	100.0%	100.0%
Minimum LCR in GEL, as defined by the NBG	75.0%	75.0%	75.0%
Minimum LCR in FC, as defined by the NBG	100.0%	100.0%	100.0%
Total liquidity coverage ratio, as defined by the NBG	**115.3%**	**146.6%**	**115.8%**
LCR in GEL, as defined by the NBG	**109.8%**	**164.2%**	**107.7%**
LCR in FC, as defined by the NBG	**120.1%**	**135.9%**	**120.8%**

MARKET RISK

The Bank's objectives in terms of market risk management are to support the business strategy, meet regulatory and stress testing-related requirements and safeguard the Bank's ability to continue as a going concern.

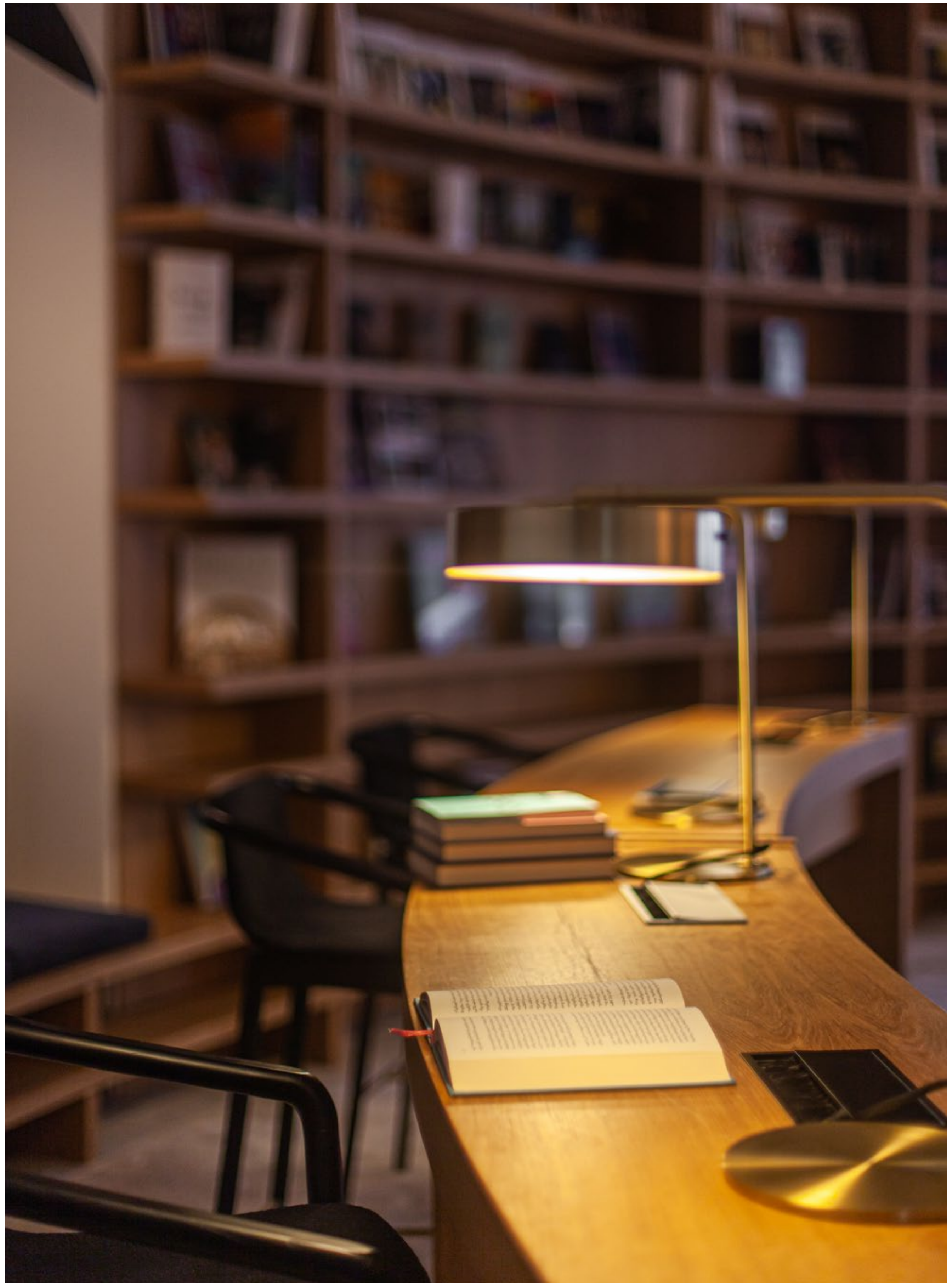
The Bank complied with all its internally and externally imposed market risk requirements throughout 2023.

FX risk

JSC TBC Bank (Georgia) is required to maintain open currency positions in line with NBG's limits: The NBG requires the Bank to monitor both balance sheet and total aggregate (including off-balance sheet) open currency positions and to maintain the later one within 20% of the Bank's regulatory capital.

Interest rate risk

JSC TBC Bank assess interest rate risk from both the NII and Economic Value of Equity (EVE) perspectives. As per regulatory requirements, the Bank assesses the impact of interest rate shock scenarios on EVE and NII. According to NBG guidelines, the NII sensitivity under parallel shifts of interest rate scenarios is maintained for monitoring purposes, while EVE sensitivity is calculated under six predefined stress scenarios of interest rate changes, with the limit applied to the result of the worst case scenario. As of 31 December 2023, TBC Bank's EVE ratio stood at 7.34%, comfortably below the regulatory limit (15%).



Climate-related financial disclosures 2023

INTRODUCTION

We set out below our climate-related financial disclosures, which are consistent with the TCFD recommendations and recommended disclosures. The TCFD Recommendations are structured around four content pillars: (i) Governance; (ii) Strategy; (iii) Risk Management; and (iv) Metrics & Targets; and eleven recommendations to support effective disclosure under each pillar. In 2023, we focused on drafting the methodology to measure our Scope 3 emissions (financed emissions) in line with the PCAF methodology and included the respective GHG emissions calculation results in the Scope 3 emissions.

In 2023, we reviewed the climate stress testing framework in order to incorporate the new information available. Furthermore, we defined our material Scope 3 components and calculated our financed emissions. As the sustainability landscape evolves with new information and greater standardisation, TBC will continue to refine and expand its disclosures to provide meaningful information to stakeholders.

It should be noted that the data we have used provide the best available approach to reporting the progress made, notwithstanding the challenges that exist given the incompleteness and novelty of the data sets and the methodologies required for the Georgian environment, in which most of our activities occur. We expect the availability and reliability of the required data to improve over time, and we intend to integrate improved data into our reporting as it becomes available.

Below is the disclosure prepared by the Group considering the implementation of TCFD recommendations.

Recommended disclosure	Short summary	Where to find
Governance		
a) Describe the organisation's governance around climate-related risks and opportunities		
Process, frequency, and training	– The Supervisory Board approves and oversees the Group's ESG Strategy in order to address specifically the Group's targets and initiatives that relate to climate change, its direct and indirect environmental impact, and sustainable development across the Group – The ESG and Ethics Committee have been established at the Supervisory Board level. – The ESG and Ethics Committee met four times during 2023. – The Supervisory Board has established a diverse and comprehensive training agenda, which is reviewed annually.	Page 122
Committee accountability	– The Supervisory Board retains the primary responsibility for overseeing the implementation of the strategy, as part of its commitment to having direct oversight over the Group's climate-related issues. – The role of the ESG and Ethics Committee has been formalised to support and advise the Supervisory Board in its oversight of the implementation of: (i) strategy; (ii) policies; and (iii) programmes of the Company and its subsidiaries in relation to ESG matters, ensuring that the ESG strategy is implemented across all of the Group's relevant businesses.	Page 122
Examples of the Board and relevant Board committees taking climate into account	– Key topics covered in 2023 by the ESG and Ethics Committee are as follows: the Group's direct GHG emissions; a review of the Environmental and Climate Change Policy; a review of the Exclusion List and ESG risk appetite; and a review of the climate action strategy, including progress reports on TCFD implementation.	Page 122
b) Describe executive management's role in assessing and managing climate-related risks and opportunities		
Who is responsible for climate-related risks and opportunities	– Since March 2021, responsibility for climate change-related risks and opportunities have been assigned to the executive level ESG Committee.	Page 123
How management reports to the Board	– The ESG Committee's responsibilities also include the review and monitoring of climate-related risks and opportunities as well as the establishment of an effective mitigation and control system to manage identified (material) climate-related risks. The ESG Committee meets on a quarterly basis.	Page 123
Processes used to inform management	– The implementation of the ESG strategy is supported by the various organisational functions responsible for ESG matters: the Environmental and Social Risk Management Team, the ESG Department and the ESG competences centre – a working group initiated in order to support the enhancement of the TCFD framework. Furthermore, the Environmental Committee oversees the implementation and operation of the Environmental Management System. The ESG Department and Environmental and Social Risk Management Team regularly report to the Environmental Committee, which reports to the Chief Risk Officer.	Page 123
Strategy		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term - Page		
Short-, medium-, and long-term time horizons	– The time horizons considered in the assessment are short (0-3 years), medium (4-8 years), and long (over eight years). The levels of possible impact are classified as low, medium or high.	Page 125
Climate-related risks	– As a summary of the potential impact of the various transition risks and physical risks identified, the transitional risks in Georgia and on the TBC Bank's activities are low. – The overall assessment of the potential impact of acute and chronic physical risks on Georgia and on TBC Bank's activities is medium in a long-term perspective. Currently, there is no material impact on TBC Bank's activities observable.	Page 125
Climate-related opportunities	– The main opportunity directions are energy-efficiency and renewable energy financing. However, we offer a wide range of other green and climate-related financing to our customers.	Page 127
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning		

Recommended disclosure	Short summary	Where to find
Impact on strategy, business, and financial planning	– In 2023, we continued to incorporate climate and broader ESG considerations into our financial planning processes. The Group aligned loan portfolio growth planning with risks and opportunities in different business segments: retail, MSME and corporate. Furthermore, climate-related opportunities were address by economic sectors, as well.	Page 128
Impact on products and services	– The main opportunity directions are energy-efficiency and renewable energy financing. However, we offer a wide range of other green and climate-related financing to our customers.	Page 130
Transition plan	– In 2024, we will focus on the development of detailed transitional plans, which will be based on the results of measurement of the Group's performance against the Paris Agreement targets for the reduction of GHG emissions. We have contracted an international consultancy company and have developed a detailed scope of work covering the following: calculation of financed emissions, carbon reporting, Paris Agreement alignment, a decarbonization action plan, a carbon impact assessment methodology, carbon footprint assessments of selected customers, and building institutional capacity.	Page 125
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario		
Scenarios used	– Multiple scenarios were used to explore different plausible scenarios and trade-offs and to gain a more holistic view of the risks: Below 2 °C, Net Zero 2050, Delayed Transition.	Page 131
Conclusions	– Even if the climate stress tests are not forecasting tools, they indicate the level of resilience towards climate shocks, especially in the short and medium term. Longer-term effect cannot be observed sufficiently, as the average maturity of the TBC's loan portfolio is shorter than the time horizon of the climate stress testing which considers the period of the following 30 years. Furthermore, the climate stress tests show that the most vulnerable sectors are energy (non-renewable) and utilities and oil and gas, if the transition risks materialise. However, transition risk is rather low in Georgia.	Page 132
Risk Management		
a) Describe the organisation's processes for identifying and assessing climate-related risks		
Process	– TBC Bank has reviewed all of its operational activities, procured items and outsourced services that it can control (present and planned), and has identified all environmental aspects relevant to the business.	Page 133
Integration into policies and procedures	– TBC has a comprehensive Environmental and Climate Change Policy in place, which governs our Environmental Management System (EMS) and climate-related framework within the Group.	Page 133
b) Describe the organisation's processes for managing climate-related risks		
Process	– TBC Bank has developed E&S risk management procedures to identify, assess, manage, and monitor environmental and social risks which are fully compliant with Georgian environmental legislation and follow international best practices.	Page 135

Recommended disclosure	Short summary	Where to find
Decision-making	– Projects that are to be financed are classified according to E&S categories (low, medium, high and A category), based on analysis; where necessary, deep-dive analysis and due diligence are performed. When categorising the transaction in line with the E&S risk categories, priority is given to the higher risk.	Page 136
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management		
Integration process	– TBC Bank has developed E&S risk management procedures, which are fully integrated into the credit risk management process and are routinely applied to SMEs and corporate customers. – In 2023, TBC Bank finalized a pilot project which tested the ESG Profile Methodology on its top 20 corporate customers. The aim was to incorporate the ESG Profile scorecard in the overall risk management process.	Page 135
Metrics and Targets		
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process		
Metrics used to assess the direct environmental performance	– GHG emissions, consumption of energy, water and paper	Page 138
Metrics used to assess the indirect impact	– Financed emissions – Sustainable portfolio	Page 140 Page 141
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks		
Our own operations	– The summary of Scope 1, Scope 2, and Scope 3 GHG emissions (flights), 2023 targets versus actual results, as well as targets for 2024 are disclosed.	Page 139
Financed emissions	– Financed emissions - The Partnership for Carbon Accounting Financials (PCAF) has developed methods for different asset classes, which can be used to calculate the financed emissions (PCAF 2022).	Page 140
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets		
Targets set and progress	– GHG emissions (Scope 1 and Scope 2), water and paper – The total sustainable portfolio volume exceeded the 2023 target volume GEL 1.0 bln by GEL 233 mln. The target for 2024 is set at GEL 1.4 billion	Page 139 Page 141

DEFINING MATERIAL TOPICS FOR CLIMATE-RELATED FINANCIAL DISCLOSURES

The materiality of topics covered in the climate-related financial disclosures is informed by different factors: a) the climate-related topics which are included in the ESG Strategy of the Group; b) The stakeholder engagement results which process provides information about the issues that are most important and relevant to our stakeholders (the stakeholder engagement process is described in more detail on pp. 168); c) Furthermore, our disclosures are informed by regulatory disclosure rules as well as the expectations of international financial institutions and external ESG rating agencies. For certain topics as specified below, we also defined numeric materiality thresholds such as the share in total assets (3%) or the share in GHG emissions (40%), which are referenced in the respective parts of the disclosure. The ESG and Ethics Committee at board level and the ESG Committee at executive level, as well as the responsible organizational departments – ESG Department, Environmental and Social Risk Management Team, Enterprise Risk Management, Investors Relations and International Financial Markets Departments - regularly discuss emerging and existing topics that matter to our stakeholders and consider them in our ESG and climate action strategy.

1. GOVERNANCE

1.1. The Supervisory Board's oversight of climate-related risks and opportunities

The Supervisory Board approves and oversees the Group ESG Strategy in order to address the Group's targets and initiatives that relate to climate change, its direct and indirect environmental impact, and sustainable development across the Group. The ESG Strategy also covers customers, employees, suppliers, wider society, financial inclusion, employee relations and talent management, workplace diversity and inclusion. The Supervisory Board retains the primary responsibility for overseeing the implementation of the strategy, as part of its commitment to having direct oversight over the Group's climate-related issues.

In January 2022, the Group established an Environmental, Social and Governance (ESG) and Ethics Committee at the Supervisory Board level. This reflects the importance of sustainability in TBC's corporate governance and allows Board members to dedicate more time and attention to ESG topics.

The role of the Committee has been formalised to support and advise the Supervisory Board in its oversight of the implementation of the: (i) strategy; (ii) policies; and (iii) programmes of the Company and its subsidiaries in relation to ESG matters and ensuring that the ESG strategy is implemented across all of the Group's relevant businesses. Furthermore, the ESG and Ethics Committee supports the Supervisory Board in promoting its collective vision of values, conduct and culture and overseeing the efforts of the executive management (the Executive Management of Joint Stock Company TBC Bank) to foster: (i) a culture of ethics; (ii) appropriate conduct; and (iii) employee ethical engagement within the Group. The Committee provides strategic guidance on climate-related matters and reports to the Supervisory Board which has overall oversight.

The ESG and Ethics Committee met four times during 2023 and covered the following topics: a) a regular review of and status update on the Group's ESG strategy, including its climate action strategy, and implementation plans; b) monitoring of their execution; and c) oversight and recommendations to the Supervisory Board for approval of the Group's disclosures on ESG matters, including reporting in line with the TCFD principles, in the Annual Report and Accounts. Key topics covered in 2023 by the ESG and Ethics Committee are as follows: tracking progress against the ESG Strategy's targets such as the volume of the sustainable portfolio; the Group's direct GHG emissions; review of the Environmental and Climate Change Policy, Human Rights Policy and Diversity, Equality and Inclusion Policy; review of the Exclusion List[1] and ESG risk appetite; review of the climate action strategy, including the progress reports on the TCFD implementation; the involvement of external consultants in the advancement of the climate-related topics; review of the TCFD reporting for the Annual Report 2022 and the Sustainability Report 2022; the ESG and climate-related training agenda for TBC staff; and the ESG Strategy 2024.

The Supervisory Board is supported by the Risk Committee. For example, progress against the reporting metrics, such as the volume of the sustainable portfolio, is reported to the Risk Committee, which also received updates four times a year through the Chief Risk Officers' (CRO) report. In 2022, we elaborated on our ESG Risk Appetite and integrated it into our Risk Appetite Framework (RAF). The reporting started in June 2023. Furthermore, the responsibilities of the Audit Committee cover the review of annual reports, including TCFD reporting, as well as follow up on compliance through policies, procedures, and regulations.

The Remuneration Committee covered the ESG-related Key Performance Indicators of the executive management. Please see more details in the Annual Report of TBCBank Group PLC on the page 229.

The Supervisory Board has established a diverse and comprehensive training agenda, which is reviewed annually. The Group's Secretarial team creates a general training catalogue at the beginning of each year, which covers all relevant areas of Risk, Audit, Remuneration and Governance. The catalogue includes an effective mix of publicly available and client-tailored webinars, analytical materials, and opportunities for live discussion with industry participants. The providers of these training opportunities include the Big Four accounting firms, external legal advisors, chartered institutes (such as the Institute of Directors and the Governance Institute), and, where relevant, senior professionals with specific subject matter expertise. Directors use the training catalogue in order to create their bespoke training calendars and exchange knowledge during Supervisory Board meetings or via the Group's dedicated Supervisory Board platform. In February 2023, as part of a larger, one-year climate-related project, further topic-specific training sessions on climate-related issues were delivered by the Frankfurt School of Finance and Management to equip members of the Supervisory Board as well as the executive management of TBC Bank with detailed knowledge about TCFD and climate change-related risks and opportunities and the operative tools available to implement the climate action strategy.

1.2. Executive management's role

At the executive level, responsibility for climate change-related risks and opportunities is assigned to the ESG Committee, which was established by the executive management in March 2021 and is responsible for implementing the ESG strategy and approving annual action plans and separate, detailed action plans for key projects. The progress and implementation status of action plans are monitored at the ESG Committee's meetings. In 2023, the ESG Committee met four times and covered various climate-related topics: TCFD reporting; the TCFD implementation action plan; the ESG risk appetite, progress against the ESG Strategy targets such as the volume of the sustainability loan portfolio; the Environmental and Climate Change Policy; direct GHG emissions reports; ESG and climate-related training agenda for the TBC staff; and the involvement of external international and local experts in the development of climate-related approaches and methodologies. The ESG Committee's responsibilities also include the review and monitoring of climate-related risks and opportunities as well as the establishment of an effective mitigation and control system to manage identified (material) climate-related risks. The ESG Committee meets on a quarterly basis.

The implementation of the ESG strategy is supported by the various organisational functions responsible for ESG matters: a) the Environmental and Social Risk Management Team - responsible for the E&S risk assessment in lending, b) the ESG Department - coordinating and supporting the implementation of the ESG Strategy , and c) the ESG competences centre, which is a working group initiated in order to support the enhancement of the TCFD framework.

Furthermore, the Environmental Committee meets on a quarterly basis and oversees the implementation and operation of the Environmental Management System, which includes addressing resource consumption and other environmental impacts of TBC Bank's daily operations. The ESG Department and Environmental and Social Risk Management Team regularly report on the environmental management plans and results to the Environmental Committee. The Environmental Committee reports directly to the Chief Risk Officer.

2. STRATEGY

The Group's objective is to act responsibly and manage the environmental and social risks associated with its operations. Furthermore, we aim to contribute and enable positive impacts on the environment. In order to achieve this, the Group has clearly defined processes in place to identify and assess climate-related risks to our business. This approach enables the Group to reduce our ecological footprint by using resources efficiently and promoting environmentally friendly measures in order to mitigate climate change.

TBC Bank has reviewed all the operational activities, procured items and outsourced services that it can control (present and planned), and has identified all environmental aspects relevant to the business. The direct environmental impact of our business activity arises from energy, water, fuel and other resource usage, waste and emissions. The Bank has established a comprehensive internal environmental system to manage its GHG emissions and is committed to reducing them by closely monitoring its consumption of resources. In order to evaluate the significance of the impact for each of the categories, we have developed a comprehensive evaluation methodology and applied it to the whole Group. Based on this, annual goals are defined, and specific initiatives and programmes are developed to attain them.

In 2020, TBC Bank obtained an ISO 14001:2015 certificate for its Environmental Management System. In 2021 and 2022, TBC completed the re-certification process successfully. The renewal of the certificate for 2023 was conducted in December 2023 and was also completed successfully. More information about the Environmental Management System can be found in the Risk Management section of this chapter on pages 133-138.

In 2021, the Group developed and approved its ESG Strategy. In 2023, we updated our ESG Strategy in order to reflect the progress made during 2022 and adjust the targets and initiatives for future years.

1 List of activities which are excluded from financing.

Summary table on ESG Strategy progress during 2023:

2021 ESG Strategy target / initiative	2022 status	2023 status
Establish an ESG governance framework until the end of 2021	ESG governance framework established at both Supervisory Board and executive management levels.	Enhanced ESG governance and achieve a higher maturity level.
Set up a system for measuring impacts on sustainability across the Group, customers, employees, and society	Regular reports on key parameters to the ESG-related Committees at Supervisory Board and executive management level established.	Increased granularity and automation of reporting, regular reporting on climate-related risks, scenario analysis, stress testing, and ESG risk appetite.
Increase the sustainable portfolio	Target volume for 2022 was GEL 750 mln; Volume of GEL 782 mln was achieved.	Target volume for 2023 was GEL 1.0 bln; Volume of GEL 1.23 bln was achieved.
Group's Policy on Climate Change	Climate Change Policy developed and approved[1].	Development of sectoral guidelines – Climate Risk Radar of the NBG.
Green Taxonomy of the National Bank of Georgia	The National Bank of Georgia introduced the Green Taxonomy, developed in line with the best international taxonomies. The implementation process has been finalised.	The Green Taxonomy has been implemented.
Implementation of the green lending framework	Green lending procedure implemented.	Harmonisation of the green lending procedure and the Green Taxonomy of the National Bank of Georgia (NBG).
ESG profiles for corporate customers	The framework on ESG profiles for corporate customers developed.	Implemented for the existing Top 20 corporate customers.
Incorporation of ESG matters in risk appetite	Development of ESG risk appetite.	Regular reporting, monitoring and review established.
Increase customer loyalty, investor confidence and employee motivation	Establishment of ESG training framework for all TBC employees.	Measure ESG awareness among employees and customers. ESG Survey for investors.
ESG strategies in material subsidiaries	Separate ESG Strategies developed.	ESG Strategies implemented and supporting ESG function at the Group level established.
Net-zero target for direct environmental performance		The Group's direct performance has been measured against the Paris Agreement targets for the reduction of GHG emissions.
Develop a plan to enable our indirect environmental impact to also reach net zero.	A methodology to calculate financed emissions defined and the availability of necessary data analysed.	A methodology to calculate financed emissions based on the PCAF approaches has been developed and financed emissions have been calculated for six asset classes.

The Group's ambition is to be the leading supporter of ESG principles in Georgia and the wider region. We aspire to make our direct environmental impact net zero (Scope 1 and Scope 2 GHG emissions) by 2025 and to continue to develop our plan to enable our indirect environmental impact (Scope 3 emissions) to also reach net zero as soon as practicable thereafter.

Our long-term aspirations are supported by the different measures outlined in the ESG Strategy. The key components for 2024 and 2025 are listed below:

- Action plan for our direct net-zero target;
- Measure the Group's indirect performance against the Paris Agreement targets for the reduction of GHG emissions;
- Development of a long-term transition plan;
- Forecasting methodology and tools for supporting medium and long-term targets for GHG emissions reduction;
- Excluding/limiting high-carbon activities (Please see our Exclusion List – www.tbcbankgroup.com);
- Increase ESG awareness and knowledge of the risks and opportunities of climate change among employees, customers and the wider public;
- ESG Academy - green financing training courses for employees and customers;
- Implementation of IFRS S1 and IFRS S2.

TBC has several different initiatives underway that support the management of climate-related risks and the realisation of opportunities:

- Advisory and product services for customers;
- Sectoral approach towards climate-related risks and opportunities;
- Climate-related training for TBC staff;
- Green taxonomy training and capacity building of TBC employees;
- Green mindset and green technology training for customers.

2.1. Climate-related risks and opportunities

Climate-related risks

The table below contains a summary of potential transitional and physical risks identified by the Group for the Georgian environment.

The time horizons considered in the assessment are short (0-3 years), medium (4-8 years), and long (above eight years). The levels of possible impact are classified as low, medium or high. The categories of low, medium and high risk were applied to compare the relative risk of sectors and risk categories. They do not indicate the materiality of the respective risk. The same is true of judgements of the riskiness of sub-categories of transitional or physical risk compared to other sub-categories. Since these judgements are relative rather than absolute, they cannot be compared to other countries or regions.

The overall assessment of transitional and physical risks is given below. The time horizon indicates, when the respective risk will start to materialise, while the level of potential impacts gives the level of the risk. It is assumed that the level of risks remains the same in the following periods.

1 Policy available at: www.tbcbankgroup.com

	Transition risks				Physical risks	
Risk sources	Policy and Legal	Technology	Market	Reputation	Acute	Chronic
Types of risks	– Enhanced regulatory environmental and mandated requirements: may introduce minimum standard or expectations on green credentials of product outputs or business operations, enhanced emissions-reporting obligations	– Substitution of existing products and services with lower emissions options, including requirements to replace manufacturing technology to cleaner alternatives – Investment in technology to reduce emissions or improve energy efficiency of operations and households.	– Changing customer behaviour including deliberate move to lower carbon footprint products – Increased cost of raw materials, increased volatility and costs, sourcing restrictions for carbon heavy raw materials	– Shifts in consumer preferences to green products – Stigmatisation of sector, resulting in reduced revenue from negative impacts on workforce management and planning (e.g., employee attraction and retention) – Increased stakeholder concern or negative stakeholder feedback	– Increased severity of extreme weather events such as floods	– Changes in precipitation patterns and extreme variability in weather patterns affecting food production and living environment – Rising mean temperatures affecting working conditions, living conditions and local infrastructure – Rising sea levels affecting local ecosystems, increasing subsidence and flood risks
Time horizon	Medium	Long	Medium	Long	Medium	Long
Level of potential impacts affecting customers and TBC	Low	Low	Low	Low	Medium	Medium

Furthermore, we employ the Methodology of the Risk Radar for Climate-related Risks[1], which was developed by the National Bank of Georgia (NBG) and can be applicable to the local context. This scoring system of the Climate Risk Radar has been applied for all sectors in Georgia classified as main sectors according to the NACE sector codes (Eurostat 2008). For the time being the highest score is 7, so there are no critical sectors yet identified in Georgia. However, some sectors (namely scores 7 and 6) need to be considered as potentially high risk and others (scores 4 and 5) render the portfolio vulnerable to climates risks[2]. The Risk Radar for Climate-related Risks gives a foundation for the assessment of the climate-related risks on a sectoral and customer level. We consider the Climate Risk Radar scores when addressing the risks and opportunities of climate-related activities. We developed our internal methodology of ESG profiles based on the Climate Risk Radar. More details are given in the section on the overall risk management process on pages 137. Furthermore, the opportunities related to climate-exposed sectors are given below in the section on climate-related opportunities on pages 130.

The overall assessment of the impact of transitional policy and legal measures

Georgia's 2030 Climate Change Strategy[3] and Climate Strategy Action Plan[4] lays out different policy measures on which TBC Bank based its identification of the potential impact of the policy measures on the different economic sectors that are financed by TBC. As a summary of the potential impact of the various transition risks identified, the transitional risks in Georgia and on the TBC Bank's activities are low. The assessment considers that trade and services dominate the Georgian economy, and the policy measures outlined in Georgia's 2030 Climate Change Strategy will have a low overall impact on those economic sectors, especially in the short and medium term. Taking into consideration Georgia's status as a transitional and growing economy, Georgia's 2030 Climate Change Strategy aims not to impede GDP growth with policy measures but rather to support a smooth transition where necessary. It is worth noting that the economic sectors most affected by transitional risks worldwide, such as mining, crude petroleum, natural gas and metal ores, manufacturing coke and refined petroleum products[5], are only present to a very limited extent in Georgia, resulting in the transitional measures having a low overall impact on economic growth, if any.

Technology risk

Technology risk is a subcategory of transition risk. The technology risk related to climate change, unnecessary investments in technological development, or missing investments in technological improvements are assessed to be low in Georgia, as Georgian companies invest very little in the development of new green technologies; rather, they benefit from technologies developed in other (technologically advanced) countries and deploy technologies which are already tested and established. Therefore, failed investments are unlikely to occur.

Market risk and reputational risk

Market risk is low, as consumer behaviour in Georgia shows a very slow trend towards lower carbon footprint products. For reputational risk, no material impact is expected, as TBC Bank has developed Environmental and Social Risk Management Procedures to identify, assess, manage and monitor environmental and social risks which are fully compliant with Georgian environmental legislation and follow international best practices. Please see more information about the environmental management system on pages 133-138.

The overall assessment of the impact of the acute and chronic physical risks

Georgia's geographical location and natural conditions, as a small country with a mountainous landscape, a Black Sea coastal zone, and semi-arid areas in the Southeast, contribute to the country's vulnerability to the physical risks of climate change. The sectors that are thought to be most vulnerable to climate change in Georgia include agriculture, forestry, tourism, and healthcare[6].

The impact of acute and chronic physical risks on economic sectors which are financed by TBC Bank will materialise over time. For the Group, the risks can materialise through the impairment of asset values and the deterioration in the creditworthiness of customers operating in Georgia. Certain geographic areas and economic sectors, such as winter resorts and agricultural land, are already partially affected and might deteriorate further in the medium term. The overall assessment of the potential impact of acute and chronic risks on Georgia and on TBC Bank's activities is medium in a long-term perspective. Currently, there is no material impact on TBC Bank's activities observable. It is understood that climate change risks are largely associated with longer-term impacts; however, those longer-term impacts are unclear, especially considering the shorter-term maturity structure of the Bank's loan portfolio.

Climate-related opportunities

Climate-related opportunities are directly linked with climate risks and economic sectors which have significant negative environmental impact and/or might be potentially affected by climate risks. The financing of mitigation measures (reducing of GHG emissions) covers sectors such as transportation, building, energy generation and transmission, agriculture and manufacturing.

The adaptation to climate change covers sectors of agriculture, infrastructure, tourism and water resources.

TBC's approach corresponds with the Climate Action Plan of Georgia for the implementation of the Nationally Determined Contribution targets:

1 www.nbg.gov.ge - The NBG, in cooperation with German Sparkassenstiftung for International Cooperation (DSIK), has prepared a report on the Climate-related Risk Radar for Georgian Economic Sectors and its possible application for the Financial Sector. The report develops a climate risk scorecard for Georgian economic sectors and assesses the financial sector's exposure to the identified risky sectors.
2 Score 7 - A Agriculture, Forestry and Fishing, Growing of non-perennial Crops, Forestry and Logging, Manufacture of Food Products, Manufacture of Chemicals and chemical Products, Electricity, Gas, Steam and Air Conditioning Supply, Water Supply, Sewerage, Waste Management and Remediation Activities. Score 6 - Growing of perennial Crops, Animal Production, Fishing and Aquaculture, Manufacturing,
3 Georgia's 2023 Climate Change Strategy
4 2021-2023 Action Plan of Georgia's 2030 Climate Strategy
5 Key elements of the 2021 Biennial Exploratory Scenario: Financial risks from climate change | Bank of England
6 Georgia's third National Communication to the UNFCCC

- To mitigate projected greenhouse gas emissions by 15% in the transport sector by 2030;
- To support the low carbon development of the building sector through encouraging the climate-goals oriented energy efficient technologies and services;
- To mitigate projected greenhouse gas emissions by 15% in the energy generation and transmission sector by 2030;
- To support the low carbon development of the agriculture sector through encouraging the climate smart agriculture technologies and services;
- To support the low carbon development of the industry sector through encouraging the climate-friendly innovative technologies and services, in order to achieve 5% of emission limitations compared to emissions projected without respective measures
- To support the low carbon development of the waste sector through encouraging the climate-friendly innovative technologies and services.

We acknowledge the importance of sustainable lending and are actively implementing a standardised approach to sustainable finance, including energy efficiency, renewable energy, and resource efficiency financing for our retail and business clients. The largest part of our sustainable portfolio consists of energy efficiency, renewable energy, and resource efficiency financing and equals GEL 847 million out of GEL 1.23 billion. The remaining part of the sustainable portfolio consists of women and youth financing, affordable housing and start-up loans. The growth targets of the sustainable portfolio are set in the ESG Strategy annually; the targets are defined after considering customer needs for green financing and discussions with respective business departments of TBC Bank. For 2024, the target volume of GEL 1.4 billion was approved by the Supervisory Board.

Considering the existing potential of renewable energy production, TBC became the leading partner in Georgia in local renewable energy financing, including hydropower stations.

We actively cooperate with international partners to attract financing for sustainable lending:

- TBC Bank is actively mobilising green funds from partner international financial institutions to promote sustainable economic growth, primarily by financing energy efficiency, resource efficiency, and renewable energy projects. Those facilities will help local businesses and households to become more competitive by investing in high-performance technologies and adopting energy-efficient practices. In addition, financing is coupled with technical assistance programmes, providing know-how and technical expertise to borrowers and ensuring that their green investments are successfully implemented. Several green facilities have grant incentives in place as well. As of 2023, TBC attracted various green facilities from several long-standing international partners, such as EIB, EBRD, GGF, GCPF, FMO, and ProParco, totaling up to GEL 663 million.
- In addition, in 2022, after receiving accreditation from the Green Climate Fund (GCF) in 2021, TBC signed an Accreditation Master Agreement (AMA), which is the central instrument setting out the basic terms and conditions to work with the Green Climate Fund (GCF). This authorises TBC Bank to access and mobilise financial resources from the GCF and formalises TBC's accountability in carrying out GCF-approved projects appropriately.
- The Bank acknowledges the importance of addressing gender equality and the empowerment of women and has in place several facilities that promote women's entrepreneurship by supporting increased access to finance, providing non-financial services as well as knowledge-sharing opportunities. In addition, the Bank has dedicated funds supporting young borrowers and entrepreneurs, providing loans for education, mortgage loans, as well as loans to start businesses.
- TBC Bank has in place several guarantee facilities with a special focus on start-ups, women, and regional entrepreneurs. These risk-sharing instruments serve as a partial substitute for collateral and enable the Bank to increase access to financing for underserved target groups, granting them better growth and development opportunities.

2.2. Climate-related risks and opportunities on the businesses, strategy, and financial planning

In 2024, we will focus on the development of detailed transitional plans, which will be based on the results of measuring the Group's performance against the Paris Agreement targets for the reduction of GHG emissions. To support the elaboration process, we contracted an international consultant company, local and international experts and developed a detailed scope of work covering the following activities: calculation of financed emissions, carbon reporting, Paris Agreement alignment, decarbonization action plan, carbon impact assessment methodology, carbon footprint assessments of selected customers, and building institutional capacity. The technical assistance for the project is provided by the Global Climate Partnership Fund (GCPF).

Nevertheless, even in the absence of a detailed, holistic transition plan, we have already implemented several different measures to support our direct net-zero target:

- We have started to use renewable energy and installed solar power plants in two locations with a total capacity of 130 kW. Total investments equal to GEL 23 000. The plan is to increase the share of renewable energy up to 50% of our total electricity consumption in regions;
- We are gradually increasing the share of electric and hybrid cars in our car fleet, which is currently equal to 67%; total investment equals to GEL 914 900.
- Starting from 2022, we are installing energy-efficient heating / cooling systems in all newly renovated branches; total investments including construction works equal to GEL 2.15 million.
- During 2023, we renewed a part of the IT infrastructure and migration to the cloud with energy-efficient servers, that will reduce the respective portion of the electricity consumption by 10-15%.

In 2024, we are going to install 36 electric charger stations at our head office and other premises; the planned investments equal to GEL 450 000.

The total investments by end 2023 equal to GEL 3.54 million.

In order to support the path of greening our portfolio and reducing the financed emission (Scope 3), we enhance our efforts in green financing

- We are increasing the volume of green financing every year;
- In 2023, we exceeded our strategic target of GEL 1.0 billion for the sustainable portfolio volume by 23 % and reached GEL 1.23 billion.
- Acquired green funding from various international financial institutions is increasing every year. As of 2023, it equals to GEL 663 million.

The main opportunities lie in energy-efficiency and renewable energy financing. However, we offer a wide range of other green and climate-related financing to our customers.

The table below provides a summary of climate-related opportunities by sector.

Sector	% in standalone Bank's loan book	GHG-Emissions Contribution[1]	Climate Risk Score[2]	Product Catalogue
Agriculture	4.6%	4	7	Energy-efficiency loans Climate-smart technologies New irrigation systems
Automotive	1.3%	4	5	Hybrid and electric cars, Euro 5, Euro 6 and Euro 7 cars Energy-efficiency loans Industry autos
Construction	6.9%	3	6	Energy-efficiency loans for construction projects, Production of energy-efficient building materials. Energy-efficiency loans for machinery / appliances Charging stations for electric cars
Energy & Utilities	4.7%	4	7	Renewable energy financing Charging stations for electric cars
Food Industry	5.4%	4	7	Energy-efficiency loans (warehouses, storage, appliances, cars)
Individuals	37.1%	N/A	N/A	Energy-efficiency mortgages Hybrid and electric car loans
Manufacturing	0.7%	3.5	6	Energy-efficiency loans (machinery, appliances, buildings) Carbon filtering
Metals and Mining	0.8%	4	5	Energy-efficiency loans (machinery, appliances, buildings)
Oil and Gas	1.2%	4	7	Energy-efficiency loans for building charging stations for electric cars
Real Estate	9.5%	3	5	Energy-efficiency loans Renewable energy financing (solar panels)
Transportation	1.4%	3.5	6	Hybrid and electric cars, Euro 5, Euro 6 and Euro 7 cars, buses, trucks

In 2023, we continued to incorporate climate and broader ESG considerations into our financial planning processes. Additional qualitative considerations related to climate and ESG matters were incorporated in the financial planning cycle for 2023. In 2023, the Group aligned loan portfolio growth planning with the risks and opportunities in different business segments: retail, MSME and corporate.

As of the end of 2023, the sustainable portfolio of TBC Bank (which equals to GEL 1.23 billion) includes exposures with different purposes, such as: energy-efficiency loans, electric car loans, renewable energy financing for solar panels and hydro power plants.

Sector	% in TBC Bank's loan book	Share in the sustainable portfolio	Focus areas for financing in 2024
Retail segment	35%	1.1%	Energy-efficiency Electric and hybrid cars Mortgages Solar panels
MSME segment	26%	5.9%	Energy-efficiency Renewable energy Climate-smart technologies Hybrid and electric cars Industry autos
Corporate segment	39%	93%	Energy-efficiency Renewable energy Climate-smart technologies New irrigation systems Industry autos

In 2024, we will focus on integrating tailored transitions plans and Paris Agreement alignment considerations into the financial planning process and elaborating the respective methodologies and tools.

2.3. Climate-related scenarios

TBC Bank is taking significant steps to develop its scenario analysis capabilities to better understand and act on the implications of climate-related risks and opportunities for our business and customers. The development of climate related scenario analysis is a challenge, as the availability, accessibility, and suitability of climate data and subsector information for financial risk analysis, as well as climate-related risk modelling capabilities, are very limited in Georgia and still evolving. Despite these limitations, the scenario analysis allows us to test a range of possible future climate pathways and understand the nature and magnitude of the risks they present. The purpose of scenario analysis is not to forecast the future but to understand and prepare to manage the risks that could arise. In 2023, we continued working with an external consultant and upgraded our stress testing model covering different economic sectors in Georgia in order to capture the stress testing impact on the whole credit portfolio of TBC Bank.

Scenario Selection

Multiple scenarios were used to explore different plausible scenarios and trade-offs and to gain a more holistic view of the risks: Below 2° C (B2C)[3], Net Zero 2050 (NZ2050)[4], and Delayed Transition (DT)[5]. The selected set of scenarios spans across the timeframe from 2020 to 2050. The scenarios reflect different assumptions about the likelihood and timing of government actions, technological developments, and their spill-over effects on productivity. Each scenario combines assumptions related to: i) the introduction of a public policy measure (a higher carbon tax); and (ii) productivity shocks resulting from the insufficient maturity of technological innovations (higher energy prices), and

1 The Climate Risk Radar assigns a GHG-emissions contribution score according to the National Greenhouse Gas Inventory Report of Georgia 1990-2017.
2 The Climate Risk Radar defines 4 risk categories: 0-3 neglectable, 4-5 vulnerable, 6-7 high risk, 8-10 critical. There are no sectors with critical risk profile.
3 This scenario "Below 2° C" gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2° C. This scenario assumes that climate policies are introduced immediately and become gradually more stringent, though not as high as in Net Zero 2050. CDR (Carbon Dioxide Removal) deployment is relatively low. Net-zero CO_2 emissions are achieved after 2070. Physical and transition risks are both relatively low.
4 Net Zero 2050 is an ambitious scenario that limits global warming to 1.5° C through stringent climate policies and innovation, reaching net zero CO_2 emissions around 2050. Some jurisdictions such as the US, EU and Japan reach net zero for all greenhouse gases by this point. This scenario assumes that ambitious climate policies are introduced immediately. CDR is used to accelerate the decarbonisation but kept to the minimum possible and broadly in line with sustainable levels of bioenergy production. Net CO_2 emissions reach zero around 2050, giving at least a 50 % chance of limiting global warming to below 1.5 °C by the end of the century, with no or low overshoot (< 0.1 °C) of 1.5 °C in earlier years. Physical risks are relatively low, but transition risks are high.
5 Delayed Transition assumes that global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2° C. Negative emissions are limited. This scenario assumes new climate policies are not introduced until 2030 and the level of action differs across countries and regions based on currently implemented policies. The availability of CDR technologies is assumed to be low, pushing carbon prices higher than in Net Zero 2050. As a result, emissions exceed the carbon budget temporarily and decline more rapidly than in Well-below 2° C after 2030 to ensure a 67 % chance of limiting global warming to below 2° C. This leads to both higher transition and physical risks than the Net Zero 2050 and Below 2° C scenarios.

the effects on investments in non-energy sectors. The input for scenario analysis comes from the GCAM model used to derive the NGFS scenarios. The data was sourced from the NGFS Phase II database and the GCAM5.3 (GCAM-USA) model – an Integrated Assessment Model for the evolution of energy and socio-economic systems.

Macroeconomic impacts from transition risks arise from a fundamental shift in energy and land use and affect every sector of the economy. The GCAM model describes how supply, demand, and prices of energy evolve across the different transition scenarios. The model also provides GDP trajectories, carbon prices, and GHG emissions for Georgia.

Scenario Implementation

To complement the output from the GCAM model, three additional transition channels have been included:

1. Increased Capex - Transitioning towards a decarbonised economy requires the replacement of "traditional" or carbon-intensive technology with sustainable technology[1]. These new technologies are more expensive, implying higher Capital Expenditure / Leverage/ debt-servicing burden for TBC's borrowers;
2. Direct Emissions - Energy prices are the main transition channel for a carbon tax, but direct emissions (own heating, own fuel use, livestock emissions, etc.) might also be taxed. Direct emissions are not captured by the energy-based IAMs;
3. Transition Winners - Certain sectors can be considered sector winners because they are likely to benefit from higher and accelerated investment cycles. Some of these include Construction, Automotive, Trade, and Manufacturing due to the move to carbon-light activities.

In terms of physical risk, the models and scenarios provided by NGFS were examined for physical risks. It was also preferred to be compatible with scenarios in transition risks. The available data sources made it appropriate only to use physical risk indicators for the REMIND-MAgPIE[2] model under the three scenarios (Current Policies, Net Zero 2050, and Delayed Transition). Next, two indicators of physical risk were chosen that were most relevant to Georgia, one of which was acute and the other, chronic. The first, "Annual Expected Damage from River Floods", was chosen as an acute risk indicator because Georgia's natural disaster history indicates that the most harmful, high risk physical event is flooding. "Mean Air Temperature" was chosen as a fundamental indicator of chronic risk.

The shocks which are used in climate stress testing calculations are derived from long-term shocks: The average shock between 2020 and 2050 (the shocks are defined for every 5-year period) was applied in order to calculate the climate stress effects. Thus, shocks considered in the calculations are much higher than the shocks which are defined for the following 10-15 years by stress testing model; it is to consider that the typical maturity of exposures at TBC is up to 15 years.

The model output shows the long-term change in revenue due to transition and physical risk from 2020 to 2050. The shocks to the revenue per sector are integrated into TBC's baseline scenario parameters and applied to the different portfolio segments: micro, SME, corporate and retail.

Conclusions

Scenarios Below 2° C and Net Zero 2050: The results by segments show that the impact of climate shocks on the payment capacity of customers in the retail, Micro, SME and corporate segments is negligible.

In the Delayed Transition scenario, the results differ slightly: climate shocks only impact the payment capacity of customers in the retail, Micro and SME segments insignificantly. Few corporate customers show negative trends, as the collateral value was not initially considered; however, after considering the collateral value, the results become negligible.

Even if the climate stress tests are not forecasting tools, they indicate the level of resilience towards climate shocks, especially in the short and medium term. Longer-term effect cannot be observed sufficiently, as the average maturity of the TBC's loan portfolio is shorter than the time horizon of the climate stress testing which considers the period of the following 30 years. It is worth noting, that the maximum maturity of a loan is limited to 15 years (with few exceptions) by the local regulator. Furthermore, the climate stress tests show that the most vulnerable sectors are energy (non-renewable) and utilities and oil and gas, if the transition risks materialise. However, as mentioned above, transition risk is rather low in Georgia.

3. Risk management

Processes for identifying and assessing climate-related risks

TBC has a comprehensive Environmental and Climate Change Policy in place, which governs our Environmental Management System ("EMS") and climate-related framework within the Group. Our Environmental and Climate Change Policy ensures that we:

- Establish methodologies to advance climate action and integrate the respective approaches into the operations and management processes of the Group;
- Comply with applicable environmental, health and safety, and labour regulations;
- Use sound environmental, health and safety, and labour practices;
- Take reasonable steps to make sure that our customers also fulfil their environmental and social responsibilities.

Our Environmental and Climate Change Policy is fully compliant with Georgian environmental legislation and follows international best practices. The full policy is available at www.tbcbankgroup.com.

Our EMS is based on four pillars:

- Internal environmental activities;
- Environmental and social risk management in lending;
- Sustainable finance; and
- External communications

INTERNAL ENVIRONMENTAL ACTIVITIES

Calculation of greenhouse gas ("GHG") emissions

The implementation of an internal EMS addresses the Group's consumption of resources. TBC Bank has reviewed all its operational activities, procured items, and outsourced services that it can control (present and planned), and has identified all environmental aspects relevant to the business. These are sub-categorised into indirect and direct environmental aspects, analysed based on a comprehensive scorecard, and managed accordingly.

TBC Bank has established a comprehensive internal environmental system to manage and report on the Group's GHG emissions and is committed to reducing its GHG emissions by closely monitoring its consumption of energy, water, and paper. The guidelines for documenting environmental data have been developed and responsible staff in subsidiary companies have been assigned to collect and provide the required data. More details on the Group's GHG emissions and targets are given in the section on metrics and targets on page 139.

Lending operations

The risks associated with climate change have both a physical impact arising from more frequent and severe weather changes, and a transitional impact that may entail extensive policy, legal, and technological changes to reduce the ecological footprint of households and businesses. For the Group, both risks can materialise through the impairment of asset values and a deterioration in the creditworthiness of customers, which could result in a reduction in the Group's profitability. The Group may also become exposed to reputational risks because of lending to, or other business operations with, customers deemed to be contributing to climate change.

As mentioned above, climate risks can materialise through the impairment of asset values and the deteriorating creditworthiness of customers. In order to increase its understanding of climate-related risks on the Bank's loan portfolio, the Bank performed a high-level sectoral risk assessment, as different sectors might be vulnerable to different climate-related risks over different time horizons. The risk assessment process and content are based on TCFD recommendations, climate-related documents published by the Bank of England, the climate change assessments of Georgia performed as part of the IPCC reports, the Climate Risk Radar of the NBG, and the targets and strategy 2030 defined by the Georgian Government to achieve the National Determined Contribution of Georgia3. The assessment of levels and impacts might change in the future, based on further reviews of the methodology, deep-dive analysis, and increased understanding of the impact of climate change risks.

1 According to the Sustainable Finance Taxonomy for Georgia.
2 The REMIND-MAgPIE framework couples the energy-economy model REMIND and the agricultural production model MAgPIE. The Integrated Assessment Model REMIND (Regional Model of Investment and Development) represents the future evolution of the world economies with a special focus on the development of the energy sector and its implications for our world climate. The Model of Agricultural Production and its Impact on the Environment (MAgPIE) is a global land use allocation model. It takes into account regional economic conditions such as demand for agricultural commodities, technological development, and production costs as well as spatially explicit data on potential crop yields, land, and water constraints.
3 A nationally-determined contribution (NDC) is a national plan highlighting climate change mitigation, including climate-related targets for greenhouse gas emission reductions, policies and measures governments aim to implement in response to climate change and as a contribution to achieve the global targets set out in the Paris Agreement.

The sectoral assessment was performed with the involvement of the business and credit risk specialists responsible for the respective economic sectors in the Bank.

The sectoral distribution of the loan portfolio as of Q4 2023 is given in the table below.

Gross loans by sectors for standalone Bank	Total exposure (GEL in mln)	% of Gross Portfolio
Individuals	7900.4	37.1%
Real Estate	2020.0	9.5%
Construction	1471.1	6.9%
Trade	1340.6	6.3%
Hospitality & Leisure	1252.7	5.9%
Food Industry	1154.9	5.4%
Energy & Utilities	996.9	4.7%
Agriculture	988.5	4.6%
Healthcare	623.3	2.9%
Services	499.9	2.3%
Financial Services	345.4	1.6%
Transportation	302.0	1.4%
Automotive	282.8	1.3%
Oil and Gas	245.6	1.2%
Pawn Shops	208.2	1.0%
Metals and Mining	179.5	0.8%
Manufacturing	150.9	0.7%
Media & Publishing	104.7	0.5%
Communication	55.0	0.3%
NGOs and Public sector	1.3	0.0%
Government sector	0.1	0.0%
Other	1154.0	5.6%
Total Loans to Customers (Gross)	**21277.8**	**100.0%**

The maturity of assets is essential when defining the different time horizons for analysis and when assessing the materiality of climate-related risks for the different sectors. The maturity structure of the loan portfolio shows that the majority of assets are distributed in much shorter time horizons than the timeframe in which the impacts of climate change, especially of physical risks, may arise in Georgia.

The maturity distribution of the loan portfolio as of Q4 2023 is given in the table below.

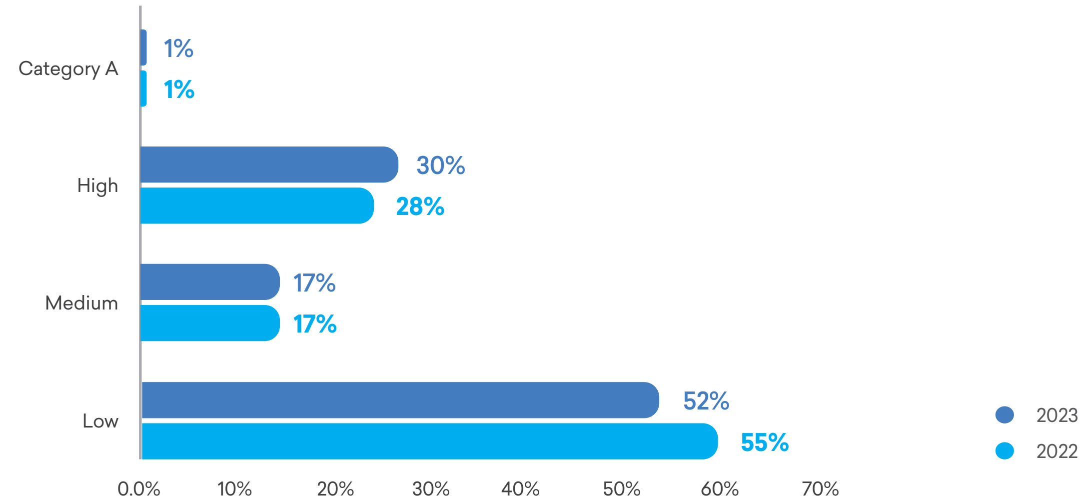
Client IFRS Sector Name	Total Exposure (GEL in mln)	%of Gross Portfolio	Volume of Loans <8y	Share of Loans <8y	Volume of Loans <15y	Share of Loans <15y
Healthcare	623.3	2.9%	459.8	73.8%	623.3	100.0%
Individual	7,900.4	37.1%	3,742.6	47.4%	7,078.9	89.6%
Hospitality & Leisure	1,252.7	5.9%	564.2	45.0%	1,251.2	99.9%
Manufacturing	150.9	0.7%	122.5	81.2%	150.9	100.0%
Metals and Mining	179.5	0.8%	147.1	81.9%	179.5	100.0%
Government sector	0.1	0.0%	0.1	100.0%	0.1	100.0%
Food Industry	1,154.9	5.4%	1,080.5	93.6%	1,154.9	100.0%
Media & Publishing	104.7	0.5%	98.0	93.6%	104.7	100.0%
Real Estate	2,020.0	9.5%	1,328.1	65.7%	2,020.0	100.0%
Services	499.9	2.3%	294.2	58.9%	499.8	100.0%
Transportation	302.0	1.4%	281.2	93.1%	302.0	100.0%
Agriculture	988.5	4.6%	834.1	84.4%	988.5	100.0%
Pawn Shops	208.2	1.0%	208.2	100.0%	208.2	100.0%
Trade	1,340.6	6.3%	1,165.0	86.9%	1,340.2	100.0%
Oil and Gas	245.6	1.2%	243.1	99.0%	245.6	100.0%
Automotive	282.8	1.3%	252.9	89.4%	282.8	100.0%
Communication	55.0	0.3%	54.6	99.3%	55.0	100.0%
NGOs and Public sector	1.3	0.0%	1.3	100.0%	1.3	100.0%
Construction	1,471.1	6.9%	1,279.8	87.0%	1,471.1	100.0%
Other	1,154.0	5.6%	842.1	73.0%	1,153.8	100.0%
Energy & Utilities	996.9	4.7%	453.4	45.5%	871.6	87.4%
Financial Services	345.4	1.6%	342.1	99.0%	345.4	100.0%
Total Loans to Customers (Gross)	21,277.8	100%	13,794.9	64.8%	20,328.8	95.5%

Processes for managing climate-related and environmental risks in lending

Since 2012, TBC Bank has had in place a process to consider environmental and social risk, which was established in line with industry guidelines, that aims to mitigate climate change. TBC Bank has developed E&S risk management procedures to identify, assess, manage, and monitor environmental and social risks that are fully compliant with Georgian environmental legislation, follow international best practices, and incorporate appropriate consideration of IFC Performance Standards, EBRD Performance Requirements (PRs), and ADB's Safeguard Requirements (SRs). These procedures are fully integrated into the credit risk management process and are routinely applied to SMEs and corporate customers. In collaboration with partner IFIs, a clear Environmental and Social risk categorisation matrix was developed. Projects that are to be financed are classified according to E&S categories (low, medium, high and A category) based on analysis; where necessary, deep-dive analysis and due diligence are performed. When categorising the transaction according to E&S risk category, priority is given to the higher risk. Additionally, external specialised companies are involved in the detailed assessment of E&S risks for A category projects, such as hydroelectric plants.

The table depicts the business loan portfolio breakdown by E&S categories, by shares.

BUSINESS LOAN PORTFOLIO BREAKDOWN BY E&S CATEGORIES (BY SHARES)



Low Risk – transactions with minimal or no adverse social or environmental impacts, which are not generally subject to further assessment (beyond their identification as such) and require customer's (assent/certification/disclosure) compliance with local and national environmental, health and safety and labour laws and regulations.

Medium Risk – transactions with limited potential for adverse social or environmental impacts that are few in number, generally site-specific, largely reversible, clearly evident at the time of the assessment and readily addressable through mitigation measures, which typically require a limited or focused environmental and/or social assessment, or straightforward application of environmental siting, pollution standards, design criteria, or construction standards.

High Risk – transactions with potentially highly significant, negative and/or long-term environmental and/or social impacts, the magnitude of which may be difficult to determine at the loan application stage. These typically require analysis of environmental and social risks and impacts in the context of the total area of influence of the customer's operations. As part of the risk assessment, the client will identify individuals and groups that may be differentially or disproportionately affected by its operations.

Category A – transactions with potentially significant adverse social or environmental impacts that may be diverse, irreversible, or unprecedented, the assessment of which usually requires inputs from independent external experts and may require the involvement of IFI E&S specialists in the due diligence assessment process.

In addition, we strive to make a positive contribution to the development of private companies and assist them in the proper management of environmental and social risks related to their business activities. In cases where we identify any non-compliance with local legislative requirements and/or TBC's standards, we develop Environmental and Social Action Plans (ESAP) for our clients to assist them in enhancing their environmental performance and we closely monitor their implementation.

Starting in April 2022, TBC received support from the Technical Assistance Trust Fund (EPTATF)[1] through its Climate Action Support Facility (CASF) for Promoting Climate Action for SMEs in Georgia. The support from EPTATF comprised one year of consultancy services for the implementation of TBC's climate action strategy, provided by the Frankfurt School of Finance and Management, covering:

- The climate action strategy, monitoring and reporting;
- Stress testing and sensitivity analysis; and
- Climate-related training.

This process was supported by climate-related training to strengthen the Bank's capacity, knowledge, and capabilities to manage climate-related risks across the business. In 2022, eight different training sessions and workshops were conducted, covering topics such as climate-related risk management, financial planning, and climate stress testing.

In 2023, we continued working with external consultants on following topics: financed emissions, our climate stress testing model, and measurement of Group's direct performance against the Paris Agreements targets.

ESG profiles for corporate customers

In 2023, TBC Bank finalized a pilot project which tested the ESG Profile Methodology on its top 20 corporate customers. The aim was to incorporate an ESG Profile scorecard in the overall risk management process. ESG factors such as climate adaptation, transition to low-carbon activities, implementation of green technologies, diversity and inclusion, and good corporate governance are considered during the assessment and the respective scores are assigned based on expert judgment.

The ESG profile consists of four main components:

1. Climate change – covering physical and transitional risks;
2. Environmental – covering environmental and social risks;
3. Social – covering diversity, employee benefits and equal/fair pay;
4. Governance – covering ESG governance, the Company's disclosures, and diversity at Board and executive management levels.

The results of the assessment will be useful for the development of decarbonization and transition plans. The ESG Profile Methodology is considered as being at an initial stage and will evolve in the future as far as knowledge, expertise within the Group, and the local regulatory framework for climate-related topics advance.

Other risk categories

Climate risk might impact other, more traditional risk categories for banking such as: market risk, operational risk, liquidity risk, and reputational risk. A summary of the assessment is given in the table below. Certain risk factors, which were identified for operational and reputational risks, are already covered under the existing risk management framework.

Banking risk types	Impact from Physical Risk	Impact from Transition Risk
Market risk	No material impact expected	No material impact expected
Liquidity risk	No material impact expected	No material impact expected
Operational risk	Extreme events that would cause damage to the Group's own sites could affect its ability to provide services to its clients (e.g., lack of electricity supply, inability for employees to work in premises). No material impact expected	No material impact expected
Reputational risk	No material impact expected	Financing to high-emitting borrowers could affect brand image, as perceived by stakeholders. No material impact expected

Supply chain monitoring

As one of the largest purchasers in the country, we acknowledge and understand the social, economic, and nvironmental impact of our procurement decisions and operations. In 2019, we developed an Environmental and Social Risk Management Questionnaire in order to screen suppliers. We also regularly assess our long-term contractor companies' environmental and social risks. In case we identify any non-compliance with our E&S standards, our ESRM team develops implementation Environmental and Social Action Plans (ESAPs) for each company and monitors their implementation.

1 These services are financed through financial support from the EPTATF Trust Fund. Information given to the press or to any third parties, all related publicity material, official notices, reports, and publications shall acknowledge that the services are delivered "with funding by the Eastern Partnership Technical Assistance Trust Fund (EPTATF)." The Fund was established in 2010 with a view to enhancing the quality and development impact of the Bank's Eastern Partnership operations through the financing of pre-feasibility and feasibility studies, institutional and legal appraisals, Environmental and Social Impact Assessments for potential investments, project management support and capacity building for the beneficiaries during the implementation of investment projects, as well as of other upstream studies and horizontal activities. It focuses on four priority sectors: energy, environment, transport, and telecommunications with climate change and urban development as cross-cutting issues.

Raising environmental awareness among our employees

We believe that raising environmental awareness among our employees is vital for the effective implementation of EMS and to encourage new eco-friendly ideas and initiatives within the organisation.

For this purpose, we actively run various Environmental and Social training programmes, which include:

- Training on environmental and climate change topics for new employees;
- Climate change and green Lending training for credit and front office staff;
- An annual mandatory online EMS e-learning course for all staff, followed by a self-evaluation test;

In 2023, 98% of all staff, including senior management, successfully passed an online course and a self-evaluation test about TBC's EMS.

To ensure effective communication, training materials were created that briefly describe TBC's environmental management system.

EXTERNAL COMMUNICATION

The Group pays significant attention to the external communication of E&S matters with existing and potential customers and other stakeholders. The feedback and recommendations received from our stakeholders and other interested parties enable us to continuously improve our E&S performance.

Our grievance mechanism enables any interested party to register complaints with regards to E&S issues via our website www.tbcbank.com.ge. All complaints are thoroughly analysed and addressed in a timely manner.

TBC Bank has successfully passed the third-year surveillance audit of the Environmental Management System, ISO 14001:2015. This means that TBC's Environmental System is managed in accordance with international standards and requirements. The renewal of the certificate for 2023 was conducted in December 2023 and was also completed successfully.

TBC Bank annually discloses its Environmental and Social Performance Annual Report to all its partner International Financial Institutions. The report includes detailed information about Environmental and Social Risk Management in Lending, the distribution of the Bank's business portfolio in terms of environmental and social risk, a breakdown of its sustainable portfolio, and respective procedure updates etc.

Since 2019, TBC Bank released its third full-scale Sustainability Report, which was prepared in accordance with Global Reporting Initiative (GRI) standards. The Sustainability Report helps the Company to understand its role and influence on sustainable development issues such as climate change, human rights, and social welfare. The report is available at www.tbcbankgroup.com.

4. Metrics and targets

The metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

The metrics related to the Group's own operations

TBC Bank has established a comprehensive internal environmental system to manage and report on the Bank's GHG emissions and is committed to reducing its GHG emissions by closely monitoring its consumption of energy, water, and paper. The guidelines for documenting environmental data have been developed and responsible staff in subsidiary companies have been assigned to collect and provide the required data. TBC Bank also commissioned G&L Management LTD, an independent Health, Safety, and Environment (HSE) consulting company, to verify the measurements of its GHG emissions. The company provided a limited assurance, covering historical data and information.

Below is a summary of Scope 1, Scope 2, and Scope 3 (flights) GHG emissions, water and paper consumption, 2023 targets versus actual results, as well as targets for 2024.

Total GHG emissions (CO_2) (tonnes) and KPIs	Actual 2021	Actual 2022	Actual 2023	2023 target increase	Future target for 2024
Scope 1* Fuel Combustion (heating, vehicles, generators)	3,102	3,175	**3,042**	Below 3%	**Increase below 5%**
Scope 2 (Electricity consumption)	1,499	1,489	**1,470**	Below 7%	**Increase below 4%**
Scope 3 (International flights)	18	506	**1591**	----	**Decrease -44%**
Total emissions (tCO_2)	**4,619**	**5,170**	**6,103**	Below 4%	**Decrease -8%**
Total emissions per full time employee (tCO_2/pp)	**0.6**	**0.62**	**0.70**	Below 4%	**Decrease -8%**
Water consumption per employee (m^3/pp)	9.54	8.90	**8.62**	Below 2%	**Increase below 3%**
Printing paper per person in reams	13.50	12.67	**12.24**	Below 4%	**Increase below 1%**

Scope 1 - In 2023, this indicator decreased by 4% compared to 2022 and remained significantly below the target level of an increase of 3%. The decrease was mainly related to the measures implemented by TBC Bank which are listed on the page 129 of the chapter.

Scope 2 – In 2023, total electricity consumption decreased by 1% compared to 2022 and remained significantly below the target level of an increase of 7%. The decrease was mainly related to the measures implemented by TBC Bank which are listed on the page 129 of the chapter.

Scope 3 – In 2023, business flights increase by 214%. The main contribution comes from an one-off marketing project which considered supporting the Georgian National Rugby team at the Rugby World Championship 2023 in Paris.

Overall, total emissions increased by 18% in 2023 compared to 2022 levels, while total emissions per full time employee increased by 13% over the same period.

In 2023, water consumption per employee decreased by 3% year-on-year, while usage of printing paper went down by 3%.

Calculation methodology

To calculate the GHG inventory, we took the following steps: we set the organisational boundaries, established the operational scope, and developed a structured approach for data collection and the calculation of carbon dioxide (CO_2) equivalent. This report describes all emission sources required under the Companies Act 2006 (Management report) Regulations 2013 (Scope 1 and 2) and, additionally, the emissions under Scope 3 that are applicable to the business. In preparing emissions data, the UK Government's Greenhouse Gas Conversion Factors for Company Reporting 2017 and National IPCC emission factors for electricity (tCO_2*/MWhe) were used. The required data were collected, and a report was generated for TBC Bank's main activities, as follows:

Scope 1 (the combustion of fuel and operation of facilities) includes emissions from the combustion of natural gas, diesel and/or petrol in equipment at TBC Bank's owned and controlled sites, including the combustion of petrol, diesel fuel, natural gas etc. in TBC Bank-owned transportation vehicles.

Scope 2 (purchased electricity for own use, such as lighting, office appliances, cooling, etc.) includes emissions from the use of electricity at TBC Bank-owned and controlled sites. To calculate the emissions, the conversion factor for National IPCC emission factors for electricity (tCO_2*/MWhe) was used.

Scope 3 includes emissions from all air business travel (short/medium/long and international haul). It should be noted that information on the travel class was considered and an "economy class" conversion factor has been used for the emissions calculation from the following link: www.atmosfair.de.

Financed emissions (Scope 3)

We have a direct or indirect impact on the environment throughout our activities. However, in the case of financial institutions, the main source of Greenhouse Gas (GHG) emissions is not the emissions produced directly via operating our business processes or their own energy consumption, but GHG emissions produced by other sectors that are financed by us. These types of emissions are known as financed emissions.

The table below depicts, which of the 15 categories of Scope 3 emissions have been included and which are considered to be immaterial or irrelevant to the business.

#	Scope 3 category	GHG calculation approach
1	Purchased goods and services	Not material
2	Capital goods	Not relevant
3	Fuel- and energy-related activities (not included in scope 1 or scope 2)	Not relevant
4	Upstream transportation and distribution	Not relevant
5	Waste generated in operations	Not material
6	Business travel	Included (flights)
7	Employee commuting	Not material
8	Upstream leased assets	Not material
9	Downstream transportation and distribution	Not material
10	Processing of sold products	Not relevant
11	Use of sold products	Not material
12	End-of-life treatment of sold products	Not relevant
13	Downstream leased assets	Not relevant
14	Franchises	Not relevant
15	Investments	Included - financed emissions: debt investments (with known use of proceeds) and project finance

7 categories are considered to be not relevant, as TBC Bank does not engage in these activities; other 6 categories are assessed to be not material, as those activities does not constitute typical activities for TBC Bank as a financial institution. We consider two categories – business travel and investments – to be material: financed emissions constitute more than 40% of the total GHG emissions (indirect impact), while business travels are considered to be material due to their increasing share since 2021, which was above 30% in 2023.

Financed emissions (Scope 3)

The Partnership for Carbon Accounting Financials (PCAF) has developed methods for different asset classes, which can be used to calculate the financed emissions (PCAF 2022). In total, seven asset classes are considered. Below you can see the financed emissions by asset class as of December 2023.

N.	Asset Type	Financed GHG Emissions GgCO2e/y
	TOTAL	3,166.70
1	Listed Equity and Corporate Bonds	61.3
2	Business Loans and Unlisted Equity	2,856.60
3	Project Finance	-15.1
4	Commercial Real Estate	2.3
5	Mortgages	30.4
6	Motor Vehicle Loans	0.9
7	Sovereign Debt	230.3

Calculation methodology

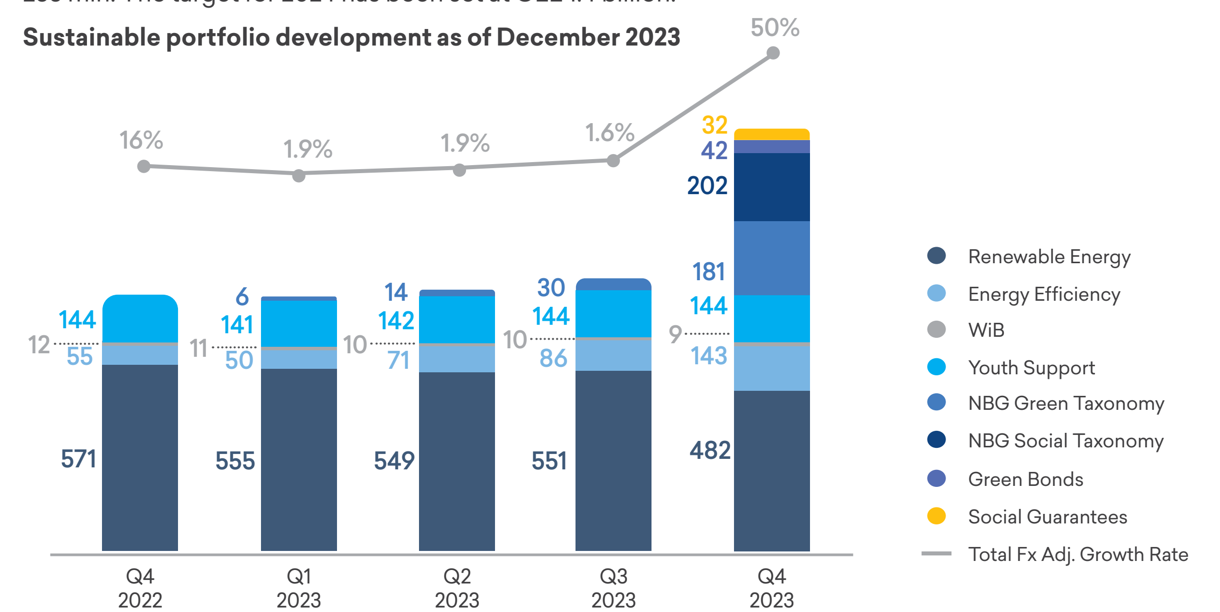
- Listed Equity and Corporate Bonds - consists of securities for which verified emissions data are available
- Business loans[1]-consists of business Loans and unlisted equity asset class
- Project finance - consists of projects for which verified project emissions / reductions data are available
- Retail mortgages -consists of all retail mortgages
- Commercial real estate - consists of all commercial l mortgages
- Motor vehicles - consists of all car loans
- Sovereign debts[2]- consists of all sovereign papers which are on the balance of TBC Bank SA.

It should be noted that the data we have used for calculation of financed emissions is the best available at the current stage, notwithstanding the challenges that exist given the incompleteness and novelty of the data sets and the methodologies required for the Georgian environment, which most of our activities occur. The most of the data are of Score 4 and Score 5 quality. We expect the availability and reliability of the required data to improve over time, and we intend to integrate improved data into our calculations as it becomes available and reliable.

Sustainable portfolio

The climate action initiatives are part of the overall ESG strategy, which is reviewed and approved by the Supervisory Board annually. The ESG strategy sets aspirational targets, such as net-zero GHG emissions[3] (Scope 1 and Scope 2 GHG emissions) related to the direct environmental impact by 2025 and an increase in the sustainable portfolio, which consists of renewable energy loans, energy efficiency loans, and financing with social components, etc. As of Q4 2023, the total sustainable portfolio[4] stood at GEL 1.23 billion, which exceeds the 2023 target volume of GEL 1.0 billion by GEL 233 mln. The target for 2024 has been set at GEL 1.4 billion.

Sustainable portfolio development as of December 2023



During 2023, our renewable energy portfolio impact (avoided GHG emissions) amounted to 7 681.18 tCO_2/a according to the electricity generation data and estimates of the external consultant under the Green for Growth Fund (GGF) Technical Assistance Facility represented by Finance in Motion GmbH financed by the European Union under the EU4Energy Initiative.

From 2022 onwards, ESG-related KPIs are included in the long-term incentive plans for executive remuneration. The executive management KPIs are linked to the target volumes of the sustainable portfolio and other sustainable assets. For more details, please see the Remuneration Committee Report in the Annual Report of TBCBank Group PLC, page 229.

1 www.nbg.gov.ge - The calculation methodology for business loans was developed by the National Bank of Georgia within the project "Promotion of Rural Finance for Sustainable MSE Development in the South Caucasus and Ukraine", implemented by DSIK and funded by the German Ministry for Economic Cooperation and Development (BMZ).
2 The calculation methodologies for the other six asset classes were developed by TBC in cooperation with the consultant company RINA, supported by the Global Climate Partnership Fund. The calculation methodologies consider the PCAF approach.
3 Please refer to the definitions of Scope 1, Scope 2 and Scope 3 on the page 139.
4 Our sustainable loan portfolio includes a) energy efficiency, youth support, and women in business loans financed by special purpose funds received from IFIs; b) loans financing renewable energy, which include all hydro power plants financed by the Bank; c) financing of startup companies and affordable housing which are categorized based on the Social Taxonomy of the National Bank of Georgia, d) green loans which are assessed based on criteria defined by the Green Taxonomy of the National Bank of Georgia (www.nbg.gov.ge).

Chapter 2

Governance

Corporate Governance

Joint Stock Company TBC Bank (the "Bank") is the main subsidiary of TBC Bank Group PLC, a company incorporated in England and Wales and listed on the premium segment of the London Stock Exchange. The Bank's Corporate Governance is in compliance with the requirements of the National Bank of Georgia's Code on Corporate Governance for Commercial Banks, dated 26 September 2018, as amended from time to time (the "Code"). At the same time, the Bank also complies with the highest standards of corporate governance as prescribed by the UK Corporate Governance Code.

In addition, the Bank has in place an effective internal control system in order to ensure accurate and reliable financial reporting. The Bank has a well-defined framework of accountability and delegation of authority, as well as policies and procedures that include financial planning and reporting; preparation of monthly management accounts; project governance; information security; and review of the disclosures within the annual report and accounts from the respective leads, to appropriately disclose all relevant developments in the year and to meet the requirements of a true and fair presentation.

The Bank's Supervisory Board ("Supervisory Board") ensures that the Bank's governance structure enables adequate oversight and accountability, as well as a clear segregation of duties. The involvement of all governance levels in risk management, the clear segregation of authority, and effective communications between different entities facilitate clarity regarding the strategic and risk objectives, adherence to the established risk appetite, risk budget and sound risk management. The centralised Enterprise Risk Management (ERM) function ensures effective development, communication and implementation of risk strategy and risk appetite across the Bank and its subsidiaries ("Group").

The main shareholder of the Bank is TBC Bank Group PLC, which holds 99.9% of the Bank's share capital. The rights of the shareholders are governed by the Law of Georgia on Entrepreneurs and the Law on the Activities of Commercial Banks and also set out in the Charter of the Bank publicly available at www.tbcbank.ge.

The Board of Directors of TBC Bank Group PLC (the "PLC Board") is the principal decision-making body of the Group and is responsible for promoting the Group's purpose, culture, values and long-term success strategy and the delivery of sustainable value to stakeholders by. The PLC Board is responsible for establishing and overseeing the strategic direction of the Group.

The affairs of the Bank are supervised by a Supervisory Board. TBC Bank Group PLC operates a "mirror board" policy approach to its main subsidiary, the Bank. Composition of PLC Board and the Supervisory Board of the Bank including respective committees mirror at both levels in terms of non-executive membership[1]. There is also equivalent committee structure of the Supervisory Board as the PLC Board's committees. The work of the PLC Board, the Supervisory Board and their respective committees is carefully balanced, dividing functions according to whether they are supervising the matters that affect the Group or those concerning solely the Bank. As a result, the Group's governance structure ensures adequate oversight and accountability, as well as clear segregation of duties.

At the date of this report, in line with the "independence" criteria set by the Code, the Supervisory Board comprises eight independent members: Arne Berggren (Chairman), Tsira Kemularia (Senior Independent Member), Per Anders Fasth, Thymios P. Kyriakopoulos, Eran Klein, Nino Suknidze, Rajeev Sawhney and Janet Heckman.

The Supervisory Board has established six Committees:

- The Risk Committee focuses on the possible risks and capital issues of the Bank.
- The Audit Committee deals with the external auditors, internal controls and financial reporting, as well as communication with the market and with the regulators.
- The Remuneration Committee leads the remuneration-related issues, such as the right level of compensation to attract and retain people and balancing this with the level of compensation that is acceptable for our stakeholders.
- The Corporate Governance and Nomination Committee is response for talent management and nomination and succession planning for the Supervisory Board and the executive team.
- The Technology and Data Committee started operating in 2022 and supports the Supervisory Board in its oversight of key enablers of the strategy, data and cyber issues, and the Bank's IT resources.
- The ESG and Ethics Committee started operating in 2022 and ensures that the Bank stays focused on the ESG issues that are key for all our stakeholders.

The Bank recognises the importance of ensuring diversity and sees significant benefit to our business in having the Supervisory Board and management team that is drawn from a diverse range of backgrounds, since this brings the required expertise, cultural diversity and different perspectives to the board discussions and helps to improve the quality of decision making.

As at the date of this Annual Report, three (38%) of the eight members of the Supervisory Board are female, and there are a number of talented women in key positions, who report directly to the CEO of the Bank and other members of the management board within the Bank. The Bank will continue to ensure that consideration of all future appointments to the Supervisory Board and management board supports the diversity aims.

General meeting of shareholders (the "General Meeting") is the supreme governing body of the Bank. The shareholders of the Bank, among other things, are entitled to attend the General Meetings and participate in voting, receive the dividends and demand explanations from the members of the Management Board of the Bank[2] and the Supervisory Board on the issues included in the agenda of the meeting. The General Meeting by a simple majority of votes presented or represented, decides on the different matters, including (but not limited to) election and dismissal of the members of the Supervisory Board, approval of the reports of the Management Board and Supervisory Board, approval of annual financial statement, setting the compensation of the members of the Supervisory Board, approval or rejection of the profit (dividend) distribution proposal. In addition, subject to requirements of the laws of Georgia, the General Meeting may make a decision with a majority of more than 75% of the votes presented or represented on amending the charter of the Bank, approval of reduction of share capital of the Bank, taking action for liquidation, commencement of a general assignment to creditors or voluntary winding up under applicable bankruptcy, insolvency or similar laws and on approving a merger (except for the merger of the subsidiary with the Bank, in which Bank owns 75% of the voting rights, in which case – the decision is made by a simple majority of votes presented or represented), division or other reorganisation.

Responsibility statement

The Management Report and Financial Statements have been prepared in accordance with applicable laws and regulations.

We confirm that to the best of our knowledge that:

- The Group's and the Bank's Financial Statements, which have been prepared in accordance with the IFRS standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Bank and the undertakings included in the consolidation taken as a whole;
- The Management Report includes a fair review of the development and performance of the business and of the position of the Bank and the Group, together with a description of the principal risks and uncertainties they face; and
- The Management Report and Financial Statements, taken as a whole, are fair, balanced and understandable, and provide the information necessary for the shareholders to assess the Bank's and Group's position, performance, business and strategy.

This responsibility statement was approved by the Supervisory Board and Management Board:

Vakhtang Butskhrikidze
CEO

2 April 2024

Arne Berggren
Chairman

2 April 2024

1 The Chief Executive Officer is not a member of the supervisory board of JSC TBC Bank, in accordance with the requirements of Georgian legislation.

Supervisory Board biographies




	ARNE BERGGREN	TSIRA KEMULARIA	PER ANDERS FASTH	JANET HECKMAN
POSITION	Chair	Senior Independent Supervisory Board Member	Independent Supervisory Board Member	Independent Supervisory Board Member
COMMITTEE	Chair of CGN, Member of RemCo	Member of AC, CGN and RemCo	Chair of AC, Member of RC and RemCo	Chair of RemCo, Member of ESGE and RC
APPOINTED	Board: 18 July 2019, Chair: 1 March 2021	Board: 10 September 2018, Senior Independent Director: 15 September 2021	1 July 2021	26 June 2023
BORN	1958	1977	1960	1954
NATIONALITY	Swedish	British	Swedish	American
CAREER	Arne has worked in the financial services industry for more than 30 years. He has held several senior leadership and advisory positions at prominent financial institutions, including the IMF, World Bank, Swedbank, Carnegie Investment Bank AB and the Swedish Ministry of Finance and Bank Support Authority. Arne played a leading role in the handling of the Swedish banking crisis in 1991-93 and assisted the FRA in Thailand and FSC/ KAMCO in South Korea during the Asian crisis. Arne has also served as an independent Non-Executive Director in asset management companies in Turkey and Slovenia, and, until recently, in Greece at Piraeus Bank.	Throughout her career, Tsira has held various roles covering market risk management and commodity trading at companies including Dynegy Inc. in the US and UK and at Shell International Trading and Shipping Ltd (STASCO) in London, Russia CIS, and Caribbean operations. Between 2005 and 2016, she served in a broad range of managerial roles covering M&A and Commercial Finance, Group Treasury and Trading and Supply in the UK, Moscow and Barbados. Tsira was previously the Head of Group Pensions Strategy and Standards at Shell International Ltd based in London. From 2019 to mid-2022, Tsira held the position of Head of Internal Audit and Investigations for Shell's global Trading and Supply organisation, the world's biggest commodity trading and supply business. In July 2022, Tsira was appointed as a Vice President of Corporate and UK Country Controller responsible for the Shell Group's financial management of the corporate segment. Tsira is a member of the Shell UK Management Board, and a member of Shell UK Country Coordination Team, Chief of Staff for UK Crises Management	Over the past 25 years, Per Anders has served as CEO in several companies such as at SBAB Bank, Hoist Finance and European Resolution Capital as well as CFO and other senior executive positions at the leading North-European bank SEB. He has also gained extensive strategic consulting experience having spent 10 years at top-tier consultancies McKinsey & Company and QVARTZ (now Bain & Company). Per Anders has been a non-executive director of more than 15 financial institutions in Europe. In addition, he has extensive professional experience from having worked in more than 20 European countries as a non-executive director, senior executive and advisor to corporations and governments.	Janet was previously the Managing Director for the Southern and Eastern Mediterranean(SEMED) Region at the European Bank for Reconstruction and Development (EBRD). Based in Cairo, she was also the Country Head for Egypt. During her long career at Citigroup, she spent time as EMEA Corporate and Investment Managing Director and held a number of field roles across EMEA, and was responsible for Global Relationship Banking across CEMEA.
SKILLS & EXPERIENCE	Over 25 years of experience in the financial services industry internationally including advisory roles for a range of governmental and supranational bodies and institutions. He has held various roles within UK listed banks and has a breadth of corporate governance expertise. Experience in investment banking activities and in leading bank restructurings; Deep understanding of strategic planning and implementation.	More than 23 years of in-depth experience across the energy sector including regulated commodity trading and financial services; Chartered Director and Fellow with the Institute of Directors in London, UK; * Former member of the British-Georgian Society and former Chair of the Georgian Community in the UK; Relevant experience and expertise in information security risk management.	Extensive CEO and senior executive experience, having spent more than 20 years at leading banks and other financial institutions; Over 30 years of accumulated experience as an independent non-executive director; Strong listed corporate governance, leadership and strategic advisory skills; Significant financial reporting, investor relations and internal controls experience; Relevant experience from the financial information technologies (fintech) and credit management industries across Europe.	Over 30 years experience in corporate, investment and development banking. Extensive expertise in global relationship banking. 15 years experience in operations management. Relevant experience of developing and delivering business plans and strategic change in a wide range of jurisdictions, including across Central and Eastern Europe, North Africa, the Middle East and Central Asia. This included the establishment of key partnerships with national governments.
CONTRIBUTION TO THE COMPANY	With more than 25 years of international banking experience, coupled with his background and broad experience, Arne provides a valuable perspective as Chair to the Board. Arne plays a pivotal role in supporting the Company's relationship with its major shareholders, and, through his extensive experience in navigating economic uncertainty, is invaluable in meeting the challenges facing the Company and the wider sector. As Chair of the Corporate Governance and Nominations Committee, Arne has secured high calibre appointments in the last year. This has been instrumental in ensuring the composition of the Board matches the culture, strategy and leadership needs of the Company.	Tsira's specialist knowledge in the areas of financial services, risk management and internal audit enables her to contribute to, and constructively challenge on, a wide range of Board matters. As a Chartered Director, Tsira's leadership qualities ensure she can act as a sound advisor to the Chair and represent the interests of the other Directors. Tsira brings significant regulatory, strategic and international financial services expertise and knowledge of financial markets to the Board.	Per Anders is regarded as a financial expert in the context of audit and risk committee work. He has extensive experience of banking and financial services and operating in regulatory environments. Per Anders's broad financial and global executive experience brings a wide perspective to his role as Chair of the Audit Committee and in Board discussions and decision-making.	Janet brings her extensive knowledge of financial services and corporate banking to the Board, with her past experiences in the formulation and delivery of strategy for regional operations at the EBRD.
EXTERNAL APPOINTMENTS	Chairman of Hoting Innovations AB	Trustee Director of the British Gas Trustee Solutions Ltd, a closed pension fund (post British Gas acquisition by Shell) Trustee Director of Shell Trustee Solutions Ltd	Chairman of Lyra Financial Wealth, a privately held wealth management company Board member of Atle Investment Management/Services, a privately held investment management company Board member and audit committee chair of Ukrgasbank, a Ukrainian corporate bank	Board member and audit committee chair of Astana International Exchange Board member of Air Astana, Kazakhstan Board member of Citibank Kazakhstan

SUPERVISORY BOARD BIOGRAPHIES CONTINUED




	ERAN KLEIN	THYMIOS P. KYRIAKOPOULOS	RAJEEV SAWHNEY	NINO SUKNIDZE
POSITION	Independent Supervisory Board Member	Independent Supervisory Board Member	Independent Supervisory Board Member	Independent Supervisory Board Member
COMMITTEE	Chair of ESGE, Member of TD and RC	Chair of RC, Member of AC and TD	Chair of TD, Member of ESGE and CGN	Member of AC and CGN
APPOINTED	1 July 2021	1 July 2021	29 November 2021	29 November 2021
BORN	1965	1975	1957	1979
NATIONALITY	British	Greek	Indian	Georgian
CAREER	Eran is an experienced international banker and lawyer. Over a period spanning more than two decades, he held senior roles in leading financial institutions, such as Commerzbank, Citibank, ING Financial Markets and Deutsche Bank. Covering both developed and emerging markets, Eran has accumulated valuable knowledge in capital markets, SME finance, retail lending, corporate governance, liquidity and balance sheet management, as well as in risk management, audit and strategy implementation. He previously served as a Non-Executive Director and risk committee chair at Privatbank, the largest bank in Ukraine.	Thymios is a senior banking executive with considerable international experience. He specialises in operational transformation, balance sheet optimisation, risk management, financial engineering and portfolio management. Thymios was executive general manager and chief risk officer of Piraeus Bank S.A, a leading listed Greek Bank, Managing Director at Goldman Sachs Inc. in the fixed income currencies and commodities trading division, and has held board and executive roles in insurtech, fintech, financial services and advisory sectors.	Rajeev has 40 years' experience as a senior corporate growth executive. He specialises in digital technologies and has served in financial services and various other industry sectors in Europe, North America and Asia. Previously , Rajeev held the positions of Executive Chairman and Non-Executive Director of OXSIGHT Ltd, a medical technology innovation company, and an Oxford University spin off. He was formerly a senior advisor to the CEO at global IT services firm Zensar Ltd in the UK and a member of the advisory board at Garble Cloud Inc., a cybersecurity company in Silicon Valley, USA. Prior to that, Rajeev gained strong operational experience as President of HCL Technologies and at the IT services firm focussed on the Banking and Finance sector, Mphasis, a Hewlett Packard company. Rajeev has been on the World Economic Forum expert Task Force on Low-Carbon Economic Prosperity and contributed at the World Economic Forum Summer Davos on climate change deliberations.	Nino is a business lawyer with over 20 years' experience in the Georgian market. She has a deep understanding of, and expertise in, various areas of practice including banking, finance, corporate, regulation, competition and capital markets. Previously, Nino served as general counsel at JSC Bank of Georgia. Before joining TBC Bank Group plc, she held various positions at the Georgian offices of international law firms Dentons and DLA Piper over a period of more than 11 years. Currently Nino is the managing partner of the law firm Suknidze & Partners LLC.
SKILLS & EXPERIENCE	Extensive experience in banking, credit, capital markets and legal; Significant risk, corporate governance, strategy and structuring expertise; Strong Emerging Markets banking and stakeholder management experience; Relevant experience and expertise in information security risk management.	Extensive experience in global capital markets, regional banking and supervised entities; Expert risk manager, investor, investment banker and balance sheet optimiser; Operational transformation leadership and crisis management spanning systemic banks and fintech; Strong governance, risk and asset management oversight skills for both listed and quasi-governmental entities.	Strong global corporate leadership experience of more than 40 years; Significant advisory and executive experience with technology and cybersecurity companies in financial services and other industry sectors; Extensive expertise in Human Resource management; Relevant experience and expertise in information security risk management.	Strong financial services background; Extensive experience as a leading legal counsel in major financial services sector transactions and listings; Considerable governance, regulatory and risk management experience, including at an LSE-listed company; Experience in advising companies across a range of sectors, including telecommunications, pharmaceuticals, energy and commerce.
CONTRIBUTION TO THE COMPANY	Eran brings to the Board extensive and varied risk, governance and strategy experience that he has gained at large financial institutions and consulting fields in both developed and developing markets, making him an ideal fit to spearhead the ESG and Ethics Committee agenda, on behalf of the Group.	Thymios brings extensive governance, financial and operational experience. His deep knowledge allows him to support and contribute to the strategic direction of the Company while controlling the path used in its implementation. Having led investment and risk functions in internationally listed banks and currently acting as chair of the risk committee of a national wealth fund, Thymios's broad multi-jurisdictional risk expertise enables him to bring innovative and positive insights to his role as Chair of the Risk Committee.	Rajeev brings the extensive international leadership and general management perspective that he has gained from the technology and fintech sectors to the Board. He provides valuable insights into the Company's increasingly important technological evolution. In line with this, he has been appointed Chair of the Technology and Data Committee, where he provides key support and leadership in these areas.	Nino is an experienced domestic and international lawyer with particular expertise in regulated sectors, where she has counselled on a wide range of legal, regulatory and business issues. Nino's valuable experience brings a considered perspective to the Board and enriches discussion and strategic thought.
EXTERNAL APPOINTMENTS	No current additional Board appointments	Board member and chair of the investment committees of the Growthfund, the National Fund of Greece Board member of Attica Bank the Greek listed bank Board member of Agreed Payments SA the newly llicensed fintech business	No current additional board appointments	Vice President at Georgian Chamber of Commerce and Industry Board member at Care Caucasus, a charity organisation in Georgia

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Chapter

Financial Statement

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Independent Auditor's Report

To the Shareholders and Management of JSC TBC Bank

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of JSC TBC Bank (the "Bank") and its subsidiaries (together – the "Group") as at 31 December 2023, and the Group's and the Bank's consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards, with the requirements of the order N284/04 of the President of the National Bank of Georgia dated 26 December 2018, and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing.

What we have audited

The Group's and the Bank's consolidated and separate financial statements comprise:

- the consolidated and separate statements of financial position as at 31 December 2023;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated and separate financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group and the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

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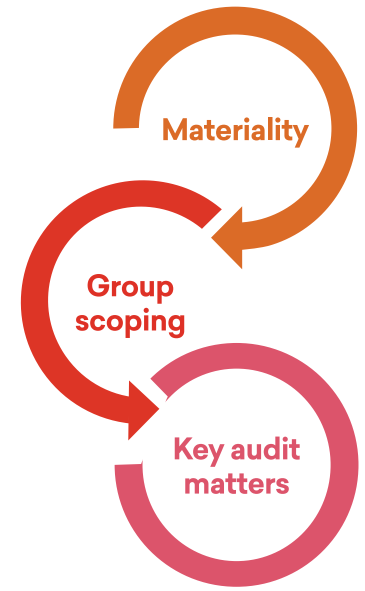
Our audit approach

Overview



- Overall Group materiality: GEL 65.2 million, which represents 5% of the Group's profit before tax.
- Overall Bank materiality: GEL 63.1 million, which represents 5% of the Bank's profit before tax.
- Our scoping was determined based on a legal entity contribution to profit before tax and other key line items in the financial statements.
- Expected credit loss allowance for loans and advances to customers. .

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated and separate financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated and separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group and Bank materiality for the consolidated and separate financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated and separate financial statements as a whole.

Overall Group and Bank materiality	Group: GEL 65.2 million (2022: GEL 63.0 million) Bank: GEL 63.1 million (2022: GEL 61.4 million)
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	Profit before tax is a primary measure used by the shareholder in assessing the performance of the Group and the Bank and is a generally accepted benchmark for determining audit materiality.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance on loans and advances to customers (Group and Bank) Refer to Note 2 - Material Accounting Policy information, Note 3 - Critical Accounting Estimates and Judgements in Applying Accounting Policies, Note 9 - Loans and Advances to Customers, and Note 38 -Financial and Other Risk Management in the consolidated and separate financial statements. We focused on this area as the management's estimates regarding the expected credit loss ('ECL') allowance on loans and advances to customers are complex, require a significant degree of judgement and are subject to high degree of estimation uncertainty. Under IFRS 9, Financial Instruments, management is required to determine the ECL allowance expected to occur over either a 12-month period or the remaining life of an asset, depending on the stage allocation of the individual asset. This staging is determined by assessing whether or not there has been a significant increase in credit risk ('SICR') or default of the borrower since loan origination. Management has designed and developed a number of models to achieve compliance with the requirements of IFRS 9 and implemented an IT system for ECL estimation. Among others, management applies judgement to the models in situations where past experience is not considered to be reflective of future outcomes due to limited or incomplete data. We consider the appropriateness of the model methodologies and the following judgements used in the determination of the modelled ECL allowance to be significant: • Judgemental criteria applied for identification of SICR, involving qualitative assessment of borrowers' creditworthiness (relevant to Corporate and SME portfolios); • Critical assumptions applied in the determination of loss given default ('LGD') and probability of default ('PD'); and • Assessment of the key assumptions related to forward-looking information ('FLI') including the appropriateness of scenario weightings and macroeconomic variables.	We gained an understanding and evaluated the design and implementation of the key controls over the determination of ECL allowance and tested their operating effectiveness. These controls included among others: • Controls over model performance monitoring, including periodic reviews of the policy and models, testing model estimates against actual outcomes and approval of model methodology changes • Controls over governance of independent validation unit; • Review and approval of the key judgements and assumptions used for determining LGDs, PDs and FLI; • Controls over the accuracy of key parameters (such as PD, LGD) used by the calculation engine; • Controls over regular monitoring of the financial standing of the borrowers; • Controls over the automated ECL calculation by the relevant IT system; and • The Management Risk Committee's review and approval of key assumptions and assessment of ECL modelled outputs. We noted no exceptions in the design or operating effectiveness of the above controls. In addition, we performed the substantive procedures described below. We assessed whether the ECL model methodologies developed by management comply with IFRS 9. We performed an evaluation and reviewed the application of the judgemental criteria set by management for determining whether there had been a SICR (applicable to Corporate and SME portfolios). We assessed the reasonableness of the critical assumptions applied in determination of LGDs, PDs and FLI. We involved our credit risk modelling specialists in performing the above procedures. We concluded that management's judgements in deriving SICR, LGDs, PDs and FLI were reasonable. We reperformed the calculation of ECL for selected portfolios and assessed whether management's ECL calculations were consistent with the approved model methodologies. We critically evaluated key aspects of model monitoring and validation ("backtesting" of projected ECL) performed by management relating to model performance and stability. We critically assessed the monitoring results and challenged explanations for deviations from the expectation. We evaluated whether model methodologies were updated to address the results of backtesting, where relevant. We assessed the appropriateness of the macroeconomic models and assumptions as well as weightings applied to each macroeconomic scenario. We are satisfied that macroeconomic assumptions and scenario weightings used by management are reasonable. We evaluated adequacy of the disclosures related to ECL allowance on loans and advances to customers.

How we tailored our Group and Bank audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated and separate financial statements as a whole, taking into account the structure of the Group and the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

The Group's banking activities are primarily carried out in Georgia, with small subsidiary operations in two other countries. The Group's business activities comprise of four segments for which it manages and reports its operating results and financial position, namely Retail Banking, Corporate and Investment Banking, Micro Small and Medium Enterprises ('MSME') and Corporate Centre.

The Bank is the largest component of the Group. Its main operations are Retail and Commercial banking, with all significant operations based in Georgia. The accounting function and management of the Bank are primarily based in Georgia, and represents 94.4% of the Group's total assets and 94.6% of profit before tax.

Our audit approach and composition of our team were tailored to the structure of the Group. We did not use component auditors for audit of in-scope areas. We performed a full scope audit of the only significant component of the Group – the Bank. We also performed an audit of the material financial statement line items of one insignificant component of the Group. Based on the procedures we performed over the reporting units, our audit scoping accounted for 99.7% of revenue (comprising interest income and fee and commission income) and 98% of total assets of the Group. We also performed other audit procedures including testing information technology general controls and other relevant controls related to financial reporting, to mitigate the risk of material misstatement.

Other information

Management is responsible for the other information. The other information comprises the Management Report (but does not include the consolidated and separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the Management Report.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the Management Report and, in doing so, consider whether the Management Report is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

In addition, we are required by the Law of Georgia on Accounting, Reporting and Auditing to express an opinion whether certain parts of the Management Report comply with the respective regulatory normative acts and to consider whether the Management Report includes the information required by the Law of Georgia on Accounting, Reporting and Auditing.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the Management Report for the financial year for which the consolidated and separate financial statements are prepared is consistent with the consolidated and separate financial statements;
- the information given in the Management Report complies with the requirements of paragraph 6 and paragraph 7 (c), (g) of article 7 of the Law of Georgia on Accounting, Reporting and Auditing;
- the information given in the Management Report includes the information required by paragraph 7 (a), (b), (d) – (f) and paragraph 8 of article 7 of the Law of Georgia on Accounting, Reporting and Auditing.

Responsibilities of management and those charged with governance for the consolidated and separate financial statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards, with the requirements of the order N284/04 of the President of the National Bank of Georgia dated 26 December 2018 , and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing, and for such internal control as management determines is necessary to enable the preparation of the consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or the Bank or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Levan Kankava.

PricewaterhouseCoopers Georgia LLC

PricewaterhouseCoopers Georgia LLC (Reg.# SARAS-F-775813)

Levan Kankava (Reg.# SARAS-A-592839)

2 April 2024
Tbilisi, Georgia

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in thousands of GEL	Note	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	6	3,691,232	3,786,098
Due from other banks	7	11,135	6,298
Mandatory cash balances with National Bank of Georgia	8	1,572,506	2,047,564
Loans and advances to customers	9	20,958,532	17,497,442
Investment securities measured at fair value through other comprehensive income	10	3,475,461	2,884,728
Repurchase receivables	11	-	267,495
Finance lease receivables	13	370,795	288,886
Investment properties		15,235	22,154
Investments in associates		4,204	3,721
Current income tax prepayment		53	27
Deferred income tax asset	33	395	2,064
Other financial assets	12	281,861	246,998
Other assets	14	405,493	411,727
Premises and equipment	15	491,324	424,252
Right of use assets	16	111,991	100,209
Intangible assets	15	352,722	311,150
Goodwill	17	28,197	28,197
TOTAL ASSETS		**31,771,136**	**28,329,010**
LIABILITIES			
Due to credit institutions	18	4,346,951	3,885,360
Customer accounts	19	19,942,516	17,841,357
Other financial liabilities	22	276,496	250,518
Current income tax liability	33	66,703	601
Deferred income tax liability	33	50,957	112,877
Debt securities in issue	20	1,264,085	1,209,813
Provision for liabilities and charges	21	21,060	19,908
Other liabilities	23	102,519	80,386
Lease liabilities	34	83,410	72,240
Subordinated debt	24	868,730	590,148
TOTAL LIABILITIES		**27,023,427**	**24,063,208**
EQUITY			
Share capital	25	21,014	21,014
Share premium		521,190	521,190
Retained earnings		4,285,662	3,783,180
Share based payment reserve	26	(85,614)	(57,556)
Fair value reserve for investment securities measured at fair value through other comprehensive income		12,345	5,467
Cumulative currency translation reserve		(7,085)	(7,657)
Net assets attributable to owners		**4,747,512**	**4,265,638**
Non-controlling interest	37	197	164
TOTAL EQUITY		**4,747,709**	**4,265,802**
TOTAL LIABILITIES AND EQUITY		**31,771,136**	**28,329,010**

The consolidated and the separate financial statements on pages 158 to 280 were approved for issue by the Supervisory Board on 2 April 2024 and signed on its behalf by:

Vakhtang Butskhrikidze
Chief Executive Officer

Giorgi Megrelishvili
Chief Financial Officer

The notes set out on pages 166 to 280 form an integral part of these consolidated and separate financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in thousands of GEL	Note	2023	2022
Interest income	28	2,689,427	2,219,781
Interest income calculated using effective interest rate method	28	2,614,687	2,159,567
Other interest income	28	74,740	60,214
Interest expense	28	(1,276,932)	(1,011,397)
Net interest gains on currency swaps	28	83,101	34,711
Net interest income		**1,495,596**	**1,243,095**
Fee and commission income	29	571,391	477,613
Fee and commission expense	29	(236,915)	(211,963)
Net fee and commission income		**334,476**	**265,650**
Net gains from currency derivatives, foreign currency operations and translation	30	272,303	411,806
Net gains from disposal of investment securities measured at fair value through other comprehensive income		5,880	5,811
Other operating income		23,200	19,675
Share of profit of associates		657	352
Other operating non-interest income		**302,040**	**437,644**
Credit loss allowance for loans to customers	9	(130,380)	(105,247)
Credit loss (allowance)/recovery for finance lease receivables	13	(1,996)	781
Credit loss allowance for performance guarantees	21	(1,381)	(2,931)
Credit loss recovery for credit related commitments	21	477	210
Credit loss allowance for other financial assets		(9,573)	(9,160)
Credit loss (allowance)/recovery for financial assets measured at fair value through other comprehensive income		(1,006)	862
Net impairment of non-financial assets		(3,575)	(22)
Operating income after expected credit and non-financial asset impairment losses		**1,984,678**	**1,830,882**
Staff costs	31	(385,471)	(306,526)
Depreciation and amortization	15,16	(99,643)	(85,108)
Allowance for provision for liabilities and charges	21	-	(2,000)
Administrative and other operating expenses	32	(196,648)	(167,348)
Operating expenses		**(681,762)**	**(560,982)**
Profit before tax		**1,302,916**	**1,269,900**
Income tax expense	33	(183,858)	(246,825)
Profit for the year		**1,119,058**	**1,023,075**
Other comprehensive income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Net gains reclassified to profit or loss upon disposal of investment securities	10	(5,327)	(1,853)
Movement in fair value reserve for investment securities measured at fair value through other comprehensive income, net of tax	10	12,205	18,182
Exchange differences on translation to presentation currency		572	(1,719)
Other comprehensive income for the year, net of tax		**7,450**	**14,610**
Total comprehensive income for the year		**1,126,508**	**1,037,685**
Profit is attributable to:			
– Shareholders of the Group		1,119,025	1,023,050
– Non-controlling interest		33	25
Profit for the year		**1,119,058**	**1,023,075**
Total comprehensive income is attributable to:			
– Shareholders of the Group		1,126,475	1,037,660
– Non-controlling interest		33	25
Total comprehensive income for the year		**1,126,508**	**1,037,685**

The notes set out on pages 166 to 280 form an integral part of these consolidated and separate financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of GEL	Note	Share Capital	Share premium	Share based payments reserve	Fair value reserve for invest-ment securities at FVTOCI	Cumulative currency translation reserve	Retained earnings	Total equity excluding non-controlling interest	Non-con-trolling interest	Total Equity
Balance as of 1 January 2022		**21,014**	**521,190**	**(52,521)**	**(10,862)**	**(5,938)**	**3,117,079**	**3,589,962**	**93**	**3,590,055**
Profit for the year		-	-	-	-	-	1,023,050	**1,023,050**	25	**1,023,075**
Other comprehensive income for 2022:		**-**	**-**	**-**	**16,329**	**(1,719)**	**-**	**14,610**	**-**	**14,610**
Disposal of investment securities measured at fair value through other comprehensive income	-	-	-	-	(1,853)	-	-	**(1,853)**	-	**(1,853)**
Other effects during the period		-	-	-	18,182	(1,719)	-	**16,463**	-	**16,463**
Total comprehensive income for 2022		**-**	**-**	**-**	**16,329**	**(1,719)**	**1,023,050**	**1,037,660**	**25**	**1,037,685**
Share based payment expense	26	-	-	23,388	-	-	-	**23,388**	-	**23,388**
Dividends declared		-	-	-	-	-	(356,798)	**(356,798)**	-	**(356,798)**
Tax effect for delivery of SBP shares to employees		-	-	(3,621)	-	-	-	**(3,621)**	-	**(3,621)**
Share based payment recharge by parent company		-	-	(24,802)	-	-	-	**(24,802)**	-	**(24,802)**
Other movements		-	-	-	-	-	(151)	**(151)**	46	**(105)**
Balance as of 31 December 2022		**21,014**	**521,190**	**(57,556)**	**5,467**	**(7,657)**	**3,783,180**	**4,265,638**	**164**	**4,265,802**
Profit for the year		-	-	-	-	-	1,119,025	**1,119,025**	33	**1,119,058**
Other comprehensive income for 2023:		**-**	**-**	**-**	**6,878**	**572**	**-**	**7,450**	**-**	**7,450**
Disposal of investment securities measured at fair value through other comprehensive Income		-	-	-	(5,327)	-	-	**(5,327)**	-	**(5,327)**
Other effects during the period		-	-	-	12,205	572	-	**12,777**	-	**12,777**
Total comprehensive income for 2023		**-**	**-**	**-**	**6,878**	**572**	**1,119,025**	**1,126,475**	**33**	**1,126,508**
Share based payment expense	26	-	-	26,397	-	-	-	**26,397**	-	**26,397**
Dividends declared		-	-	-	-	-	(616,065)	**(616,065)**	-	**(616,065)**
Tax effect for delivery of SBP shares to employees		-	-	(3,715)	-	-	-	**(3,715)**	-	**(3,715)**
Share based payment recharge by parent company		-	-	(50,740)	-	-	-	**(50,740)**	-	**(50,740)**
Other movements		-	-	-	-	-	(478)	**(478)**	-	**(478)**
Balance as of 31 December 2023		**21,014**	**521,190**	**(85,614)**	**12,345**	**(7,085)**	**4,285,662**	**4,747,512**	**197**	**4,747,709**

The notes set out on pages 166 to 280 form an integral part of these consolidated and separate financial statements.

CONSOLIDATED SSATEMENT OF CASH FLOWS

in thousands of GEL	Note	2023	2022
Cash flows from operating activities			
Interest received		2,611,910	2,177,765
Interest received on currency swaps	28	83,101	34,711
Interest paid		(1,250,007)	(1,031,195)
Fees and commissions received		570,656	476,575
Fees and commissions paid		(235,436)	(240,044)
Cash received from trading in foreign currencies		219,711	338,167
Other operating income received		28,502	18,448
Staff costs paid		(355,553)	(280,682)
Administrative and other operating expenses paid		(178,079)	(172,303)
Income tax paid		(180,137)	(230,563)
Cash flows from operating activities before changes in operating assets and liabilities		**1,314,668**	**1,090,879**
Net change in operating assets			
Due from other banks and mandatory cash balances with the National Bank of Georgia		472,792	(226,175)
Loans and advances to customers		(3,494,277)	(2,491,519)
Finance lease receivables		(25,568)	5,273
Other financial assets		(131,449)	54,871
Other assets		105,407	59,318
Net change in operating liabilities			
Due to other banks		249,415	390,402
Customer accounts		2,079,384	4,797,211
Other financial liabilities		32,257	24,934
Other liabilities and provision for liabilities and charges		2,092	4,672
Net cash flows from operating activities		**604,721**	**3,709,866**
Cash flows (used in)/from investing activities			
Acquisition of investment securities measured at fair value through other comprehensive income	10	(1,563,326)	(2,412,783)
Proceeds from disposal of investment securities measured at fair value through other comprehensive income	10	383,122	816,417
Proceeds from redemption at maturity of investment securities measured at fair value through other comprehensive income	10	854,540	391,341
Acquisition of premises, equipment and intangible assets		(202,645)	(198,371)
Proceeds from disposal of premises, equipment and intangible assets		4,672	17,454
Proceeds from disposal of investment properties		7,220	5,472
Proceeds from disposal of subsidiary, net of disposed cash		1,527	-
Dividend received		696	-
Net cash flows used in investing activities		**(514,194)**	**(1,380,470)**
Cash flows from/(used in) financing activities			
Proceeds from other borrowed funds	34	1,894,337	2,501,875
Redemption of other borrowed funds	34	(1,698,671)	(1,731,699)
Repayment of principal of lease liabilities	34	(12,999)	(13,099)
Proceeds from subordinated debt	34	287,589	62,578
Redemption of subordinated debt	34	(15,867)	(13,710)
Share based payment recharge paid		(50,740)	(24,802)
Proceeds from debt securities in issue	34	95,820	3,504
Redemption of debt securities in issue	34	(43,058)	(205,898)
Dividends paid		(616,065)	(356,365)
Net cash flows (used in)/from financing activities		**(159,654)**	**222,384**
Effect of exchange rate changes on cash and cash equivalents		(25,739)	(361,142)
Net (decrease)/increase in cash and cash equivalents		**(94,866)**	**2,190,638**
Cash and cash equivalents at the beginning of the year	**6**	**3,786,098**	**1,595,460**
Cash and cash equivalents at the end of the year	**6**	**3,691,232**	**3,786,098**

The notes set out on pages 166 to 280 form an integral part of these consolidated and separate financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION

in thousands of GEL	Note	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	6	3,633,314	3,747,594
Due from other banks	7	1,107	6,269
Mandatory cash balances with National Bank of Georgia	8	1,572,506	2,047,564
Loans and advances to customers	9	20,965,695	17,505,605
Investment securities measured at fair value through other comprehensive income	10	3,498,655	2,904,714
Repurchase receivables	11	-	267,495
Investment properties		15,235	21,292
Investments in subsidiaries and associates		34,460	34,041
Other financial assets	12	350,086	299,720
Other assets	14	358,737	349,885
Premises and equipment	15	462,570	398,964
Right of use assets	16	111,560	98,228
Intangible assets	15	318,744	285,884
Goodwill	17	27,502	27,502
TOTAL ASSETS		**31,350,171**	**27,994,757**
LIABILITIES			
Due to credit institutions	18	4,099,700	3,669,727
Customer accounts	19	20,115,103	17,976,594
Other financial liabilities	22	208,254	187,464
Current income tax liability		67,556	1,576
Deferred income tax liability	33	50,957	112,877
Debt securities in issue	20	1,181,792	1,163,116
Provisions for liabilities and charges	21	21,060	19,908
Other liabilities	23	94,557	73,393
Lease liabilities	34	82,908	70,280
Subordinated debt	24	826,546	560,278
TOTAL LIABILITIES		**26,748,433**	**23,835,213**
EQUITY			
Share Capital	25	21,014	21,014
Share premium		521,190	521,190
Retained earnings		4,133,317	3,669,480
Share based payment reserve	26	(86,143)	(57,556)
Fair value reserve for investment securities measured at fair value through other comprehensive income		12,360	5,416
TOTAL EQUITY		**4,601,738**	**4,159,544**
TOTAL LIABILITIES AND EQUITY		**31,350,171**	**27,994,757**

The consolidated and the separate financial statements on pages 158 to 280 were approved for issue by the Supervisory Board on 2 April 2024 and signed on its behalf by

Vakhtang Butskhrikidze
Chief Executive Officer

Giorgi Megrelishvili
Chief Financial Officer

The notes set out on pages 166 to 280 form an integral part of these consolidated and separate financial statements.

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in thousands of GEL	Note	2023	2022
Interest income	28	2,612,787	2,158,813
Interest expense	28	(1,257,002)	(994,169)
Net interest gains on currency swaps	28	83,101	34,711
Net interest income		**1,438,886**	**1,199,355**
Fee and commission income	29	532,339	443,437
Fee and commission expense	29	(279,491)	(240,901)
Net fee and commission income		**252,848**	**202,536**
Net gains from currency derivatives, foreign currency operations and translation	30	273,591	412,975
Net gains from disposal of Investment securities measured at fair value through other comprehensive income		5,880	5,811
Other operating income		35,765	18,456
Share of profit of associates		657	584
Other operating non-interest income		**315,893**	**437,826**
Credit loss allowance for loans to customers	9	(131,465)	(108,446)
Credit loss allowance for performance guarantees	21	(1,381)	(2,931)
Credit loss recovery for credit related commitments	21	477	210
Credit loss allowance for other financial assets	12	(4,983)	(4,374)
Credit loss recovery for financial assets measured at fair value through other comprehensive income	10	(974)	868
Net recovery/(impairment) of non-financial assets		(1,562)	1,223
Operating income after expected credit and non-financial asset impairment losses		**1,867,739**	**1,726,267**
Staff costs	31	(349,513)	(279,273)
Depreciation and amortization		(89,224)	(76,766)
Allowance for provision for liabilities and charges	21	-	(2,000)
Administrative and other operating expenses	32	(166,894)	(139,143)
Operating expenses		**(605,631)**	**(497,182)**
Profit before tax		**1,262,108**	**1,229,085**
Income tax expense	33	(182,243)	(246,294)
Profit for the year		**1,079,865**	**982,791**
Other comprehensive income/(expense) for the year, net of tax: *Items that may be reclassified subsequently to profit or loss:*			
Net gains reclassified to profit or loss upon disposal of investment securities		(5,327)	(1,853)
Movement in fair value reserve for investment securities measured at fair value through other comprehensive income, net of tax		12,271	18,091
Other comprehensive income for the year, net of tax		**6,944**	**16,238**
Total comprehensive income for the year		**1,086,809**	**999,029**

The notes set out on pages 166 to 280 form an integral part of these consolidated and separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY

in thousands of GEL	Note	Share Capital	Share premium	Share based payment reserve	Fair value reserve of investment securities measured at FVOCI	Retained earnings	Total
Balance as of 1 January 2022		**21,014**	**521,190**	**(52,521)**	**(10,822)**	**3,043,459**	**3,522,320**
Profit for the year		-	-	-	-	982,791	**982,791**
Other comprehensive income for 2022		**-**	**-**	**-**	**16,238**	**-**	**16,238**
Disposal of investment securities measured at fair value through other comprehensive income		-	-	-	(1,853)	-	**(1,853)**
Other effects during the period		-	-	-	18,091	-	**18,091**
Total comprehensive income for 2022		**-**	**-**	**-**	**16,238**	**982,791**	**999,029**
Share based payment expense	26	-	-	23,388	-	-	**23,388**
Dividends declared		-	-	-	-	(356,798)	**(356,798)**
Share based payment recharge by parent company		-	-	(24,802)	-	-	**(24,802)**
Tax effect for delivery of SBP shares to employees		-	-	(3,621)	-	-	**(3,621)**
Other movement		-	-	-	-	28	**28**
Balance as of 31 December 2022		**21,014**	**521,190**	**(57,556)**	**5,416**	**3,669,480**	**4,159,544**
Profit for the year		-	-	-	-	1,079,865	**1,079,865**
Other comprehensive income for 2023:		**-**	**-**	**-**	**6,944**	**-**	**6,944**
Disposal of investment securities measured at fair value through other comprehensive income		-	-	-	(5,327)	-	**(5,327)**
Other effects during the period		-	-	-	12,271	-	**12,271**
Total comprehensive income for 2023:		**-**	**-**	**-**	**6,944**	**1,079,865**	**1,086,809**
Share based payment expense	26	-	-	25,868	-	-	**25,868**
Dividends declared		-	-	-	-	(616,065)	**(616,065)**
Share based payment recharge by parent company		-	-	(50,740)	-	-	**(50,740)**
Tax effect for delivery of SBP shares to employees		-	-	(3,715)	-	-	**(3,715)**
Other movement		-	-	-	-	37	**37**
Balance as of 31 December 2023		**21,014**	**521,190**	**(86,143)**	**12,360**	**4,133,317**	**4,601,738**

The notes set out on pages 166 to 280 form an integral part of these consolidated and separate financial statements.

SEPARATE STATEMENT OF CASH FLOWS

in thousands of GEL	Note	2023	2022
Cash flows from operating activities			
Interest received		2,534,237	2,118,976
Interest received on currency swaps	28	83,101	34,711
Interest paid		(1,228,477)	(1,013,784)
Fees and commissions received		531,606	442,406
Fees and commissions paid		(278,000)	(268,982)
Cash received from trading in foreign currencies		219,729	341,465
Other operating income received		19,485	11,358
Staff costs paid		(321,550)	(252,817)
Administrative and other operating expenses paid		(150,332)	(145,066)
Income tax paid		(178,468)	(229,501)
Cash flows from operating activities before changes in operating assets and liabilities		**1,231,331**	**1,038,766**
Net change in operating assets			
Due from other banks and mandatory cash balances with the National Bank of Georgia		482,791	(250,716)
Loans and advances to customers		(3,494,058)	(2,497,954)
Other financial assets		(85,096)	40,347
Other assets		91,174	67,426
Net change in operating liabilities			
Due to other banks		248,764	390,307
Customer accounts		2,119,973	4,885,904
Other financial liabilities		27,026	21,892
Other liabilities and provision for liabilities and charges		3,800	5,277
Net cash flows from operating activities		**625,705**	**3,701,249**
Cash flows (used in)/from investing activities			
Acquisition of investment securities measured at fair value through other comprehensive income	10	(1,591,596)	(2,411,395)
Proceeds from disposal of investment securities measured at fair value through other comprehensive income	10	387,887	815,083
Proceeds from redemption at maturity of investment securities measured at fair value through other comprehensive income	10	874,540	391,341
Dividends received		20,656	5,959
Proceeds from disposal of subsidiary		1,540	-
Acquisition of premises, equipment and intangible assets		(180,309)	(178,404)
Proceeds from disposal of premises, equipment and intangible assets		3,581	12,859
Proceeds from disposal of investment properties		4,746	5,472
Capital injection in subsidiaries		-	(1,006)
Net cash flows (used in)/ from investing activities		**(478,955)**	**(1,360,091)**
Cash flows from/(used in) financing activities			
Proceeds from other borrowed funds		1,721,055	2,407,703
Redemption of other borrowed funds		(1,553,680)	(1,652,197)
Repayment of principal of lease liabilities		(12,145)	(11,716)
Proceeds from subordinated debt		262,582	46,258
Redemption of subordinated debt		(2,618)	-
Proceeds from debt securities in issue		17,011	-
Redemption of debt securities in issue		-	(205,898)
Dividends paid		(616,065)	(356,365)
Share based payment recharge paid		(50,740)	(24,802)
Net cash flows (used in)/from financing activities		**(234,600)**	**202,983**
Effect of exchange rate changes on cash and cash equivalents		(26,430)	(361,947)
Net (decrease) increase in cash and cash equivalents		**(114,280)**	**2,182,194**
Cash and cash equivalents at the beginning of the year	6	**3,747,594**	**1,565,400**
Cash and cash equivalents at the end of the year	6	**3,633,314**	**3,747,594**

The notes set out on pages 166 to 280 form an integral part of these consolidated and separate financial statements.

1. INTRODUCTION

Principal activity. JSC TBC Bank (hereafter the "Bank") was incorporated on 17 December 1992 and is domiciled in Georgia. The Bank is a joint stock company limited by shares and was set up in accordance with Georgian regulations. The Bank's principal business activity is universal banking operations that include corporate, small and medium enterprises ("SME"), retail and micro-operations within Georgia. The Bank is a parent of a group of companies (hereafter the "Group") incorporated in Georgia and Azerbaijan; their primary business activities include providing banking, leasing, brokerage and card processing services to corporate and individual customers. The Bank has been operating since 20 January 1993 under a general banking license issued by the National Bank of the Georgia ("NBG"). The Bank's registered address and place of business is 7 Marjanishvili Street, 0102 Tbilisi, Georgia. The Bank was registered by District Court of Vake and the registration number is 204854595.

The Bank has 123 (2022:129) branches[1] within Georgia.

TBC Bank Group PLC ("TBCG") is a public limited by shares company, incorporated in the United Kingdom. TBCG held 99.88% of the share capital of JSC TBC Bank (hereafter the "Bank") as at 31 December 2023 (2022: 99.88%), thus representing the Bank's ultimate and direct parent company. TBC Bank Group PLC's registered legal address is 100 Bishopsgate, C/O Law Debenture, London, England, EC2N 4AG. Registered number of TBC Bank Group PLC is 10029943.

As of 31 December 2023 and 2022 the Group shareholder structure was as follows:

	% of ownership interest held as of 31 December	
Shareholders	**2023**	**2022**
TBC Bank Group PLC	99.88%	99.88%
Other	0.12%	0.12%
Total	**100.00%**	**100.00%**

As of 31 December 2023 and 31 December 2022, the shareholder structure of TBC Bank Group PLC by beneficiary ownership interest was as follows:

	% of ownership interest held as of 31 December	
Shareholders	**2023**	**2022**
Dunross & Co.	6.50%	6.58%
Allan Gray Investment Management	3.88%	5.66%
BlackRock	4.72%	3.99%
Vanguard Group	4.39%	3.91%
Fidelity International	3.02%	3.88%
JPMorgan Asset Management	3.81%	3.86%
European Bank for Reconstruction and Development	2.99%	3.54%
Schroder Investment Management	3.18%	1.96%
Founders*	15.83%	16.04%
Other**	51.68%	50.58%
Total	**100.00%**	**100.00%**

* Founders include direct and indirect ownerships of Mamuka Khazaradze, Badri Japaridze.
** Other includes individual as well as corporate shareholders.

1. INTRODUCTION CONTINUED

Subsidiaries and associates. The consolidated financial statements include the following principal subsidiaries:

	Proportion of voting rights and ordinary share capital held as of 31 December				
Subsidiary name	**2023**	**2022**	**Principal place of business or incorporation**	**Year of incorp-oration**	**Principal activities**
United Financial Corporation JSC	99.53%	99.53%	Tbilisi, Georgia	2001	Card processing
TBC Capital LLC	100.00%	100.00%	Tbilisi, Georgia	1999	Brokerage
TBC Leasing JSC	100.00%	100.00%	Tbilisi, Georgia	2003	Leasing
TBC Kredit LLC	100.00%	100.00%	Baku, Azerbaijan	1999	Non-banking ' credit institution
TBC Pay LLC	100.00%	100.00%	Tbilisi, Georgia	2008	Payment Processing
TBC Invest-Georgia LLC	100.00%	100.00%	Ramat Gan, Israel	2011	Financial services
Index LLC[2]	N/A	100.00%	Tbilisi, Georgia	2009	Ecosystem
TBC Asset Management LLC	100.00%	100.00%	Tbilisi, Georgia	2021	Asset management

The Group has investments in the following associates:

	Proportion of voting rights and ordinary share capital held as of 31 December				
Associate name	**2023**	**2022**	**Principal place of business or incorporation**	**Year of incorp-oration**	**Principal activities**
CreditInfo Georgia JSC	21.08%	21.08%	Tbilisi, Georgia	2005	Financial intermediation
Tbilisi Stock Exchange JSC	28.87%	28.87%	Tbilisi, Georgia	2015	Finance, Service
Georgian Central Securities Depository JSC	22.87%	22.87%	Tbilisi, Georgia	1999	Finance, Service
Georgian Stock Exchange JSC[3]	17.33%	17.33%	Tbilisi, Georgia	1999	Finance, Service
Kavkasreestri JSC[3]	10.03%	10.03%	Tbilisi, Georgia	1998	Finance, Service

The country of incorporation is also the principal area of operation of each of the above subsidiaries and associates.

The Group's corporate structure consists of a number of related undertakings, comprising subsidiaries and associates, which are not consolidated or equity accounted due to immateriality. A full list of these undertakings, the country of incorporation and the ownership of each share class is set out below.

1 Excluding pawnshop units.
2 Index LLC was sold in 2023 to the TBCG Group member company T Net LLC.
3 The Group has a significant influence on Georgian Stock Exchange JSC and Kavkasreestri JSC with representatives in management board.

1. INTRODUCTION CONTINUED

Company name	Proportion of voting rights and ordinary share capital held as of 31 December 2023	2022	Principal place of business or incorporation	Year of incorp-oration	Principal activities
TBC Invest International LLC[1]	100.00%	100.00%	Tbilisi, Georgia	2016	Investment Vehicle
University Development Fund[1]	33.33%	33.33%	Tbilisi, Georgia	2007	Education
Natural Products of Georgia LLC[1]	25.00%	25.00%	Tbilisi, Georgia	2001	Trade, Service
TBC Trade LLC[1]	100.00%	100.00%	Tbilisi, Georgia	2008	Trade, Service
Diversified Credit Portfolio JSC	100.00%	100.00%	Tbilisi, Georgia	2021	Asset Management
Globally Diversified bond fund JSC	100.00%	N/A	Tbilisi, Georgia	2023	Asset Management

Operating environment of the Group. Georgia, where most of the Group's activities are located, displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 33). In 2022, despite the adverse impact of Russia's invasion of Ukraine, Georgia's economic expansion exceeded initial expectations with the real GDP increasing by 11.0% mainly on the back of the recovery of inflows, as well as stronger domestic demand. In 2023, the growth started to normalize though remained still strong, averaging to 7.5% at the end of the year. Normalization was driven by the lower international commodity prices negatively affecting both exports and imports, while FDIs remained resilient, and tourism and remittances maintained strong growth when adjusted for one-offs related to Russia and the migration effect.

While inflows to the Georgian economy are quite diversified, the country is still vulnerable to geopolitical and economic developments in its region and beyond. In particular, uncertainties related to the Russian-Ukrainian conflict and consequent developments may have an adverse impact on the Georgian economy. The country is also exposed to a lower though still tangible risk of resurged military conflicts in its breakaway regions occupied by Russia, while some relatively distant conflicts, such as the escalation in the middle east, might affect the Georgian economy through the stronger USD, higher oil prices, migration flows, etc.

At the same time, while the migration effect continued to make an important contribution to economic growth in 2023, any sizeable outflow could lead to a deterioration in the business environment. The reverse would probably be the case in any rapid conflict resolution scenario, which would create positive economic spill-overs as well, such as the likely stronger rebound of growth in Russia and Ukraine.

However, the baseline strongly depends on the global developments. While the Georgian economy is so far resilient against recently elevated global slowdown risks and adverse economic impacts of Russia's invasion of Ukraine, there is a probability of more severe spill-over effects, as well as risks of other global disruptions provoked by regional conflicts, supply chain obstructions, potential global health issues such as pandemics, etc. The materialization of these risks could severely hamper economic activity in Georgia, and negatively impact the business environment and clients of the Group.

For the purpose of measurement of expected credit losses ("ECL"), the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

Climate Impact

The Group has reviewed its exposure to climate-related risks, but has not identified any risks that could significantly impact the financial performance or position of the Group as at 31 December 2023. See more details outlined in risk management disclosures in note 35.

2. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation. These consolidated and separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") under the historical cost convention as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"), with the requirements of the order N284/04 of the President of the National Bank of Georgia dated 26 December 2018, and with the requirements of the Law of Georgia on Accounting, Reporting and Auditing. The principal accounting policies applied in the preparation of these consolidated and separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Going Concern. The Board has fully reviewed the available information pertaining to the principal existing and emerging risks strategy, financial health, profitability of operations, liquidity, and solvency of the Banks and the Group as a whole, and determined that the Group's subsidiaries' business remains a going concern. The Directors have not identified any material uncertainties that could threaten the going concern assumption and have a reasonable expectation that the Group's subsidiaries have adequate resources to remain operational and solvent for the foreseeable future (which is, for this purpose, a period of 12 months from the date of approval of these financial statements).

In reaching this assessment, the Directors have specifically considered the implications of political instability in the region and the war in Ukraine on the Group's subsidiaries performance and projected funding and capital position and also taken into account the impact of further stress scenarios. Accordingly, the accompanying financial statements are prepared in line with the going concern basis of accounting.

Presentation currency. These consolidated financial statements are presented in thousands of Georgian Lari ("GEL thousands"), unless otherwise indicated.

Consolidated financial statements. Subsidiaries are those investees that the Group controls. The Group may have power over an investee even when it holds less than the majority of voting power in it. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases.

Separate financial statements. Investments in subsidiaries - The Company accounts investments at the original cost of the investment until the investment is de-recognised or impaired for its separate financial statements. The carrying amounts of the investments are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. Value in use is determined by the present value of expected future cash flows discounted to present value. An impairment loss is recognised when the carrying amount of the investments exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Policies in the consolidated and separate financial statements are consistent unless otherwise stated.

Business combinations and goodwill accounting. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration, given at the acquisition date. Acquisition-related costs are recognised as an expense in the profit or loss in the period in which they are incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures the non-controlling interest that represents the current ownership's interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquired entity. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the acquiree's net assets from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after the management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

1 Dormant.

2. MATERIAL ACCOUNTING POLICY INFORMATION CONTINUIED

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services.

Transaction costs incurred for issuing equity instruments are deducted from the equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests that are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Group's equity.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates reduce the carrying value of the investments in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

Initial recognition of financial instruments. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. The line items Financial Assets and Financial Liabilities in the statement of financial position include those assets and liabilities that are in the scope of IFRS 17 for disclosure purposes.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio, as a whole, changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

Financial assets impairment – expected credit loss (ECL) allowance. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information

2. MATERIAL ACCOUNTING POLICY INFORMATION CONTINUIED

that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The Group applies a three-stage model for impairment, based on changes in credit quality since initial recognition:

- Stage 1: A financial instrument that is not defaulted on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL");
- Stage 2: If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis ("Lifetime ECL"). If a SICR is no longer observed, instrument will move back to Stage 1. Financial instrument moves back from stage 2 to stage 1 with 6-month cure period in case of loans previously having default flag, while restructured loans remain in stage 2 until the restructured status is removed. In order to remove restructured status, borrower should make at least 12 consecutive payments, unless financial monitoring is performed. Refer to Note 38 for a description of how the Group determines, on a forward-looking basis, when a SICR has occurred;
- Stage 3: Defaulted assets are transferred to Stage 3 and allowance for Lifetime ECL is recognized. The Group's definition of defaulted assets and definition of default is based on the occurrence of one or more loss events, described further in Note 35.

Change in ECL is recognized in the statement of profit or loss with a corresponding allowance reported as a decrease in carrying value of the financial asset on the statement of financial position. For financial guarantees and credit commitments, provision for ECL is reported as a liability in Provisions for Liabilities and Charges.

Financial assets- derecognition and modification. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets.

The Group assesses whether the modification of contractual cash flows is substantial, in which it considers certain qualitative and quantitative factors combined. Based on below shown internally developed methodology there are certain qualitative triggers which lead to asset derecognition with no further quantitative testing required. These qualitative criteria are included in the list below:

- Change in contract currency;
- Consolidation of two or more loans into one new loan;
- Change in counterparty;
- Loan with no predetermined payment schedule is changed with loan with schedule or vice versa;
- Change in contractual interest rate due to market environment changes.

The Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. It should be assessed whether change in contractual cash flow is substantial (significance defined as 10% change). If the test result is above 10% threshold, loan should be derecognized, whereas if the test is passed and result is below or equal to 10%, financial asset can be assessed as modified.

If above mentioned qualitative and quantitative criteria are not met, then modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate and recognises a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination

2. MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Mandatory cash balances with the National Bank of Georgia. Mandatory cash balances with National Bank of Georgia are carried at AC and represent mandatory reserve deposits that are not available to finance the Group's day to day operations. Hence, they are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at fair value through profit or loss (FVTPL). Otherwise, they are carried at fair value (FV).

Investments in debt securities. Based on the business model and the cash flow characteristics, the Group classifies investments in debt securities as carried at AC, fair value through other comprehensive income (FVOCI) or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Investments in equity securities. Financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Group. Investments in equity securities are measured at FVTPL, except where the Group elects at initial recognition to irrevocably designate an equity investments at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate a loan due from a customer.

Impairment allowances are determined based on the forward-looking ECL models. Note 35 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Repossessed collateral. Repossessed collateral represents non-financial assets acquired by the Group to settle overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, investment property or repossessed collateral within other assets depending on their nature and the Group's intention in respect of recovery of these assets and are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets. Repossessed assets are recorded at the lower of cost or net realisable value.

Finance lease receivables. Where the Group is a lessor in a lease that substantially transfers all risks and rewards incidental to ownership to the lessee, the assets leased out are presented as finance lease receivables and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the early date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. The interest income on stage 3 exposures is recognized on a carrying amount after deducting ECL. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivables and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in the profit or loss.

The ECL is determined in the same way as for loans and advances measured at AC and recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the lease investments. There is a 'three stage' approach which is based on the change in credit quality of financial lease receivables since initial recognition. Immediate loss that is equal to the 12-month ECL is recorded on initial recognition of financial leases that are not defaulted. In case of a significant

increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

The Group normally structures its finance lease contracts so that the lessee makes a minimum prepayment of 20% of the equipment purchase price at the inception of the lease term. The Group holds title to the leased assets during the lease term. The title to the asset under the finance lease contract is transferred to the lessees at the end of the contract terms, including full repayment of lease payments. Generally, the lease terms are up to five years.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral obtained are:

- Leased assets (inventory and equipment);
- Down payment;
- Real estate properties;
- Third party guarantees.

The financial effect of collateral is presented by disclosing the collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed the assets' carrying value ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the assets' carrying value ("under-collateralised assets").

The Group classifies its portfolio into three stages:

- Stage 1 – assets for which no significant increase of credit risk since initial recognition is identified;
- Stage 2 – assets for which significant increase in credit risk since initial recognition is identified;
- Stage 3 – defaulted exposures.

For stage 1 exposures the Group creates 12 months expected credit losses, whereas for stage 2 and stage 3 lifetime expected credit losses are created.

For the Stage 2 classification purposes the Group applies both quantitative and the qualitative criteria including, but not limited to:

- 30 days past due (DPD) overdue;
- Downgrade of the risk category of the borrower since initial recognition;

Default definition includes criteria such as: (i) 90 DPD overdue (ii) distressed restructuring and (iii) other criteria indicating the borrower's unlikeness to repay the liabilities.

The Group incorporates forward looking information (FLI) for both individual and collective assessment. For FLI purposes the Group defines three scenarios, which are:

- Baseline (most likely);
- Upside (better than most likely);
- Downside (worse than most likely).

The Group derives the baseline macro scenario and takes into account projections from various external sources – the National Bank of Georgia, Ministry of Finance, IMF as well as other IFIs- to ensure the alignment to the consensus market expectations. Refer to Note 35 for the description of how the Group incorporates FLI in ECL calculations. Upside and downside scenarios are defined based on the framework developed by the Bank's macroeconomic unit.

The Group calculates expected impairment losses for each scenario. In order to come up with the final expected credit loss figures the bank applies probability weighted average approach where probabilities of each scenario are used as weights.

Customer accounts. Customer accounts are non-derivative financial liabilities to individuals, state or corporate customers and are carried at AC.

Subordinated debt. Subordinated debt can only be paid in the event of a liquidation after the claims of other higher priority creditors have been met and is included in the Bank's "tier 2" capital. Subordinated debt is carried at AC.

Debt securities in issue. Debt securities in issue include promissory notes, bonds and debentures issued by the

2. MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

Group. Debt securities are stated at AC. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options are recognized at their fair value. The Group also enters into offsetting deposits with its counterparty banks to exchange currencies. Such deposits, while legally separate, are aggregated and accounted for as a single derivative financial instrument (currency swap) on a net basis where (i) the deposits are entered into at the same time and in contemplation of one another, (ii) they have the same counterparty, (iii) they relate to the same risk and (iv) there is no apparent business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. The Group does not apply hedge accounting in respect of majority of its hedging strategies. However, the Group applies fair value hedge accounting from time to time in respect of certain transactions, such as foreign exchange risk hedges on monetary positions hedged by foreign exchange forwards and swaps. The Group applies IFRS 9 requirements for hedge accounting. Total amount of transactions for which fair value hedge accounting is applied is immaterial in 2023.

When derivative instruments are entered into with a view to decrease cost of funding, respective interest effect is presented as a separate line of statement of comprehensive income, within net interest income.

Goodwill. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation. This is generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

Premises and equipment. Premises and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Cost of premises and equipment of acquired subsidiaries is the estimated fair value at the date of acquisition.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount,

Depreciation. Land and construction in progress are not depreciated. Depreciation on other items of premises and equipment and right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Asset	Useful life
Premises	40 – 110 years;
Furniture and fixtures	5 – 8 years;
Computers and office equipment	3 – 8 years;
Motor vehicles	4 – 5 years;
Other equipment	2 – 10 years;
Right-of-use assets	term of the underlying lease;
Intangible assets	1 – 20 years;

The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment property. Investment property is stated at cost less accumulated depreciation and provision for impairment, where required. It is amortised on a straight-line basis over an expected useful lives of 30 to 50 years. Land included in investment property is not depreciated. Residual values of investment properties are estimated to be nil. In

2. MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

case of any indication that the investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell.

Earned rental income is recorded in profit or loss for the year within other operating income.

Intangible assets. The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software. Capitalised computer software is amortised on a straight line basis over expected useful lives of 1 to 20 years.

Accounting for leases by the Group as a lessee. The Group leases office, branches and service centre premises. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

As an exception to the above, the Group accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight line basis.

In determining the lease term, management of the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Income taxes. Income taxes are provided in the consolidated financial statements in accordance with the legislation enacted or substantively enacted by the end of reporting period in the respective territories that the Bank and its subsidiaries operate. The income tax charge/credit comprises of current tax and deferred tax and is recognised in profit or loss except if it is recognised directly in other comprehensive income because it relates to transactions that are also recognised, in the same or a different period, directly in other comprehensive income.

Current tax is the amount expected-to-be-paid to or recovered from the tax authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if consolidated financial statements are authorised prior to filing relevant tax returns. Taxes, other than on income, are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of reporting period that are expected to apply to the extent of time when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred incom e tax is provided on post-acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Share capital. Ordinary shares with discretionary dividends are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

2. MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue, are disclosed in the subsequent events note.

Income and expense recognition. Interest income and expense are recorded for all debt instruments, other than those at FVTPL, using the effective interest method. As part of interest income or expense this method defers all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. The group does not have Interest income on debt instruments at FVTPL.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at FVTPL.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become defaulted (Stage 3), for which interest income is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated defaulted, for which the original credit-adjusted effective interest rate is applied to the AC.

All other fees, commissions and other income and expense items are generally recorded when earned by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

For cross currency basis swaps interest component calculation, notional amount is multiplied by contractual interest rate for respective period. While making allocation of an interest income/(expense) from FX Swaps transactions, annualized spread earned interest income/(expense) is calculated and distributed linearly throughout the lifetime of the contract.

Fee and commission income. Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes recurring fees for account maintenance, account servicing fees, account subscription fees, annual plastic card fees etc. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, plastic card transactions, merchant fees, fees for cash settlements, collection or cash disbursements, etc.

Foreign currency translation. The Group's presentation currency is the Georgian Lari. TBCG's and the Bank's presentation currency is the Georgian Lari. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction.

The results and financial position of each group entity (the functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) Components of equity are translated at the historic rate; and

2. MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

(iv) All resulting exchange differences are recognised in other comprehensive income.

After losing control over a foreign operation, the exchange differences previously recognised in other comprehensive income are reclassified to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The closing rates of exchange used for translating foreign currency balances for the year 2023 and 2022 were as follows:

	31 December 2023	31 December 2022
GBP/GEL	3.4228	3.2581
USD/GEL	2.6894	2.7020
EUR/GEL	2.9753	2.8844
AZN/GEL	1.5806	1.5924

Staff costs and related contributions. Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits as well as the cash settled part of the share-based payment schemes are accrued in the year in which the associated services are rendered by the Group's employees.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Share based payments. A share-based payment arrangement is an agreement between the entity and another party (including an employee) that entitles the other party to receive cash or other assets of the entity for amounts that are based on the price (or value) of equity instruments (including shares) of the entity or another group entity, or equity instruments (including shares or share options) of the entity or another group entity, provided the specified vesting conditions, if any, are met. Under the share-based compensation plan the Group receives services from the management as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed is determined by the reference to the fair value of the equity instruments granted, excluding the impact of any non-market service and performance vesting conditions. Non-market vesting conditions are included in the assumptions about the number of equity instruments that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Increase in equity on accrued shares resulting from the equity settled scheme is accounted for under share based payment reserve. The Bank pays recharge amount to the TBC Bank Group PLC and the share based reserve is debited correspondingly. This takes place when treasury shares are purchased by employee benefit trust (EBT) on TBC Bank Group PLC level. When portions of a single grant vest on two or more dates the entity applies graded vesting for accounting of share based payment arrangement. Vesting period of each tranche of the grant ends when the employee owns the shares with no further service restrictions. Under graded vesting scheme the expense for earlier years is higher than for later years. Each tranche is expensed over its own service period with a credit entry being equity.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Critical Judgements and Estimates

The Bank makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on the management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements and estimates that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities are the following:

Judgements and estimates related to ECL measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, development of models and preparation of data inputs. Expert management judgement is also an essential part of estimating expected credit losses.

Management considers management judgements and estimates in calculating ECL as follows:

Judgements used to define criteria used in definition of default. The Bank defines default using both quantitative and qualitative criteria. Borrower is classified as defaulted if:

- any amount of contractual repayments is past due more than 90 days; or
- factors indicating the borrower's unlikeliness-to-pay.

In addition, default exit criteria is defined using judgement as well as whether default should be applied on a borrower or exposure level. For more details on the methodology please see Note 35.

Judgements used to define criteria for assessing, if there has been a significant increase in credit risk (SICR) which is defined using both quantitative and qualitative criteria.

Qualitative factors usually include judgements around delinquency period of more than 30 days on contractual repayments; exposure is restructured, but is not defaulted; borrower is classified as "watch".

The Bank evaluates the change in the probability of default parameter for each specific exposure on a quantitative basis, comparing it to a predefined threshold since its initial recognition. When the absolute change in the probability of default surpasses the specified threshold, it is considered a Significant Increase in Credit Risk (SICR), leading to the transfer of the exposure to Stage 2. The quantitative indicator for SICR is utilized in retail and micro segments, provided there is a substantial number of observations for accurate assessment. Refer to note 35 for more details of SICR thresholds.

Judgements used for calculation of credit risk parameters namely probability of default (PD) and loss given default (LGD). The judgements include and are not limited by:

(i) definition of the segmentation for risk parameters estimation purposes,
(ii) decision whether simplified or more complex models can be used,
(iii) time since default date after which no material recoveries are expected,
(iv) collateral haircuts from market value as well as the average workout period for collateral discounting.

The table below describes sensitivity on 10% increase of PD and LGD estimates. For sensitivity calculation purposes, the staging has been maintained unchanged:

In thousands of GEL	31 December 2023	31 December 2022
10% increase (decrease) in PD estimates	Increase (decrease) credit loss allowance on loans and advances by GEL 16,177 (GEL 15,210).	Increase (decrease) credit loss allowance on loans and advances by GEL 19,891 (GEL 18,843).
10% increase (decrease) in LGD estimates	Increase (decrease) credit loss allowance on loans and advances by GEL 24,778 (GEL 26,679).	Increase (decrease) credit loss allowance on loans and advances by GEL 31,635 (GEL 31,770).

3.CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES CONTINUED

Estimates used for forward-looking macroeconomic scenarios and judgements made for their probability weightings.
For forward-looking information purposes, the Bank defines three macro scenarios. The scenarios are defined as baseline (most likely), upside (better than most likely) and downside (worse than most likely) scenarios of the state of the Georgian economy.
Estimates applied in differentiating between these three scenarios represent GDP, USD/GEL rate, RE price, employment levels, monetary policy rate and other macro variables. Under usual conditions, the scenario weights applied are 50%, 25% and 25% for the base case, upside and downside scenarios respectively. As at 31 December 2023 the weights remained the same as at 31 December 2022 - 50%, 25% and 25% for the base, upside and downside scenarios respectively. Based on the changes of the macro environment the Bank may modify the weightings based on expert judgement.

The table below describes the unweighted ECL for each economic scenario as at 31 December 2023:

In thousands of GEL	Baseline	Upside	Downside	Weighted
Corporate	49,321	49,321	66,060	53,505
MSME	108,614	106,830	110,964	108,740
Consumer	128,700	128,259	129,162	128,715
Mortgage	27,224	27,047	27,528	27,257
Total	**313,859**	**311,457**	**333,714**	**318,217**

The table below describes the unweighted ECL for each economic scenario as at 31 December 2022:

In thousands of GEL	Baseline	Upside	Downside	Weighted
Corporate	45,775	45,456	48,827	46,458
MSME	95,991	94,270	98,169	96,112
Consumer	183,342	182,366	184,396	183,352
Mortgage	33,856	33,519	34,421	33,912
Total	**358,964**	**355,611**	**365,813**	**359,834**

The following table describes the key macroeconomic variables under each scenario for future 3-year period as at 31 December 2023:

	Baseline			Upside			Downside		
Growth rates YoY, %	2024	2025	2026	2024	2025	2026	2024	2025	2026
GDP	4.8%	5.4%	5.2%	6.5%	7.9%	8.3%	3.0%	2.7%	1.9%
USD/GEL rate (EOP)	2.80	2.70	2.70	2.50	2.39	2.36	3.01	2.95	2.97
RE Price (in USD)	-2.4%	0.8%	0.9%	9.0%	11.0%	10.4%	-14.5%	-9.2%	-6.3%
Employment (EOP)	0.3%	0.4%	0.3%	0.8%	1.0%	1.1%	-0.2%	-0.2%	-0.4%
Monetary policy rate (EOP, Level)	8.5%	7.8%	7.5%	7.8%	6.7%	6.3%	9.6%	9.2%	9.3%

3.CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES CONTINUED

The following table describes the key macroeconomic variables under each scenario for future 3-year period as at 31 December 2022:

	Baseline			Upside			Downside		
Growth rates YoY, %	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	3.5%	5.4%	5.2%	5.2%	7.9%	8.4%	1.7%	2.7%	1.9%
USD/GEL rate (EOP)	2.80	2.65	2.60	2.47	2.31	2.24	3.06	2.92	2.90
RE Price (in USD)	19.8%	-2.0%	-1.3%	24.2%	4.1%	4.8%	11.6%	-13.1%	-12.5%
Employment (EOP)	1.9%	-0.8%	-0.2%	2.5%	-0.1%	0.6%	1.5%	-1.3%	-0.9%
Monetary policy rate (EOP, Level)	9.0%	7.8%	7.8%	8.4%	7.0%	6.8%	10.1%	9.3%	9.6%

The Bank assessed the impact of changes in GDP growth, unemployment and monetary policy rate variables on ECL as estimates applied in ECL assessment.

The sensitivity analysis was performed separately for each of the variable to show their significant in ECL assessment, but changes in those variables may not happen in isolation as various economic factors tend to be correlated across the scenarios. The variables were adjusted in all three macroeconomic. From the assessment of forward-looking scenarios, management is comfortable with the scenarios capturing the non-linearity of the losses.

The table below shows the impact of +/-20% change in GDP growth, unemployment and monetary policy variables across all scenarios on the Bank's ECL as at 31 December 2023:

	Change in GDP growth		Change in unemployment		Change in Monetary Policy	
In thousands of GEL	20% increase	20% decrease	20% increase	20% decrease	20% increase	20% decrease
Impact on ECL	(905)	1,031	555	(561)	221	(195)

The table below shows the impact of +/-20% change in GDP growth and unemployment variables across all scenarios on the Bank's ECL as at 31 December 2022:

	Change in GDP growth		Change in unemployment		Change in Monetary Policy	
In thousands of GEL	20% increase	20% decrease	20% increase	20% decrease	20% increase	20% decrease
Impact on ECL	(987)	1,038	1,341	(1,231)	710	(616)

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

The following amended standards became effective from 1 January 2023

In May 2017, the IASB issued IFRS 17, Insurance Contracts. IFRS 17 replaces IFRS 4 and sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts that are in the scope of IFRS 17. In June 2020, the IASB issued Amendments to IFRS 17, introducing various changes to assist entities implementing the Standard, and moving an effective date to 1 January 2023.

Classification of performance guarantee contracts

The Group analysed the issued performance guarantee contracts to assess whether they would meet the definition of insurance contracts in the scope of IFRS 17. The Group has concluded that performance guarantee contracts expose the Group primarily to credit risk of the applicant because (i) all the contracts require the customers who apply for a guarantee to fully collateralise their obligations to indemnify the Group as the issuer and (ii) there are no scenarios with commercial substance where the Group would have to pay significant additional amounts to the holders of such guarantees. Accordingly, the Group accounts for these contracts in accordance with IFRS 9.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The amendments had no impact on the Group's consolidated financial statements.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023). In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes'. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. Companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.

The amendments had no impact on the Group's consolidated financial statements.

5. NEW ACCOUNTING PRONOUNCEMENTS

The Group has not early adopted any of the amendments effective after 31 December 2023. The Group expects the amendments will have an insignificant effect, when adopted, or is in the process of assessment of the scale of any potential impact on the consolidated financial statements of the Group and the separate financial statements of Bank.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024.

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023). In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. It is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences.

6. CASH AND CASH EQUIVALENTS

In thousands of GEL	31 December 2023	31 December 2022
Cash on hand	936,988	1,224,264
Cash balances with the National Bank of Georgia (other than mandatory reserve deposits)	707,183	315,253
Correspondent accounts and overnight placements with other banks	1,019,684	1,442,961
Placements with and receivables from other banks with original maturities of less than three months	1,027,493	434,027
Reverse sale and repurchase agreements with other banks with original maturities of less than three months	-	370,022
Total gross amount of cash and cash equivalents	**3,691,348**	**3,786,527**
Less: credit loss allowance by stages		
Stage 1	(116)	(429)
Total cash and cash equivalents	**3,691,232**	**3,786,098**

As of 31 December 2023, 93% of the correspondent accounts and overnight placements with other banks was placed with OECD (Organization for Economic Co-operation and Development) banking institutions (31 December 2022: 96%).

As of 31 December 2023, GEL 1,020,150 thousand was placed on interbank term deposits with one OECD bank and none with non-OECD (as at 31 December 2022 GEL 303,206 thousand was placed on interbank term deposits with two non-OECD banks and none with OECD bank).

Interest rate analysis of cash and cash equivalents is disclosed in Note 35.

The credit-ratings of correspondent accounts and overnight placements with other banks are as follows:

in thousands of GEL	31 December 2023	31 December 2022
AA	317,762	280,732
AA-	1,162	207,873
A+	532,414	705,316
A	250	-
A-	96,294	86,538
BBB+	814	102,814
BBB	1,598	2,360
BBB-	409	-
BB+	11,050	647
BB	4,483	5,457
BB-	5,180	23,600
B+	47,272	26,888
B	734	42
B-	262	694
Total correspondent accounts and overnight placements with other banks	**1,019,684**	**1,442,961**

6. CASH AND CASH EQUIVALENTS CONTINUED

The credit rating of placements with and receivables from other banks with original maturities of less than three months stands as follows:

In thousands of GEL	31 December 2023	31 December 2022
AAA	158,810	1,085
A-	296,785	-
BBB+	348,308	303,364
BBB	223,590	-
BB	-	9,541
BB-	-	120,037
Total placements with and receivables from other banks with original maturities of less than three months	**1,027,493**	**434,027**

The table illustrates the ratings by international agencies Standard & Poor's and Fitch Ratings. When different credit ratings are designated by the agencies, the highest designated rating for this asset is used, for those financial institutions which are not assigned credit ratings country ratings are used.

As at 31 December 2022 credit rating of reverse sale and repurchase agreements with other banks with original maturities of less than three months is rated at BB-.

7. DUE FROM OTHER BANKS

Amounts due from other banks include placements with and receivables from other banks with original maturities of more than three months that are not collateralised and represent neither past due nor impaired amounts at 31 December 2023 and 2022.

Credit ratings of placements with and receivables from other banks with original maturities of more than three months and restricted cash were as follows:

in thousands of GEL	31 December 2023	31 December 2022
BBB	446	1,298
BB	-	4,326
B+	10,689	674
Total placements with and receivables from other banks with original maturities of more than three months and restricted cash	**11,135**	**6,298**

As at 31 December 2023 the Group had one placements, with original maturities of more than three months and with aggregated amounts above GEL 5,000 thousand (2022: nil).

The total aggregated amount of placements with and receivables from other banks with original maturities of more than three months was GEL 10,446 thousand (2022: GEL 5,623 thousand) or 93.8% of the total amount due from other banks (2022: 89.3%).

As at 31 December 2023 GEL 693 thousand (2022: GEL 693 thousand) were kept on deposits as restricted cash under an arrangement with a credit card company or credit card related services with other banks.

For the estimated fair values of due from other bank balances please refer to Note 40.

For the purpose of ECL measurement due from other banks balances are included in Stage 1. The ECL for these balances as at 31 December 2023 is GEL 3.8 thousand (2022: GEL 18.9 thousand).

8. MANDATORY CASH BALANCES WITH NATIONAL BANK OF GEORGIA

Mandatory cash balances with the National Bank of Georgia ("NBG") represent amounts deposited with the NBG. Resident financial institutions are required to maintain an interest-earning obligatory reserve with the NBG, the amount of which depends on the level of funds attracted by the financial institutions. The Bank earned up to 10.48%, 0% and 0% annual interest in GEL, USD and EUR, respectively, on mandatory reserve with NBG during the year 2023 (2022: 10.88%, 2.17% and (0.7%) in GEL, USD and EUR, respectively).

In July 2023, Fitch Ratings has affirmed Georgia's Long-Term Foreign and Local Currency Issuer Default Rating (IDRs) at 'BB', with the positive outlook. The country ceiling is affirmed at 'BBB-', while short-term foreign and local-currency IDRs are kept at 'B'.

9. LOANS AND ADVANCES TO CUSTOMERS

in thousands of GEL	31 December 2023	31 December 2022
Corporate loans	8,263,605	6,282,469
Loans to micro, small and medium enterprises	5,486,788	4,809,415
Consumer loans	2,796,622	2,512,220
Mortgage loans	4,729,734	4,253,172
Total gross loans and advances to customers at amortised cost (AC)	**21,276,749**	**17,857,276**
Less: credit loss allowance	(318,217)	(359,834)
Stage 1	(87,734)	(101,747)
Stage 2	(82,019)	(96,993)
Stage 3	(148,464)	(161,094)
Total loans and advances to customers at amortised cost (AC)	**20,958,532**	**17,497,442**

As at 31 December 2023 loans and advances to customers carried at GEL 701,285 thousand have been pledged to local banks or other financial institutions as collateral with respect to other borrowed funds (2022: GEL 958,530 thousand).

No post model overlays has been processed as of 31 December 2023 (PMAs amounted to GEL 2,340 thousand for YE 2022.

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period. Below main movements in the table are described:

- Transfers occur between Stage 1, 2 and 3, due to significant increases (or decreases) of credit risk or exposures becoming defaulted in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL. It should be noted, that:
  - For loans, which existed at the beginning of the period, opening exposures are disclosed as transfer amounts;
  - For newly issued loans, exposures upon issuance are disclosed as transfer amounts;
- New originated or purchased gives us information regarding gross loans issued and corresponding credit loss allowance created during the period (however, exposures which were issued and repaid during the period and issued to refinance existing loans are excluded);
- Derecognised during the period refers to the balance of loans and credit loss allowance at the beginning of the period, which were fully repaid during the period. Exposures which were issued and not fully repaid during the period, written off or refinanced by other loans, are excluded;
- Net repayments refers to the net changes in gross carrying amounts, which is loan disbursements less repayments, excluding loans that were fully repaid;
- Write-offs refer to write off of loans during the period;
- Foreign exchange movements refers to the translation of assets denominated in foreign currencies and effect to translation in presentational currency for foreign subsidiary;
- Net re-measurement due to stage transfers and risk parameters changes refers to the movements in ECL as a result of transfer of exposure between stages or changes in risk parameters and forward-looking expectations;
- Modification refers to changes in terms that do not result in derecognition;
- Re-segmentation refers to the transfer of loans from one reporting segment to another. For presentation purposes, amounts are rounded to the nearest thousands of GEL, which in certain cases is disclosed as nil.

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

	Gross carrying amount				Credit loss allowance			
Total loans *in thousands of GEL*	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**
At 1 January 2023	**16,065,731**	**1,401,961**	**389,584**	**17,857,276**	**101,747**	**96,993**	**161,094**	**359,834**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(2,401,874)*	*2,453,776*	*(51,902)*	-	*(72,440)*	*89,871*	*(17,431)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(42,694)*	*(403,372)*	*446,066*	-	*(4,110)*	*(84,615)*	*88,725*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*1,776,304*	*(1,775,676)*	*(628)*	-	*120,613*	*(120,502)*	*(111)*	-
New originated or purchased	12,302,923	-	-	**12,302,923**	173,184	-	-	**173,184**
Derecognised or fully repaid during the period	(5,902,762)	(220,021)	(102,823)	**(6,225,606)**	(82,258)	(14,507)	(25,152)	**(121,917)**
Net repayments	(2,363,801)	(182,730)	(69,388)	**(2,615,919)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments[1]	-	-	-	-	(149,021)	114,521	154,983	**120,483**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(214,676)	**(214,676)**	-	-	(214,676)	**(214,676)**
Changes in accrued interest	29,106	14,581	2,159	**45,846**	-	-	-	-
Modification	1,457	116	167	**1,740**	-	-	-	-
Foreign exchange movements	118,167	5,682	1,316	**125,165**	19	258	1,032	**1,309**
At 31 December 2023	**19,582,557**	**1,294,317**	**399,875**	**21,276,749**	**87,734**	**82,019**	**148,464**	**318,217**

1 Movements with impact on credit loss allowance charge for the period differs from statement of profit or loss with amount of recoveries of GEL 41,371 thousand in 2023 (2022: GEL 50,231 thousand). The amount of recoveries include recoveries from sale of written off portfolio in the amount of GEL 22,023 thousand sold in 2023 (2022: GEL 18,634 thousand).

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

	Gross carrying amount				Credit loss allowance			
Total loans *in thousands of GEL*	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
At 1 January 2022	**14,512,165**	**1,933,530**	**508,858**	**16,954,553**	**101,972**	**120,417**	**184,979**	**407,368**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(2,241,877)*	*2,377,744*	*(135,867)*	-	*(80,875)*	*131,871*	*(50,996)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(64,005)*	*(363,664)*	*427,669*	-	*(9,832)*	*(109,393)*	*119,225*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*1,991,879*	*(1,979,138)*	*(12,741)*	-	*138,471*	*(137,647)*	*(824)*	-
New originated or purchased	9,824,500	-	-	**9,824,500**	169,303	-	-	**169,303**
Derecognised or fully repaid during the period	(4,745,259)	(173,137)	(116,526)	**(5,034,922)**	(50,872)	(14,164)	(38,873)	**(103,909)**
Net repayments	(2,037,641)	(219,172)	(55,873)	**(2,312,686)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(165,382)	107,892	147,574	**90,084**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(194,012)	**(194,012)**	-	-	(194,012)	**(194,012)**
Changes in accrued interest	(26,737)	5,690	3,631	**(17,416)**	-	-	-	-
Modification	4,016	834	732	**5,582**	-	-	-	-
Foreign exchange movements	(1,151,310)	(180,726)	(36,287)	**(1,368,323)**	(1,038)	(1,983)	(5,979)	**(9,000)**
At 31 December 2022	**16,065,731**	**1,401,961**	**389,584**	**17,857,276**	**101,747**	**96,993**	**161,094**	**359,834**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

	Gross carrying amount				Credit loss allowance			
Corporate loans *in thousands of GEL*	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
At 1 January 2023	**5,741,400**	**458,334**	**82,735**	**6,282,469**	**18,930**	**1,214**	**26,314**	**46,458**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(249,739)*	*257,551*	*(7,812)*	-	*(1,577)*	*2,489*	*(912)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(19,441)*	*(52,600)*	*72,041*	-	*(1,827)*	*(1,479)*	*3,306*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*143,209*	*(143,209)*	-	-	*387*	*(387)*	-	-
New originated or purchased	5,772,067	-	-	**5,772,067**	55,225	-	-	**55,225**
Derecognised or fully repaid during the period	(3,610,212)	(82,079)	(23,742)	**(3,716,033)**	(49,056)	(147)	(1,184)	**(50,387)**
Net repayments	(375,006)	(39,646)	(8,327)	**(422,979)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(4,449)	737	8,487	**4,775**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	259,557	-	(468)	**259,089**	794	-	(236)	**558**
Write-offs	-	-	(3,184)	**(3,184)**	-	-	(3,184)	**(3,184)**
Changes in accrued interest	19,587	9,492	2,039	**31,118**	-	-	-	-
Modification	286	(158)	49	**177**	-	-	-	-
Foreign exchange movements	57,393	2,681	807	**60,881**	27	18	15	**60**
At 31 December 2023	**7,739,101**	**410,366**	**114,138**	**8,263,605**	**18,454**	**2,445**	**32,606**	**53,505**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

Corporate loans *in thousands of GEL*	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
At 1 January 2022	**5,743,444**	**712,548**	**91,749**	**6,547,741**	**24,404**	**1,310**	**25,017**	**50,731**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(167,429)*	*171,531*	*(4,102)*	-	*(770)*	*1,550*	*(780)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(13,861)*	*(21,457)*	*35,318*	-	*(1,428)*	*(160)*	*1,588*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*219,373*	*(207,522)*	*(11,851)*	-	*1,113*	*(738)*	*(375)*	-
New originated or purchased	3,659,826	-	-	**3,659,826**	51,203	-	-	**51,203**
Derecognised or fully repaid during the period	(2,805,071)	(35,641)	(13,318)	**(2,854,030)**	(18,621)	(188)	(1,383)	**(20,192)**
Net repayments	(378,989)	(68,653)	(8,529)	**(456,171)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(36,022)	(494)	4,210	**(32,306)**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	64,980	16,622	-	**81,602**	139	16	-	**155**
Write-offs	-	-	(1,126)	**(1,126)**	-	-	(1,126)	**(1,126)**
Changes in accrued interest	(40,308)	(563)	242	**(40,629)**	-	-	-	-
Modification	1,520	62	74	**1,656**	-	-	-	-
Foreign exchange movements	(542,085)	(108,593)	(5,722)	**(656,400)**	(1,088)	(82)	(837)	**(2,007)**
At 31 December 2022	**5,741,400**	**458,334**	**82,735**	**6,282,469**	**18,930**	**1,214**	**26,314**	**46,458**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

Loans to micro, small and medium enterprises *in thousands of GEL*	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
At 1 January 2023	**4,327,742**	**317,830**	**163,843**	**4,809,415**	**24,938**	**23,961**	**47,213**	**96,112**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(802,913)*	*819,936*	*(17,023)*	-	*(20,758)*	*25,443*	*(4,685)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(3,870)*	*(178,452)*	*182,322*	-	*(481)*	*(28,153)*	*28,634*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*515,803*	*(515,799)*	*(4)*	-	*33,285*	*(33,285)*	-	-
New originated or purchased	2,842,810	-	-	**2,842,810**	50,094	-	-	**50,094**
Derecognised or fully repaid during the period	(847,740)	(58,116)	(37,221)	**(943,077)**	(7,066)	(5,102)	(8,977)	**(21,145)**
Net repayments	(841,731)	(64,387)	(42,853)	**(948,971)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(55,121)	49,770	57,130	**51,779**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	(250,327)	(192)	-	**(250,519)**	(753)	(27)	-	**(780)**
Write-offs	-	-	(67,981)	**(67,981)**	-	-	(67,981)	**(67,981)**
Changes in accrued interest	8,768	1,968	(3,361)	**7,375**	-	-	-	-
Modification	241	144	10	**395**	-	-	-	-
Foreign exchange movements	34,195	2,351	795	**37,341**	20	178	463	**661**
At 31 December 2023	**4,982,978**	**325,283**	**178,527**	**5,486,788**	**24,158**	**32,785**	**51,797**	**108,740**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

	Gross carrying amount				Credit loss allowance			
Loans to micro, small and medium enterprises *in thousands of GEL*	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**
At 1 January 2022	**3,519,842**	**413,339**	**208,124**	**4,141,305**	**20,487**	**32,234**	**60,380**	**113,101**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(596,643)*	*649,360*	*(52,717)*	-	*(12,887)*	*30,360*	*(17,473)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(3,607)*	*(131,785)*	*135,392*	-	*(785)*	*(22,920)*	*23,705*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*470,443*	*(469,705)*	*(738)*	-	*31,196*	*(30,853)*	*(343)*	-
New originated or purchased	2,732,945	-	-	**2,732,945**	30,670	-	-	**30,670**
Derecognised or fully repaid during the period	(799,199)	(49,055)	(32,100)	**(880,354)**	(10,514)	(3,232)	(9,333)	**(23,079)**
Net repayments	(680,252)	(58,076)	(27,557)	**(765,885)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(33,027)	18,867	39,156	**24,996**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	(56,707)	(15,755)	-	**(72,462)**	(70)	74	-	**4**
Write-offs	-	-	(46,258)	**(46,258)**	-	-	(46,258)	**(46,258)**
Changes in accrued interest	13,981	3,054	(716)	**16,319**	-	-	-	-
Modification	546	255	353	**1,154**	-	-	-	-
Foreign exchange movements	(273,607)	(23,802)	(19,940)	**(317,349)**	(132)	(569)	(2,621)	**(3,322)**
At 31 December 2022	**4,327,742**	**317,830**	**163,843**	**4,809,415**	**24,938**	**23,961**	**47,213**	**96,112**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

	Gross carrying amount				Credit loss allowance			
Consumer loans *in thousands of GEL*	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**
At 1 January 2023	**2,192,423**	**229,992**	**89,805**	**2,512,220**	**55,579**	**62,118**	**65,655**	**183,352**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(565,976)*	*574,754*	*(8,778)*	-	*(47,921)*	*52,925*	*(5,004)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(15,056)*	*(138,941)*	*153,997*	-	*(1,311)*	*(53,302)*	*54,613*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*397,663*	*(397,137)*	*(526)*	-	*77,556*	*(77,452)*	*(104)*	-
New originated or purchased	2,298,090	-	-	**2,298,090**	66,479	-	-	**66,479**
Derecognised or fully repaid during the period	(1,066,323)	(36,625)	(30,583)	**(1,133,531)**	(25,903)	(8,003)	(11,134)	**(45,040)**
Net repayments	(708,525)	(44,736)	(7,413)	**(760,674)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(81,173)	62,833	79,475	**61,135**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	5,124	1,021	(27)	**6,118**	(17)	82	(6)	**59**
Write-offs	-	-	(137,900)	**(137,900)**	-	-	(137,900)	**(137,900)**
Changes in accrued interest	883	3,538	4,122	**8,543**	-	-	-	-
Modification	405	39	45	**489**	-	-	-	-
Foreign exchange movements	3,081	307	(121)	**3,267**	(40)	42	628	**630**
At 31 December 2023	**2,541,789**	**192,212**	**62,621**	**2,796,622**	**43,249**	**39,243**	**46,223**	**128,715**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

	Gross carrying amount				Credit loss allowance			
Consumer loans *in thousands of GEL*	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**
At 1 January 2022	**1,829,908**	**237,400**	**85,758**	**2,153,066**	**54,279**	**64,793**	**60,978**	**180,050**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(650,136)*	*668,563*	*(18,427)*	-	*(64,388)*	*76,190*	*(11,802)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(34,514)*	*(177,854)*	*212,368*	-	*(5,980)*	*(84,055)*	*90,035*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*409,926*	*(409,774)*	*(152)*	-	*88,788*	*(88,682)*	*(106)*	-
New originated or purchased	2,080,841	-	-	**2,080,841**	85,603	-	-	**85,603**
Derecognised or fully repaid during the period	(818,914)	(41,409)	(47,920)	**(908,243)**	(21,501)	(8,971)	(19,551)	**(50,023)**
Net repayments	(600,668)	(49,488)	(2,136)	**(652,292)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(81,011)	103,143	89,322	**111,454**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	3,580	(34)	-	**3,546**	(77)	(39)	-	**(116)**
Write-offs	-	-	(142,912)	**(142,912)**	-	-	(142,912)	**(142,912)**
Changes in accrued interest	3,110	5,105	5,345	**13,560**	-	-	-	-
Modification	1,076	260	101	**1,437**	-	-	-	-
Foreign exchange movements	(31,786)	(2,777)	(2,220)	**(36,783)**	(134)	(261)	(309)	**(704)**
At 31 December 2022	**2,192,423**	**229,992**	**89,805**	**2,512,220**	**55,579**	**62,118**	**65,655**	**183,352**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

	Gross carrying amount				Credit loss allowance			
Mortgage loans *in thousands of GEL*	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**
At 1 January 2023	**3,804,166**	**395,805**	**53,201**	**4,253,172**	**2,300**	**9,700**	**21,912**	**33,912**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(783,246)*	*801,535*	*(18,289)*	-	*(2,184)*	*9,014*	*(6,830)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(4,327)*	*(33,379)*	*37,706*	-	*(491)*	*(1,681)*	*2,172*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*719,629*	*(719,531)*	*(98)*	-	*9,385*	*(9,378)*	*(7)*	-
New originated or purchased	1,389,956	-	-	**1,389,956**	1,386	-	-	**1,386**
Derecognised or fully repaid during the period	(378,487)	(43,201)	(11,277)	**(432,965)**	(233)	(1,255)	(3,857)	**(5,345)**
Net repayments	(438,539)	(33,961)	(10,795)	**(483,295)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(8,278)	1,181	9,891	**2,794**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	(14,354)	(829)	495	**(14,688)**	(24)	(55)	242	**163**
Write-offs	-	-	(5,611)	**(5,611)**	-	-	(5,611)	**(5,611)**
Changes in accrued interest	(132)	(417)	(641)	**(1,190)**	-	-	-	-
Modification	525	91	63	**679**	-	-	-	-
Foreign exchange movements	23,498	343	(165)	**23,676**	12	20	(74)	**(42)**
At 31 December 2023	**4,318,689**	**366,456**	**44,589**	**4,729,734**	**1,873**	**7,546**	**17,838**	**27,257**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

Mortgage loans *in thousands of GEL*	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
At 1 January 2022	**3,418,971**	**570,243**	**123,227**	**4,112,441**	**2,802**	**22,080**	**38,604**	**63,486**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	(827,669)	888,290	(60,621)	-	(2,830)	23,771	(20,941)	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	(12,023)	(32,568)	44,591	-	(1,639)	(2,258)	3,897	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	892,137	(892,137)	-	-	17,374	(17,374)	-	-
New originated or purchased	1,350,888	-	-	**1,350,888**	1,827	-	-	**1,827**
Derecognised or fully repaid during the period	(322,075)	(47,032)	(23,188)	**(392,295)**	(236)	(1,773)	(8,606)	**(10,615)**
Net repayments	(377,732)	(42,955)	(17,651)	**(438,338)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(15,322)	(13,624)	14,886	**(14,060)**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	(11,853)	(833)	-	**(12,686)**	8	(51)	-	**(43)**
Write-offs	-	-	(3,716)	**(3,716)**	-	-	(3,716)	**(3,716)**
Changes in accrued interest	(3,520)	(1,906)	(1,240)	**(6,666)**	-	-	-	-
Modification	874	257	204	**1,335**	-	-	-	-
Foreign exchange movements	(303,832)	(45,554)	(8,405)	**(357,791)**	316	(1,071)	(2,212)	**(2,967)**
At 31 December 2022	**3,804,166**	**395,805**	**53,201**	**4,253,172**	**2,300**	**9,700**	**21,912**	**33,912**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

The credit quality of loans to customers carried at amortised cost at 31 December 2023 is as follows:

in thousands of GEL	31 December 2023 Stage 1 (12months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
Corporate loans risk category				
- Very low	7,590,132	3,358	-	**7,593,490**
- Low	147,609	400,886	-	**548,495**
- Moderate	1,360	6,122	-	**7,482**
- Default	-	-	114,138	**114,138**
Gross carrying amount	**7,739,101**	**410,366**	**114,138**	**8,263,605**
Credit loss allowance	(18,454)	(2,445)	(32,606)	**(53,505)**
Carrying amount	**7,720,647**	**407,921**	**81,532**	**8,210,100**
Loans to MSME risk category				
- Very low	4,400,875	20,477	-	**4,421,352**
- Low	562,589	88,843	-	**651,432**
- Moderate	19,514	159,257	-	**178,771**
- High	-	56,706	-	**56,706**
- Default	-	-	178,527	**178,527**
Gross carrying amount	**4,982,978**	**325,283**	**178,527**	**5,486,788**
Credit loss allowance	(24,158)	(32,785)	(51,797)	**(108,740)**
Carrying amount	**4,958,820**	**292,498**	**126,730**	**5,378,048**
Consumer loans risk category				
- Very low	1,681,233	7,155	-	**1,688,388**
- Low	730,098	24,492	-	**754,590**
- Moderate	130,458	126,245	-	**256,703**
- High	-	34,320	-	**34,320**
- Default	-	-	62,621	**62,621**
Gross carrying amount	**2,541,789**	**192,212**	**62,621**	**2,796,622**
Credit loss allowance	(43,249)	(39,243)	(46,223)	**(128,715)**
Carrying amount	**2,498,540**	**152,969**	**16,398**	**2,667,907**
Mortgage loans risk category				
- Very low	3,776,199	17,893	-	**3,794,092**
- Low	518,078	176,355	-	**694,433**
- Moderate	24,412	146,396	-	**170,808**
- High	-	25,812	-	**25,812**
- Default	-	-	44,589	**44,589**
Gross carrying amount	**4,318,689**	**366,456**	**44,589**	**4,729,734**
Credit loss allowance	(1,873)	(7,546)	(17,838)	**(27,257)**
Carrying amount	**4,316,816**	**358,910**	**26,751**	**4,702,477**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

The credit quality of loans to customers carried at amortised cost at 31 December 2022 is as follows:

	31 December 2022			
in thousands of GEL	Stage 1 (12months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
Corporate loans risk category				
- Very low	5,605,060	-	-	**5,605,060**
- Low	136,070	427,830	-	**563,900**
- Moderate	270	30,504	-	**30,774**
- Default	-	-	82,735	**82,735**
Gross carrying amount	**5,741,400**	**458,334**	**82,735**	**6,282,469**
Credit loss allowance	(18,930)	(1,214)	(26,314)	**(46,458)**
Carrying amount	**5,722,470**	**457,120**	**56,421**	**6,236,011**
Loans to MSME risk category				
- Very low	3,437,333	24,043	-	**3,461,376**
- Low	876,548	177,178	-	**1,053,726**
- Moderate	13,741	85,733	-	**99,474**
- High	120	30,876	-	**30,996**
- Default	-	-	163,843	**163,843**
Gross carrying amount	**4,327,742**	**317,830**	**163,843**	**4,809,415**
Credit loss allowance	(24,938)	(23,961)	(47,213)	**(96,112)**
Carrying amount	**4,302,804**	***293,869***	**116,630**	**4,713,303**
Consumer loans risk category				
- Very low	1,432,943	6,988	-	**1,439,931**
- Low	643,378	40,120	-	**683,498**
- Moderate	116,102	141,735	-	**257,837**
- High	-	41,149	-	**41,149**
- Default	-	-	89,805	**89,805**
Gross carrying amount	**2,192,423**	**229,992**	**89,805**	**2,512,220**
Credit loss allowance	(55,579)	(62,118)	(65,655)	**(183,352)**
Carrying amount	**2,136,844**	***167,874***	**24,150**	**2,328,868**
Mortgage loans risk category				
- Very low	3,349,388	38,732	-	**3,388,120**
- Low	433,913	205,328	-	**639,241**
- Moderate	20,865	125,898	-	**146,763**
- High	-	25,847	-	**25,847**
- Default	-	-	53,201	**53,201**
Gross carrying amount	**3,804,166**	**395,805**	**53,201**	**4,253,172**
Credit loss allowance	(2,300)	(9,700)	(21,912)	**(33,912)**
Carrying amount	**3,801,866**	**386,105**	**31,289**	**4,219,260**

The contractual amounts outstanding on loans to customers that have been written off during the period partially or fully, but are still subject to enforcement activity was principal amount GEL 45,163 thousand (31 December 2022: GEL 22,535 thousand) and accrued interest GEL 6,323 thousand (31 December 2022: GEL 4,160 thousand).

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

Economic sector risk concentrations within the customer loan portfolio are as follows:

	31 December 2023		31 December 2022	
in thousands of GEL	Amount	%	Amount	%
Individual	7,912,653	37%	6,851,397	38%
Real Estate	2,020,022	9%	1,564,352	9%
Construction	1,471,145	7%	1,073,761	6%
Trade	1,340,622	6%	1,054,958	6%
Hospitality, Restaurants & Leisure	1,252,741	6%	1,147,098	7%
Food Industry	1,154,925	5%	1,060,058	6%
Energy & Utilities	997,117	5%	947,441	5%
Agriculture	988,519	5%	822,779	5%
Healthcare	623,301	3%	451,304	3%
Services	506,086	2%	388,517	2%
Financial Services	325,356	2%	262,675	1%
Transportation	302,072	1%	240,535	1%
Automotive	282,777	1%	297,558	2%
Pawn Shops	208,236	1%	196,489	1%
Metals and Mining	179,519	1%	179,365	1%
Communication	55,000	0%	30,758	0%
Other	1,656,658	9%	1,288,231	7%
Total gross loans and advances to customers	**21,276,749**	**100%**	**17,857,276**	**100%**

As of 31 December 2023, the Group had 7 borrowers (2022: 4 borrowers) with aggregated gross loan amounts above GEL 100,000 thousand. The total aggregated amount of these loans was GEL 1,111,275 thousand (2022: GEL 520,913 thousand) or 5.2% of the gross loan portfolio (2022: 2.9%).

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. There are three key types of collateral:

- Real estate;
- Movable property including fixed assets, inventory and precious metals;
- Financial assets including deposits, shares, and third party guarantees.

The financial effect of collateral is presented by disclosing the collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed the assets' carrying value ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the assets' carrying value ("under-collateralised assets").

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

The effect of collateral as at 31 December 2023:

	31 December 2023			
	Over-collateralised Assets		Under-collateralised Assets	
in thousands of GEL	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Corporate loans	4,716,371	12,729,581	3,547,234	1,224,531
Consumer loans	1,156,883	2,817,061	1,639,739	41,741
Mortgage loans	4,407,048	12,190,665	322,686	156,424
Loans to micro, small and medium enterprises	4,261,346	9,594,104	1,225,442	435,223
Total	**14,541,648**	**37,331,411**	**6,735,101**	**1,857,919**

The effect of collateral as at 31 December 2022:

	31 December 2022			
	Over-collateralised Assets		Under-collateralised Assets	
in thousands of GEL	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Corporate loans	3,534,635	9,524,073	2,747,834	1,135,017
Consumer loans	793,141	1,932,508	1,719,079	60,642
Mortgage loans	3,729,421	10,695,687	523,751	238,075
Loans to micro, small and medium enterprises	3,439,685	7,566,047	1,369,730	523,237
Total	**11,496,882**	**29,718,315**	**6,360,394**	**1,956,971**

As at 31 December 2023 loans and advances to customers which were 1. over-collateralised and 2. credit loss allowance was nil, amounted to GEL 1,770,547 thousand (2022: GEL 1,525,046 thousand).

The effect of collateral by types as at 31 December 2023:

	31 December 2023			
	Over-collateralised Assets		Under-collateralised Assets	
in thousands of GEL	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Cash Cover	669,592	713,715	89,559	70,797
Gold	171,256	222,339	31,283	30,609
Inventory	367,392	3,078,135	365,947	158,663
Real Estate	13,333,408	33,317,222	2,472,023	1,597,850
Unsecured and secured solely by third party guarantees	-	-	3,776,289	-
Total	**14,541,648**	**37,331,411**	**6,735,101**	**1,857,919**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

The effect of collateral by types as at 31 December 2022:

	31 December 2022			
	Over-collateralised Assets		Under-collateralised Assets	
in thousands of GEL	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Cash Cover	304,408	336,311	164,437	128,474
Gold	147,485	186,835	40,777	40,181
Inventory	407,338	2,061,199	258,222	150,724
Real Estate	10,637,651	27,133,970	2,554,711	1,637,592
Unsecured and secured solely by third party guarantees	-	-	3,342,247	-
Total	**11,496,882**	**29,718,315**	**6,360,394**	**1,956,971**

The financial effect of collateral is determined by comparing the fair value of collateral to outstanding gross loans and advances in the reporting date.

Stage 3 loans presented by segments and collateral classes as at 31 December 2023 are the following:

	31 December 2023			
in thousands of GEL	Corporate	Consumer	Mortgage	Loans to micro, small and medium enterprises
Cash Cover	267	3	-	169
Gold	-	1,015	-	271
Inventory	12,445	-	-	1,238
Real Estate	94,767	18,592	43,486	155,409
Unsecured and secured solely by third party guarantees	6,659	43,011	1,103	21,440
Total	**114,138**	**62,621**	**44,589**	**178,527**

Stage 3 loans presented by segments and collateral classes as at 31 December 2022 are the following:

	31 December 2022			
in thousands of GEL	Corporate	Consumer	Mortgage	Loans to micro, small and medium enterprises
Cash Cover	21	9	-	47
Gold	-	991	-	308
Inventory	8,913	-	-	1,131
Real Estate	59,302	19,931	50,539	143,285
Unsecured and secured solely by third party guarantees	14,499	68,874	2,662	19,072
Total	**82,735**	**89,805**	**53,201**	**163,843**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

The gross carrying amount of loans by stages that have been modified since initial recognition at a time when the loss allowance was measured at an amount equal to lifetime expected credit losses and for which the loss allowance has changed during the reporting period to an amount equal to 12-month expected credit losses loans are the following:

in thousands of GEL	31 December 2023	31 December 2022
Stage 1	243,759	354,308
Stage 2	191,879	184,044
Stage 3	50,160	49,975
Total	**485,798**	**588,327**

At the central level a specific unit manages collateral to ensure that they serve as an adequate mitigation for credit risk management purposes. In line with the Group's internal policies, collateral provided to loans are evaluated by the Internal Appraisal Group (external reviewers are used in case of loans to related parties or specific cases when complex objects are appraised). The Internal Appraisal Group is part of the collateral management unit and, in order to ensure adequate and objective appraisal procedures, it is independent from the loan granting process. Real estate collateral of significant value is re-evaluated annually by internal appraisers. Statistical methods are used to monitor the value of real estate collateral that are of non-significant value and other types of collateral such as movable assets and precious metals.

In some instances, where the discounted recovery from the liquidation of collateral (adjusted for the liquidity haircut and discounted for the period of expected workout time) is larger than the estimated exposure at default, no credit loss allowance is recognised. Collateral values include the contractual price of third-party guarantees, which, due to their nature, are capped at the loan's carrying value. The values of third-party guarantees in the tables above amounted to GEL 62,610 thousand and GEL 387,356 thousand as of 31 December 2023 and 2022, respectively. These third-party guarantees are not taken into consideration when assessing the impairment allowance. Refer to Note 40 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 35. Information on related party balances is disclosed in Note 42.

For the year ended 31 December 2023 amortised cost of loans with lifetime ECL immediately before contractual modification that was not a derecognition event was GEL 891,977 thousand (31 December 2022: GEL 1,796,668 thousand). During 2023, gains less losses recognised in profit or loss on modifications of loans with lifetime ECL that did not lead to derecognition was GEL (1) thousand (2022: GEL (14) thousand).

For the year ended 31 December 2023 gross carrying amount of loans that were contractually modified (without derecognition) in the past when measured at lifetime ECL and which were reclassified to Stage 1 (12 months ECL) during the current year was GEL 513,241thousand (31 December 2022: GEL 1,063,796 thousand).

10. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

in thousands of GEL	31 December 2023	31 December 2022
Corporate bonds		
Gross carrying amount	1,225,537	1,296,095
Fair value correction	(114)	(4,376)
Stage 1	(422)	(334)
Corporate bonds measured at FTOCI	**1,225,001**	**1,291,385**
Ministry of Finance of Georgia treasury bills		
Gross carrying amount	1,934,373	1,548,832
Fair value correction	13,466	11,035
Stage 1	(3,707)	(2,772)
Ministry of Finance of Georgia treasury bills at FTOCI	**1,944,132**	**1,557,095**
Foreign government treasury bills		
Gross carrying amount	304,881	36,319
Fair value correction	(1,015)	(702)
Stage 1	(16)	(34)
Foreign government treasury bills at FTOCI	**303,850**	**35,583**
Total investment securities measured at fair value through other comprehensive income excluding corporate shares	**3,472,983**	**2,884,063**
Corporate shares – unquoted	2,478	665
Total investment securities measured at fair value through other comprehensive income	**3,475,461**	**2,884,728**

All debt securities in 2023 and 2022 except for corporate bonds and foreign government treasury bills are issued by the Government of Georgia and National Bank of Georgia. Country rating for Georgia stands at BB with positive outlook (as assigned by Fitch rating agency in July 2023). 80.6% of corporate bonds are issued by triple A rated international financial institutions, 16.1% of corporate bonds are issued by BB rating and 3.3% by B+ rating. Information includes credit ratings assigned by the international rating agencies (Standard & Poor's, Fitch), for those financial institutions which are not assigned credit ratings, country ratings are used.

The Group designated investments in corporate shares disclosed in the above table as equity securities at FVOCI. The FVOCI designation was made because the investments are expected to be held primarily for liquidity management or medium-term investment purposes instead of short-term profit making from subsequent sales.

As at 31 December 2023 investment securities measured at fair value through other comprehensive income carried at GEL 970,019 thousand have been pledged with local banks or financial institutions as a collateral for other borrowed funds (2022: GEL 475,259 thousand).

10. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME CONTINUED

The movements in investment securities measured at fair value through other comprehensive income are as follows:

in thousands of GEL	2023	2022
Carrying amount as of 1 January	**2,884,728**	**1,938,196**
Purchases	1,563,326	2,412,783
Disposals	(383,122)	(816,417)
Redemption at maturity	(854,540)	(391,341)
Revaluation	6,878	16,329
Interest income accrued	284,495	196,114
Interest income received	(275,820)	(178,112)
Effect of translation to presentation currency	(16,975)	(25,007)
Transfer to repurchase receivables	267,495	(267,495)
Changes in credit loss allowance	(1,004)	(322)
Carrying amount as of 31 December	**3,475,461**	**2,884,728**

11. REPURCHASE RECEIVABLES

Repurchase receivables represent securities sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or repledge.

in thousands of GEL	31 December 2023	31 December 2022
Investment securities measured at FVOCI sold under sale and repurchase agreements	-	267,495
Total repurchase receivables	**-**	**267,495**

As at 31 December 2023 credit loss allowance for Investment securities measured at FVOCI sold under sale and repurchase agreements was nil (2022: nil). Meanwhile credit risk category of total portfolio is classified as very low.

Refer to Note 18 for liability leg of sale and repurchase agreements with other banks.

12. OTHER FINANCIAL ASSETS

Other financial assets of the Group comprise the following:

in thousands of GEL	31 December 2023	31 December 2022
Receivables on credit card services and money transfers	73,056	46,724
Receivable on terminated leases	61,639	40,103
Derivative financial assets	41,038	69,921
Receivables on guarantees and letters of credit	32,347	23,140
Receivables from plastic card service providers	26,591	28,081
Derivatives margin	20,762	2,837
Advances paid to promotional service provider	19,774	19,733
Receivable from insurance service provides	13,965	21,194
Trade receivables	4,009	3,892
Investment held at fair value through profit or loss	8,062	9,704
Government subsidy related receivables	4,565	3,981
Prepayments for purchase of leasing assets	1,405	2,794
Receivables for rental income	652	666
Receivables from sales of non-financial assets	400	657
Other	30,057	27,986
Total gross amount of other financial assets	**338,322**	**301,413**
Less: credit loss allowance	(56,461)	(54,415)
Total other financial assets	**281,861**	**246,998**

For the year end of 2023 other financial asset gross portfolio with related credit loss allowance represented: stage 1 - GEL 245,665 thousand and GEL 4,776 thousand (2022: GEL 236,923 thousand and GEL 9,899 thousand); stage 2 - GEL 3,931 thousand and GEL 1,260 thousand (2022: GEL 412 thousand and GEL 66 thousand); stage 3 - GEL 88,725 thousand and GEL 50,425 thousand (2022: GEL 64,078 thousand and GEL 44,450 thousand). GEL 61,639 thousand of receivable on terminated leases represents stage 3 financial instruments (2022: GEL 40,103 thousand).

12. OTHER FINANCIAL ASSETS CONTINUED

Other financial assets of the Bank comprise the following:

in thousands of GEL	31 December 2023	31 December 2022
Receivables on credit card services and money transfers	72,260	46,105
Derivative financial assets	40,919	69,553
Receivables on guarantees and letters of credit	32,347	23,140
Receivables from plastic card service providers	26,591	10,731
Derivatives margin	20,762	2,837
Advances paid to promotional service provider	19,774	19,733
Receivable from insurance service provides	13,965	21,194
Trade receivables	779	2,959
Investment held at fair value through profit or loss	9,659	9,704
Government subsidy related receivables	4,565	3,981
Receivables for rental income	652	666
Receivables from sales of non-financial assets	400	-
Other	125,989	110,146
Total gross amount of other financial assets	**368,663**	**320,749**
Less: credit loss allowance	(18,576)	(21,029)
Total other financial assets	**350,086**	**299,720**

13. FINANCE LEASE RECEIVABLES

As at 31 December 2023 finance lease receivables of GEL 370,795 thousand (2022: GEL 288,886 thousand) are represented by leases of fixed assets excluding land and buildings.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral obtained are:

- Leased assets (inventory and equipment);
- Down payment;
- Real estate properties.

The financial effect of collateral is presented by disclosing the collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed the assets' carrying value ("over-collateralized assets") and (ii) those assets where collateral and other credit enhancements are less than the assets' carrying value ("undercollateralized assets").

Finance lease payments receivable and their present values as of 31 December 2023 are as follows:

in thousands of GEL	Due in 1 year	Due between 1 and 2 year	Due between 2 and 3 year	Due between 3 and 4 year	Due between 4 and 5 year	Due in 5 year or more	Total
Lease payments receivable	172,834	121,230	70,102	46,185	28,990	77,249	**516,590**
Unearned finance income	(44,846)	(30,807)	(18,991)	(12,424)	(7,964)	(22,059)	**(137,091)**
Credit loss allowance	(3,041)	(2,101)	(1,182)	(718)	(512)	(1,150)	**(8,704)**
Present value of lease payments receivable	**124,947**	**88,322**	**49,929**	**33,043**	**20,514**	**54,040**	**370,795**

Finance lease payments receivable and their present values as of 31 December 2022 are as follows:

in thousands of GEL	Due in 1 year	Due between 1 and 2 year	Due between 2 and 3 year	Due between 3 and 4 year	Due between 4 and 5 year	Due in 5 year or more	Total
Lease payments receivable	143,900	89,898	60,931	35,399	24,306	42,693	**397,127**
Unearned finance income	(36,763)	(23,306)	(13,885)	(7,758)	(4,454)	(13,475)	**(99,641)**
Credit loss allowance	(2,791)	(1,795)	(1,339)	(951)	(973)	(751)	**(8,600)**
Present value of lease payments receivable	**104,346**	**64,797**	**45,707**	**26,690**	**18,879**	**28,467**	**288,886**

For fair values refer to Note 40.

13. FINANCE LEASE RECEIVABLES CONTINUED

The following table discloses the changes in the credit loss allowance and gross carrying amount for finance lease receivables between the beginning and the end of the reporting period:

	Gross carrying amount				Credit loss allowance			
in thousands of GEL	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
At 1 January 2023	**242,914**	**36,718**	**17,854**	**297,486**	**4,122**	**2,173**	**2,305**	**8,600**
Transfers								
– to lifetime (from Stage 1 and Stage 3 to Stage 2)	(50,476)	53,033	(2,557)	-	(1,209)	1,248	(39)	-
– to defaulted (from Stage 1 and Stage 2 to Stage 3)	(16,357)	(5,018)	21,375	-	(966)	(354)	1,320	-
– to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	4,109	(3,459)	(650)	-	255	(157)	(98)	-
New originated or purchased	214,299	-	-	**214,299**	2,916	-	-	**2,916**
Derecognised or fully repaid during the period	(60,814)	(12,998)	(9,868)	**(83,680)**	(1,169)	(653)	(1,515)	**(3,337)**
Net repayments	(35,522)	(10,161)	(5,405)	**(51,088)**	(158)	(61)	(7)	**(226)**
Foreign exchange movements	948	306	52	**1,306**	9	9	10	**28**
Other movements	142	184	850	**1,176**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(972)	828	867	**723**
At 31 December 2023	**299,243**	**58,605**	**21,651**	**379,499**	**2,828**	**3,033**	**2,843**	**8,704**

13. FINANCE LEASE RECEIVABLES CONTINUED

	Gross carrying amount				Credit loss allowance			
in thousands of GEL	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
At 1 January 2022	**190,697**	**43,732**	**27,694**	**262,123**	**2,712**	**3,422**	**3,649**	**9,783**
Transfers								
– to lifetime (from Stage 1 and Stage 3 to Stage 2)	(23,095)	29,847	(6,752)	-	(961)	1,385	(424)	-
– to defaulted (from Stage 1 and Stage 2 to Stage 3)	(13,873)	(4,680)	18,553	-	(733)	(128)	861	-
– to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	7,688	(7,653)	(35)	-	199	(195)	(4)	-
New originated or purchased	178,718	-	-	**178,718**	3,933	-	-	**3,933**
Derecognised or fully repaid during the period	(51,936)	(18,430)	(17,459)	**(87,825)**	(813)	(2,024)	(2,855)	**(5,692)**
Net repayments	(36,184)	(5,121)	(3,723)	**(45,028)**	-	-	-	-
Foreign exchange movements	(8,228)	(954)	(1,217)	**(10,399)**	(85)	(26)	(141)	**(252)**
Other movements	(873)	(23)	793	**(103)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(130)	(261)	1,219	**828**
At 31 December 2022	**242,914**	**36,718**	**17,854**	**297,486**	**4,122**	**2,173**	**2,305**	**8,600**

As at 31 December 2023, credit quality of finance lease receivables is analysed below:

	31 December 2023			
in thousands of GEL	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
Finance lease receivables risk category				
– Very low	250,267	6,785	-	257,052
– Low	48,976	10,194	-	59,170
– Moderate	-	30,065	-	30,065
– High	-	11,561	-	11,561
– Default	-	-	21,651	21,651
Gross carrying amount	**299,243**	**58,605**	**21,651**	**379,499**
Credit loss allowance	(2,828)	(3,033)	(2,843)	(8,704)
Carrying amount	**296,415**	**55,572**	**18,808**	**370,795**

13. FINANCE LEASE RECEIVABLES CONTINUED

As at 31 December 2022, credit quality of finance lease receivables is analysed below:

	31 December 2022			
in thousands of GEL	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
Finance lease receivables risk category				
– Very low	216,763	-	-	216,763
– Low	26,063	6,982	-	33,045
– Moderate	88	9,780	-	9,868
– High	-	19,956	-	19,956
– Default	-	-	17,854	17,854
Gross carrying amount	**242,914**	**36,718**	**17,854**	**297,486**
Credit loss allowance	(4,122)	(2,173)	(2,305)	(8,600)
Carrying amount	**238,792**	**34,545**	**15,549**	**288,886**

The effect of collateral as at 31 December 2023:

	31 December 2023			
	Over-collateralised Assets		Under-collateralised Assets	
in thousands of GEL	Gross carrying value of the assets	Fair value of collateral	Gross carrying value of the assets	Fair value of collateral
Finance lease receivables	290,573	435,885	88,926	72,935
Total	**290,573**	**435,885**	**88,926**	**72,935**

The effect of collateral as at 31 December 2022:

	31 December 2022			
	Over-collateralised Assets		Under-collateralised Assets	
in thousands of GEL	Gross carrying value of the assets	Fair value of collateral	Gross carrying value of the assets	Fair value of collateral
Finance lease receivables	226,389	397,377	71,097	57,456
Total	**226,389**	**397,377**	**71,097**	**57,456**

14. OTHER ASSETS

in thousands of GEL	31 December 2023	31 December 2022
Current other assets		
Repossessed collateral	277,332	269,006
Prepayments for other assets	34,729	47,859
Prepayments for purchase of leasing assets	28,900	28,595
Other inventories	12,458	14,741
Prepaid taxes other than income tax	5,301	5,860
Total current other assets	**358,720**	**366,061**
Non-current other assets		
Assets repossessed from terminated leases	3,543	16,531
Prepayments for construction in progress	37,713	22,460
Prepaid insurance of leasing assets	2,961	2,364
Assets purchased for leasing purposes	923	1,049
Other	1,633	3,262
Total non-current other assets	**46,773**	**45,666**
Total other assets	**405,493**	**411,727**

Repossessed collateral represents tangible assets acquired by the Group in settlement of defaulted loans, which is expected to be disposed in a foreseeable future. The assets do not meet the definition of non-current assets held for sale and are classified as inventories in accordance with IAS 2 "Inventories". The assets were initially recognised at the lower of cost and net realisable value when acquired. In 2023, collaterals repossessed for settlement of defaulted loans amounted to GEL 97,602 thousand (2022: GEL 98,289 thousand).

For certain repossessed collateral, the Group has granted previous owners a right to repurchase the repossessed collateral at prices equal to or higher than the carrying value of the loan at the date of repossession. This right is usually effective for a period of 6 to 24 months from the repossession date, during this time the repossessed collateral may not be disposed to third parties. In some cases, prolongation of repurchase right is offered to the owners of the property. As at 31 December 2023, the carrying value of the repossessed collaterals subjected to the repurchase agreement was GEL 116,087 thousand (2022: GEL 143,780 thousand).

15. PREMISES, EQUIPMENT AND INTANGIBLE ASSETS

in thousands of GEL	Land, premises and leasehold improvements	Office and other equipment*	Construction in progress	Total premises and equipment	Intangible assets	Total
At cost						
1 January 2022	**203,363**	**279,130**	**109,027**	**591,520**	**391,334**	**982,854**
Additions	11,814	54,565	27,559	93,938	89,345	**183,283**
Transfers within premises and equipment	4,704	(274)	(4,430)	-	-	**-**
Disposals	(3,082)	(19,867)	(2,958)	(25,907)	(4,770)	**(30,677)**
Reclassification to right of use assets	(20,813)	-	-	(20,813)	-	**(20,813)**
Impairment (charge)/reversal	746	349	-	1,095	-	1,095
Effect of translation to presentation currency	(107)	(148)	-	(255)	(53)	**(308)**
31 December 2022	**196,625**	**313,755**	**129,198**	**639,578**	**475,856**	**1,115,434**
Additions	6,624	52,662	46,222	105,508	91,995	**197,503**
Disposals	(2,534)	(6,437)	(248)	(9,219)	(583)	**(9,802)**
Impairment reversal/(charge)	519	256	(474)	301	-	**301**
Effect of translation to presentation currency	(5)	(10)	-	(15)	(3)	**(18)**
31 December 2023	**201,229**	**360,226**	**174,698**	**736,153**	**567,265**	**1,303,418**
Accumulated depreciation / amortisation						
1 January 2022	**(44,895)**	**(167,968)**	**-**	**(212,863)**	**(123,928)**	**(336,791)**
Depreciation / amortisation charge	(5,102)	(19,377)	-	(24,479)	(42,910)	**(67,389)**
Elimination of accumulated depreciation of reclassification to right of use assets	9,249	-	-	9,249	-	**9,249**
Elimination of accumulated depreciation / amortisation on disposals	943	11,612	-	12,555	2,084	**14,639**
Effect of translation to presentation currency	107	105	-	212	48	**260**
31 December 2022	**(39,698)**	**(175,628)**	**-**	**(215,326)**	**(164,706)**	**(380,032)**
Depreciation / amortisation charge	(2,754)	(21,047)	-	(23,801)	(51,664)	**(75,465)**
Reversal of elimination of accumulated depreciation	(3,299)	(8,083)	-	(11,382)	1,845	**(9,537)**
Elimination of accumulated depreciation / amortisation on disposals	524	5,144	-	5,668	27	**5,695**
Effect of translation to presentation currency	5	7	-	12	(45)	**(33)**
31 December 2023	**(45,222)**	**(199,607)**	**-**	**(244,829)**	**(214,543)**	**(459,372)**
Carrying amount						
31 December 2022	**156,927**	**138,127**	**129,198**	**424,252**	**311,150**	**735,402**
31 December 2023	**156,007**	**160,619**	**174,698**	**491,324**	**352,722**	**844,046**

*Office and other equipment include furniture and fixtures, computer and office equipment, motor vehicles as well as other equipment.

As of 31 December 2023 GEL 462,570 thousand of premises and equipment and GEL 318,744 thousand of intangible assets were attributable to the Bank (2022: GEL 398,964 thousand and GEL 285,884 thousand).
Construction in progress consists of construction and refurbishment of branch premises and the Bank's new headquarter, that will be transferred to premises upon completion.

16. RIGHT OF USE ASSETS

The Group leases offices, branches and service centres. Rental contracts are typically made for fixed periods of 1 to 14 years.

Leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group.

The movements in right of use of assets are as follows:

in thousands of GEL	2023	2022
Carrying amount at 1 January	**100,209**	**58,001**
Additions of new contracts	30,450	30,062
Increases in value from substantial changes in contractual terms	(3,160)	5,199
Reclassification from premises and equipment	-	11,564
Disposals	(3,470)	(1,830)
Depreciation charge	(23,606)	(17,277)
Elimination of depreciation	11,568	14,490
Carrying amount at 31 December	**111,991**	**100,209**

The lease agreements do not impose any covenants, other than the security interests in the leased assets that are held by the lessor. Leased assets cannot be used as collateral for borrowings.

Expenses relating to short-term leases amounted GEL 814 thousand during 2023 (2022: GEL 2,385 thousand) and expenses relating to leases of low-value assets amounted GEL 6,961 thousand during 2023 (2022: GEL 6,769 thousand). These expenses are included in administrative and other operating expenses.

17. GOODWILL

As at 31 December 2023 the carrying amount of Goodwill represented GEL 28,197 thousand (2022: GEL 28,197 thousand).

Goodwill Impairment Test

Goodwill is allocated to cash-generating units (CGUs, which represent the lowest level within the Group at which the goodwill is monitored by the Management and which are not larger than a segment) as follows:

in thousands of GEL	31 December 2023	31 December 2022
Bank Republic JSC	**24,166**	**24,166**
Bank Republic Retail	11,088	11,088
Bank Republic Corporate	7,491	7,491
Bank Republic MSME	4,791	4,791
Bank Republic Other	796	796
Other	4,031	4,031
Total carrying amount of goodwill	**28,197**	**28,197**

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below, which is relevant for the market, where CGU is operating.

17. GOODWILL CONTINUED

Key assumptions used for value-in-use calculations is following:

in thousands of GEL	31 December 2023	31 December 2022
Bank Republic JSC		
Growth rate applied to free cash flow to equity beyond three years	5.2% p.a.	5.2% p.a.
Pre-tax discount rate	14.0% p.a.	14.7% p.a.

Pre-tax discount rate used for value-in-use calculations is the assumption to which the recoverable amount is most sensitive. The management determined the budgeted gross margin based on past performance and its market expectations. The weighted average long term growth rates used are consistent with the forecasts included in the industry reports. The discount rates reflect specific risks related to the relevant CGUs.

If the revised estimated pre-tax discount rate applied to the discounted cash flows of CGU Bank Republic Retail had been 10% higher than the management's estimates or growth rate beyond three years of free cash flow to equity had been 10% lower, the Group would not need to reduce the carrying value of goodwill or carrying value of net assets of the CGU. Recoverable amount of Bank Republic Retail CGU exceeds its carrying amount by GEL 4,014,022 thousand (2022: 3,253,314 GEL thousand). The CGU's carrying amount would equal its value in use at a discount rate of 36.77% p.a. (2022: 35.72% p.a.).

If the revised estimated pre-tax discount rate applied to the discounted cash flows of CGU Bank Republic Corporate had been 10% higher than the management's estimates or growth rate beyond three years of free cash flow to equity had been 10% lower, the Group would not need to reduce the carrying value of goodwill or carrying value of net assets of the CGU. Recoverable amount of Bank Republic Corporate CGU exceeds its carrying amount by GEL 5,264,087 thousand (2022: GEL 3,793,123 thousand). The CGU's carrying amount would equal its value in use at a discount rate of 36.29% p.a. (2022: 34.99% p.a.).

If the revised estimated pre-tax discount rate applied to the discounted cash flows of CGU Bank Republic MSME had been 10% higher than the management's estimates or growth rate beyond three years of free cash flow to equity had been 10% lower, the Group would not need to reduce the carrying value of goodwill or carrying value of net assets of the CGU. Recoverable amount of Bank Republic MSME CGU exceeds its carrying amount by GEL 1,465,722 thousand (2022: GEL 1,073,190 thousand). The CGU's carrying amount would equal its value in use at a discount rate of 25.62% p.a. (2022: 25.00% p.a.).

18. DUE TO CREDIT INSTITUTIONS

Due to credit institutions of the Group are as follows:

in thousands of GEL	31 December 2023	31 December 2022
Due to other banks		
Correspondent accounts and overnight placements	263,600	334,081
Deposits from banks	629,252	38,469
Sale and repurchase agreements with other banks	-	262,415
Total due to other banks	**892,852**	**634,965**
Other borrowed funds		
Borrowings from foreign banks and international financial institutions	2,286,371	2,185,622
Borrowings from other local banks and financial institutions	46,973	34,239
Borrowings from National Bank of Georgia	1,120,755	1,030,534
Total other borrowed funds	**3,454,099**	**3,250,395**
Total amounts due to credit institutions	**4,346,951**	**3,885,360**

Refer to Note 35 for the disclosure of the maturity analysis of Due to credit institutions

Refer to Note 11 for Investment securities measured at FVOCI sold under sale and repurchase agreements.

Due to credit institutions of the Bank are as follows:

in thousands of GEL	31 December 2023	31 December 2022
Due to other banks		
Correspondent accounts and overnight placements	263,600	334,081
Deposits from banks	629,252	38,468
Sale and repurchase agreements with other banks	-	262,415
Total due to other banks	**892,852**	**634,964**
Other borrowed funds		
Borrowings from foreign banks and international financial institutions	2,086,093	2,004,229
Borrowings from National Bank of Georgia	1,120,755	1,030,534
Total other borrowed funds	**3,206,848**	**3,034,763**
Total amounts due to credit institutions	**4,099,700**	**3,669,727**

19. CUSTOMER ACCOUNTS

Customer Accounts of the Group are as follows:

in thousands of GEL	31 December 2023	31 December 2022
State and public organisations		
Current/settlement accounts	1,129,559	1,053,255
Term deposits	556,672	553,743
Other legal entities		
Current/settlement accounts	7,228,054	5,859,281
Term deposits	1,183,946	1,265,154
Individuals		
Current/settlement accounts	5,270,799	5,329,038
Term deposits	4,573,486	3,780,886
Total customer accounts	**19,942,516**	**17,841,357**

State and public organisations include government owned profit orientated businesses.

Economic sector concentrations within customer accounts are as follows:

	31 December 2023		31 December 2022	
in thousands of GEL	Amount	%	Amount	%
Individuals	9,842,452	49%	9,101,046	51%
Trade	1,805,484	9%	1,568,181	9%
Financial services	1,828,336	9%	1,296,593	7%
Energy & utilities	920,555	5%	1,073,229	6%
Government sector	823,516	4%	623,953	3%
Construction	755,125	4%	773,603	4%
Services	754,889	4%	830,207	5%
Transportation	708,925	4%	452,229	3%
Real estate	545,278	3%	545,959	3%
Hospitality & leisure	228,611	1%	223,906	1%
Healthcare	206,274	1%	169,611	1%
Agriculture	77,871	0%	77,068	1%
Metals and mining	23,321	0%	26,514	0%
Other	1,421,879	7%	1,079,258	6%
Total customer accounts	**19,942,516**	**100%**	**17,841,357**	**100%**

As of 31 December 2023, the Group had 154 customers (2022: 156 customers) with balances above GEL 10,000 thousand. Their aggregate balance was GEL 7,281,004 thousand (2022: GEL 6,404,397 thousand) or 36.5% of total customer accounts (2022: 35.9%).

As of 31 December 2023, included in customer accounts are deposits of GEL 146,550 thousand and GEL 208,214 thousand (2022: GEL 72,591 thousand and GEL 188,699 thousand) held as collateral for irrevocable commitments under letters of credit and guarantees issued, respectively. The latter is discussed in Note 36. As of 31 December 2023, deposits held as collateral for loans to customers amounted to GEL 784,512 thousand (2022: GEL 478,295 thousand).

19. CUSTOMER ACCOUNTS CONTINUED

Refer to Note 40 for the disclosure of the fair value of each class of customer accounts. Information on related party balances is disclosed in Note 42.

Customer Accounts of the Bank are as follows:

in thousands of GEL	31 December 2023	31 December 2022
State and public organisations		
Current/settlement accounts	1,129,559	1,053,255
Term deposits	556,672	553,743
Other legal entities		
Current/settlement accounts	7,387,472	5,993,520
Term deposits	1,197,115	1,266,152
Individuals		
Current/settlement accounts	5,270,799	5,329,038
Term deposits	4,573,486	3,780,886
Total customer accounts	**20,115,103**	**17,976,594**

20. DEBT SECURITIES IN ISSUE

in thousands of GEL	Currency	Carrying amount as of 31 December 2023	Maturity Date	Coupon rate	Effective interest rate
Bonds issued on Irish Stock Exchange	USD	615,450	6/19/2024	5.8%	6.5%
Bonds issued on Irish Stock Exchange	USD	343,641	10/3/2024	10.8%	11.4%
Bonds issued on Irish Stock Exchange	USD	204,643	2/4/2027	8.9%	9.9%
Private placement	USD	18,214	4/29/2030	8.0%	8.5%
Bonds issued on Georgian Stock Exchange	GEL	68,710	3/20/2026	3M TIBR + 2.75%	14.17%
Bonds issued on Georgian Stock Exchange	GEL	10,171	6/27/2026	3M TIBR + 2.75%	14.08%
Baku Stock Exchange CJSC	AZN	1,593	6/6/2024	12.0%	12.4%
Baku Stock Exchange CJSC	AZN	1,663	7/15/2024	12.0%	12.4%
Total debt securities in issue		**1,264,085**			

in thousands of GEL	Currency	Carrying amount as of 31 December 2022	Maturity Date	Coupon rate	Effective interest rate
Bonds issued on Irish Stock Exchange	USD	614,748	6/19/2024	5.80%	6.40%
Bonds issued on Irish Stock Exchange	USD	343,891	10/3/2024	10.80%	11.40%
Bonds issued on Irish Stock Exchange	USD	204,477	2/4/2027	8.90%	9.90%
Bonds issued on Georgian Stock Exchange JSC	GEL	38,550	3/20/2023	TIBR 3M+3.25%	12.50%
Baku Stock Exchange CJSC	AZN	4,904	9/23/2023	12.00%	12.40%
Baku Stock Exchange CJSC	AZN	1,652	6/6/2024	12.00%	12.40%
Baku Stock Exchange CJSC	AZN	1,591	7/15/2024	12.00%	12.40%
Total debt securities in issue		**1,209,813**			

On 20 March 2023, TBC Leasing JSC placed senior secured bonds of amount GEL 100 million on the Georgian Stock Exchange JSC out of which as of 30 June 2023 GEL 88.71 million was sold to investors. The coupon rate of securities is variable, 2.75% added to the 3-month Tbilisi Interbank Interest rate. Fitch rates the bonds 'BB-'.

On 27 April 2023, the Bank has issued USD 30 million 7-year, 8% Subordinated notes, through the private placement, out of which as of 30 June 2023 USD 6.7 million was sold to investors.

On 28 June 2023, TBC Leasing JSC issued Green Bonds of amount GEL 15 million on the Georgian Stock Exchange JSC. The coupon rate of securities is variable, 2.75% added to the 3-month Tbilisi Interbank Interest rate. Fitch rates the bonds 'BB-'.

On 14 July 2022 the TBC Kredit LLC issued interest-baring paperless unsecured bond in the amount of AZN 1 million, with 2 year maturity at 12%.

On 7 June 2022 the TBC Kredit LLC issued interest-baring paperless unsecured bond in the amount of AZN 1 million, with 2 year maturity at 12%.

On 6 April 2022 the Bank completed the partial redemption of 2019 issued senior bond in the amount of USD 55 million. Consideration paid amounted to USD 52 million. The difference between amount paid and amortised cost of the bond adjusted with transaction fee was accounted as a gain on extinguishment of debt in the amount of USD 2 million recognized within other operating income.

On 28 October 2021, the Bank completed the transaction of USD 75 million 8.894% yield Additional Tier 1 Capital Perpetual Subordinated Notes issue ("AT1 Notes") and successfully returned to the international capital markets. The AT1 Notes are listed on the regulated market of Euronext Dublin and are rated B- by Fitch.

20. DEBT SECURITIES IN ISSUE CONTINUED

On 23 September 2021 the TBC Kredit LLC issued interest-baring paperless unsecured bond in the amount of AZN 3 million, with 2 year maturity at 12%.

On 3 July 2019 the Bank completed the transaction of a debut inaugural USD 125 million 10.75% yield Additional Tier 1 Capital Perpetual Subordinated Notes issue ("AT1 Notes"). The AT1 Notes are listed on the regulated market of Euronext Dublin and are rated B- by Fitch. The AT1 Notes have been simultaneously listed on JSC Georgian Stock Exchange, making it the first dual-listed international offering of additional Tier 1 Capital Notes from Georgia.

On 19 June 2019 the Bank completed the transaction of a debut USD 300 million 5-year 5.75% senior unsecured bonds issue. The Notes are listed on the regulated market of Euronext Dublin and are rated Ba2 by Moody's and BB- by Fitch. The Notes have been simultaneously listed on JSC Georgian Stock Exchange, making it the first dual-listed international offering of senior unsecured Notes from Georgia.

21. PROVISION FOR LIABILITIES AND CHARGES

Movements in credit loss allowance for performance guarantees, credit related commitment and liabilities and charges are as follows:

in thousands of GEL	Performance guarantees	Credit related commitments	Provision for other liabilities and charges	Total
Carrying amount as of 1 January 2022	**4,620**	**3,624**	**7,601**	**15,845**
Charges/(releases) recorded in profit or loss	2,931	(210)	2,000	**4,721**
Foreign exchange movements	(345)	(237)	(76)	**(658)**
Carrying amount as of 31 December 2022	**7,206**	**3,177**	**9,525**	**19,908**
Charges less releases recorded in profit or loss	1,381	(477)	-	**904**
Foreign exchange movements	8	(2)	242	**248**
Carrying amount at 31 December 2023	**8,595**	**2,698**	**9,767**	**21,060**

Credit related commitments and performance guarantees: Impairment allowance estimation methods differ for (i) letter of credits and guarantees and (ii) undrawn credit lines. For letter of credits and guarantees allowance estimation purposes the Group applies the staged approach and classifies them in stage 1, stage 2 or stage 3. Significant stage 2 and 3 guarantees are assessed individually. Non-significant stage 3 as well as all stage 1 and stage 2 guarantees and letter of credits are assessed collectively using exposure, marginal probability of conversion, loss given default and discount factor. Amount of the expected allowance differs based on the classification of the facility in the respective stage.

For impairment allowance assessment purposes for undrawn exposures the Group distinguishes between revocable and irrevocable loan commitments. For revocable commitments the Group does not create impairment allowance. As for the irrevocable undisbursed exposures the Group estimates utilization parameter (which represents expected limit utilization percentage conditional on the default event) in order to convert off-balance part of the exposure to on-balance.

22. OTHER FINANCIAL LIABILITIES

Other financial liabilities of the Group comprise the following::

in thousands of GEL	31 December 2023	31 December 2022
Trade payables	75,630	49,210
Derivative financial liabilities	62,474	73,102
Payables to plastic card service providers	34,628	22,785
Liabilities for leasing activities	28,428	38,747
Transfers in transit	15,424	43,905
Payable to deposit insurance agency	1,385	1,365
Prepayments related to guarantees	471	804
Security deposits for finance lease receivables	467	137
Liabilities related to co-financing of hotels and restaurants sectors	-	550
Other accrued liabilities	57,589	19,913
Total other financial liabilities	**276,496**	**250,518**

Refer to Note 40 for disclosure of the fair value of other financial liabilities.

Other financial liabilities of the Bank comprise the following:

in thousands of GEL	31 December 2023	31 December 2022
Derivative financial liabilities	62,447	72,945
Trade payables	35,207	24,974
Transfers in transit	15,424	43,905
Payables to plastic card service providers	35,818	22,992
Payable to deposit insurance agency	1,385	1,365
Prepayments related to guarantees	471	804
Liabilities related to co-financing of hotels and restaurants sectors	1	550
Other accrued liabilities	57,500	19,918
Total other financial liabilities	**208,254**	**187,453**

23. OTHER LIABILITIES

Other liabilities comprise the following:

in thousands of GEL	31 December 2023	31 December 2022
Accrued employee benefit costs	61,334	52,060
Advances received	15,670	15,164
Taxes payable other than on income	15,978	4,101
Other	9,537	9,061
Total other liabilities	**102,519**	**80,386**

All of the above liabilities are expected to be settled within twelve months after the year-end.

24. SUBORDINATED DEBT

As of 31 December 2023, subordinated debt comprised of:

in thousands of GEL	Grant Date	Maturity Date	Currency	Agreement interest rate	Outstanding amount in original currency	Outstanding amount in GEL
Asian Development Bank	10/18/2016	12/31/2026	USD	10.1%	50,841	136,732
DEG	9/26/2023	9/26/2033	EUR	9.7%	30,474	90,669
EBRD London	11/20/2023	11/21/2033	USD	11.4%	30,068	80,864
Global Climate Partnership Fund	11/20/2018	11/20/2028	USD	11.8%	25,127	67,576
European Fund for Southeast Europe	12/21/2018	12/21/2028	USD	8.8%	20,079	53,999
BlueOrchard Microfinance Fund	06/09/2023	06/09/2033	USD	11.5%	19,931	53,604
Green for Growth Fund	12/18/2015	12/16/2030	USD	11.8%	15,458	41,572
BlueOrchard Microfinance Fund	12/14/2018	12/15/2025	USD	9.3%	15,008	40,363
BlueOrchard Microfinance Fund	12/14/2018	12/14/2028	USD	9.3%	14,983	40,296
European Fund for Southeast Europe	12/18/2015	12/16/2030	USD	11.8%	7,728	20,785
European Fund for Southeast Europe	3/15/2016	3/17/2031	USD	11.8%	7,727	20,780
ResponsAbility SICAV (Lux) - Micro and SME Finance Fund	11/30/2018	11/30/2028	USD	11.9%	5,958	16,025
ResponsAbility SICAV (Lux) - Micro and SME Finance Fund	04/07/2022	04/07/2032	USD	11.4%	5,184	13,943
ResponsAbility SICAV (Lux) - Micro and SME Finance Leaders	04/07/2022	04/07/2032	USD	11.4%	4,168	11,209
ResponsAbility SICAV (Lux) - Financial Inclusion Fund	04/07/2022	04/07/2032	USD	11.4%	3,965	10,662
ResponsAbility SICAV (Lux) - Financial Inclusion Fund	11/30/2018	11/30/2028	USD	11.9%	3,130	8,418
Triple Jump Innovation Fund	3/14/2023	4/15/2028	USD	9.0%	3,097	8,330
ResponsAbility SICAV (Lux) - Micro and SME Finance Leaders	04/07/2022	04/07/2032	USD	11.4%	1,931	5,194
ResponsAbility SICAV (Lux) - Microfinance Leaders	11/30/2018	11/30/2028	USD	11.9%	1,010	2,716
Private Lenders	06/08/2017-08/08/2023	11/18/2024-08/08/2031	USD	8-9.5%	53,913	144,993
Total subordinated debt						**868,730**

24. SUBORDINATED DEBT CONTINUED

As of 31 December 2022, subordinated debt comprised of:

in thousands of GEL	Grant Date	Maturity Date	Currency	Agreement interest rate	Outstanding amount in original currency	Outstanding amount in GEL
Asian Developement Bank	10/18/2016	12/31/2026	USD	12.2%	51,001	137,804
Private lenders	6/8/2017-12/6/2022	1/25/2023-3/31/2028	USD	8-9.5%	36,271	98,008
Global Climate Partnership Fund	11/20/2018	11/20/2028	USD	9.2%	25,097	67,813
European Fund for Southeast Europe	12/21/2018	12/21/2028	USD	8.8%	20,079	54,252
Green for Growth Fund	12/18/2015	12/16/2030	USD	9.7%	15,359	41,501
BlueOrchard Microfinance Fund	12/14/2018	12/15/2025	USD	9.3%	14,986	40,492
BlueOrchard Microfinance Fund	12/14/2018	12/14/2028	USD	9.3%	14,968	40,443
European Fund for Southeast Europe	12/18/2015	12/16/2030	USD	9.7%	7,679	20,749
European Fund for Southeast Europe	3/15/2016	3/17/2031	USD	9.7%	7,678	20,745
ResponsAbility SICAV (Lux) Micro and SME Finance Leaders	4/7/2022	4/7/2032	USD	9.9%	6,080	16,428
ResponsAbility SICAV (Lux) Micro and SME Finance Fund	11/30/2018	11/30/2028	USD	11.3%	5,955	16,091
ResponsAbility SICAV (Lux) Micro and SME Finance Fund	4/7/2022	4/7/2032	USD	9.9%	5,168	13,964
ResponsAbility SICAV (Lux) - Financial Inclusion Fund	4/7/2022	4/7/2032	USD	9.9%	3,952	10,679
ResponsAbility SICAV (Lux) - Financial Inclusion Fund	11/30/2018	11/30/2028	USD	11.3%	3,128	8,453
ResponsAbility SICAV (Lux) - Microfinance Leaders	11/30/2018	11/30/2028	USD	11.3%	1,009	2,726
Total subordinated debt						**590,148**

The debt ranks after all other creditors in case of liquidation, except AT1 Notes listed in note 21.

Refer to Note 40 for the disclosure of the fair value of subordinated debt. Information on related party balances is disclosed in Note 42.

25. EQUITY

Share capital

in thousands of GEL, unless otherwise indicated	Number of ordinary shares	Share Capital
As of 31 December 2022	**52,539,769**	**21,014**
As of 31 December 2023	**52,539,769**	**21,014**

Each share has a nominal value of GEL 0.4 (31 December 2022: GEL 0.4 per share). All issued ordinary shares are fully paid and entitled to dividends.

Dividends

in thousands of GEL	2023	2022
Dividends payable at 1 January	**747**	**314**
Interim dividend:		
Dividends declared during the year	220,398	238,000
Dividends paid during the year:	(220,398)	(237,711)
Prior year final dividend:		
Dividends declared during the year	395,667	118,798
Dividends paid during the year:	(395,667)	(118,654)
Dividends payable at 31 December	**747**	**747**

On 11 August 2023, JSC TBC Bank's shareholders agreed on an interim dividend of GEL 4.20 per share. The dividend was paid on 4 October 2023.

On 27 March 2023, JSC TBC Bank's shareholders passed a resolution to declare a final dividend of GEL 7.54 per share. The dividend was paid on 5 May 2023.

On 11 August 2022, JSC TBC Bank's shareholders agreed on an interim dividend of GEL 4.53 per share. The dividend was paid on 4 October 2022.

On 13 May 2022, JSC TBC Bank's shareholders passed a resolution to declare a final dividend of GEL 2.26 per share. The dividend was paid on 8 July 2022.

26. SHARE BASED PAYMENTS

2022-2024 remuneration scheme:

The current compensation system was approved by shareholders at the TBC Bank Group PLC's Annual General Meeting in June 2021 and came into effect on 1 January 2022. It covers the period 2022-2024 inclusive.

Share salary 2022-2024

The base salary of the executive management board members of the Bank is determined based on market practice and provides with a competitive fixed income to efficiently retain and reward TBC's leadership.

For the CEO of the Bank the base salary comprises cash salary payable in GEL on a monthly basis and share salary. Salary shares are delivered during the first quarter of the second year (i.e. the year after the performance year). The number of shares is calculated based on the average share price of the last 10 days preceding the Remuneration Committee decision date. Shares do not have deferral period, are not subject to malus and claw back or any other restrictions and are vested immediately upon delivery.

The Deputy CEOs' base salary comprises only cash and is payable in GEL on a monthly basis.

Variable Remuneration

Variable remuneration of the Top Management consists of the annual bonus delivered in shares (the "Annual Bonus") and the share awards under Long Term Incentive Plan (the "LTIP Award"). 60% of variable remuneration is LTIP Award and the remaining 40% constitutes the Annual Bonus.

Variable remuneration (Annual Bonus and LTIP Awards) are subject to meeting eligibility "gate KPIs", which, based on the Remuneration Committee's recommendation, can be amended every year by the Board, and will only be paid if the "gate KPIs" are met.

(a) Annual Bonus under Deferred Share plan 2022-2024

Annual Bonus is delivered in TBC PLC shares. The Top Management receives annual bonus entirely in TBC PLC shares and it does not comprise any cash component. The Annual Bonus KPIs are set at the beginning of each year in relation to that year by the Remuneration Committee.

The maximum opportunity of the Annual Bonus for each member of the Top Management is fixed at 135% of fixed salary. For achieving target performance, no more than 50% of the maximum Annual Bonus opportunity is payable. For threshold performance, no Annual Bonus is paid. The number of Shares to be allocated is calculated based on the average share price of the last 10 days preceding the Remuneration Committee's decision date. Annual Bonus share awards are governed by the Deferred Share Plan of TBC PLC as amended from time to time (the "Deferred Share Plan").

The Top Management's Annual Bonus awards are subject to a holding period (but not continued employment) over 2 years period with 50% being released after one year and remaining 50% being released at the end of second year. The Annual Bonus is subject to malus and claw back provisions as described in the Deferred Share Plan. During the holding period, participants are entitled to vote at the shareholder meetings and receive dividends.

(b) Long Term Incentive Plan (LTIP) 2022-2024

Long term incentive plan is used to provide a strong motivational tool to achieve long term performance conditions and to provide rewards to the extent those performance conditions are achieved. Performance conditions are chosen to align the Group's and the Bank's executive directors' interests with strategic objectives of the Group over multi-year periods and encourage a long-term view.

The level of LTIP Award grant is determined pro rata from the LTIP maximum opportunity based on the assessment of the base i.e., prior year's Annual Bonus corporate KPIs performance. LTIP Awards granted will then be subject to 3-year LTIP forward-looking performance conditions and will vest at the end of 5-year period following the grant. LTIP Award forward-looking KPIs are set at the beginning of each year in relation to that year's cycle by the Remuneration Committee.

The maximum opportunity of the LTIP Award in any given year is 161% of salary. 100% of the award will crystalize for achieving the maximum performance set for each measure. At threshold level of performance, for each measure, 25% of the award will crystalize.

26. SHARE BASED PAYMENTS CONTINUED

The Remuneration Committee has the discretion, any time after an award has been granted, to reduce (including to zero) an award if the Remuneration Committee considers that either the underlying financial performance of the Bank or the performance of the individual is such that the level of vesting cannot be justified. The Participants are not entitled to any dividend or voting rights until the LTIP Award vests.

Tabular information on the schemes is given below:

	31 December 2023	31 December 2022
Number of unvested shares at the beginning of the period	**2,044,604**	**2,125,246**
Number of shares granted	248,306	747,074
Change in estimates of number of shares expected to be granted	(764,037)	-
Change in number of shares awarded for 2022 based on actual share price, exchange rate and KPI accomplishment	(95,653)	(35,879)
Number of shares vested	(239,096)	(791,837)
Number of unvested shares at the end of the period	**1,194,124**	**2,044,604**

*The maximum amount is fixed share compensations for deferred for top management, the exact number will be calculated as per policy.

Expense recognised as staff cost during the period was GEL 24,682 thousand (31 December 2022: GEL 21,672 thousand).

The fair value of the employee services received in exchange for the grant of the equity instruments is determined by the nature the award. Currently there are several types of share based award schemes as described above. The deferred share salary and deferred share bonus are the grants of the possible bonus pool amount, which will be based on the performance conditions. The fair value of the award is determined by the present value of the amount as at grant date and probable performance conditions accomplishment. The LTIP is the award of potential maximum share numbers also up to performance conditions. The fair value of the award as at grant date is determined by the grant date share price and probable performance conditions accomplishment. The fair value amount of 2023 performance related grants is GEL 26,938 thousand.

Tax part of the existing bonus system is accounted for on an equity settled basis.

Staff costs related to equity settled part of the share-based payment schemes are recognised in the income statement on a straight line basis over the vesting period of each relevant tranche and corresponding entry is credited to share based payment reserve in equity.

27. SEGMENT ANALYSIS

The Management Board (the "Board") is the chief operating decision maker (CODM) and it reviews the Group's internal reporting in order to assess the performance and to allocate resources.

Following changes to the Group's strategic focus, the management has reconsidered the existing segmentation of the Group by disclosing Georgian financial services and other relatively immaterial business directions, which is in line with how CODM analyses the Group results and make group level decisions. The segments are aggregated considering the similarity of business nature, geography and other economic characteristics:

According to the updated segment definition starting from 1 January 2023, the operating segments are defined as follows:

Georgian financial services include JSC TBC Bank with its Georgian subsidiaries. The Georgia financial service segment consist of three major business sub-segments, while treasury and leasing businesses are combined into corporate and other sub-segment:

- Corporate – a legal entity/group of affiliated entities with an annual revenue exceeding GEL 20 million or which has been granted facilities of more than GEL 7.5 million. Some other business customers may also be assigned to the CIB segment or transferred to the micro, small and medium enterprises segment on a discretionary basis. In addition, CIB includes Wealth Management private banking services to high-net-worth individuals with a threshold of US$ 250,000 on assets under management (AUM), as well as on discretionary basis;
- Retail – non-business individual customers;
- Micro, small and medium enterprises – business customers who are not included in the CIB segment;
- Corporate center, other and sub-segment eliminations - comprises the treasury operations, TBC Leasing and sub-segment eliminations
- Other operations and eliminations – includes non-material or non-financial subsidiaries of the group and intra-group eliminations.

Apart from strategical re-segmentation changes mentioned above, the Group has standard annual re-segmentations, after which some of the clients are reallocated between micro, small and medium enterprises and corporate segments.

The Board of Directors assesses the performance of the operating segments based on a measure of profit before income tax.

The reportable segments are the same as the operating segments.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2023 and 2022.

The vast majority of the Group's revenues are attributable to Georgia. A geographic analysis of origination of the Group's assets and liabilities is given in Note 35.

Allocation of indirect expenses is performed based on drivers identified for each type of cost where possible. If there is no identifiable driver for any type of expense/overhead cost, those expenses are allocated between segments based on the same logic as applied for the expenses with similar nature (e.g. other operating expenses would follow the pattern of closest category of operating expenses).

The intersegment transfer pricing methodology is an internally developed tool founded on matched maturity logics. It is used to effectively manage liquidity and mitigate interest rate risks within the Group. The process entails the corporate centre borrowing monetary amounts (deposits) from different business segments. Compensation for each deposit is based on its specific currency, duration, type, liquidity and capital requirements, ensuring equitable treatment for each segment. In turn, business segments borrow funds from the corporate centre to finance loans and other assets. The pricing for each borrowing transaction is determined based on factors such as the currency, loan type (fixed, floating, mixed interest rates), loan duration, and capital requirement.

A summary of the Group's reportable segments for the years ended 31 December 2023 and 2022 is provided below:

27. SEGMENT ANALYSIS CONTINUED

Segment disclosure below for 2023 is prepared with the effect of 2023 re-segmentations as described above:

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate Center, other and sub-segment eliminations*	Georgian financial services	Other operations and intersegment eliminations*	Total
Interest income	792,698	879,106	584,108	426,797	2,682,709	6,718	**2,689,427**
Interest expense	(554,873)	(172,430)	(14,039)	(535,338)	(1,276,680)	(252)	**(1,276,932)**
Net interest gains on currency swaps	4,805	644	41	77,611	83,101	-	**83,101**
Inter-segment interest income/ (expense)	310,127	(197,526)	(236,024)	123,423	-	-	**-**
Net interest income	**552,757**	**509,794**	**334,086**	**92,493**	**1,489,130**	**6,466**	**1,495,596**
Fee and commission income	105,418	379,799	87,206	(1,056)	571,367	24	**571,391**
Fee and commission expense	(17,578)	(161,999)	(52,859)	(4,424)	(236,860)	(55)	**(236,915)**
Net fee and commission income	**87,840**	**217,800**	**34,347**	**(5,480)**	**334,507**	**(31)**	**334,476**
Net gains/(losses) from derivatives, foreign currency operations and translation	110,127	85,214	48,535	28,521	272,397	(94)	**272,303**
Net gains from disposal of investment securities measured at fair value through other comprehensive income	-	-	-	5,880	5,880	-	**5,880**
Other operating income	7,887	6,289	3,237	5,626	23,039	161	**23,200**
Share of profit of associate	-	-	-	657	657	-	**657**
Other operating non-interest income	**118,014**	**91,503**	**51,772**	**40,684**	**301,973**	**67**	**302,040**
Credit loss (allowance)/recovery for loans to customers	(7,980)	(52,911)	(70,574)	(67)	(131,532)	1,152	**(130,380)**
Credit loss (allowance)/recovery for finance lease receivables	-	-	-	(2,167)	(2,167)	171	**(1,996)**
Credit loss (allowance)/recovery for performance guarantees	(1,501)	-	120	-	(1,381)	-	**(1,381)**
Credit loss recovery/(allowance) for credit related commitments	263	242	(28)	-	477	-	**477**
Credit loss allowance for other financial assets	(6,435)	(83)	-	(3,055)	(9,573)	-	**(9,573)**
Credit loss recovery for financial assets measured at fair value through other comprehensive income	(62)	-	-	(944)	(1,006)	-	**(1,006)**
Net (impairment)/recovery of non-financial assets	(987)	(879)	(276)	(1,447)	(3,589)	14	**(3,575)**
Operating income after expected credit and non-financial asset impairment losses	**741,909**	**765,466**	**349,447**	**120,017**	**1,976,839**	**7,839**	**1,984,678**
Staff costs	(72,796)	(202,752)	(86,321)	(19,566)	(381,435)	(4,036)	**(385,471)**
Depreciation and amortization	(12,173)	(65,897)	(19,317)	(2,010)	(99,397)	(246)	**(99,643)**
Administrative and other operating expenses	(22,013)	(125,580)	(33,178)	(14,358)	(195,129)	(1,519)	**(196,648)**
Operating expenses	**(106,982)**	**(394,229)**	**(138,816)**	**(35,934)**	**(675,961)**	**(5,801)**	**(681,762)**
Profit before tax	**634,927**	**371,237**	**210,631**	**84,083**	**1,300,878**	**2,038**	**1,302,916**
Income tax expense	(90,565)	(49,322)	(31,361)	(12,500)	(183,748)	(110)	**(183,858)**
Profit for the year	**544,362**	**321,915**	**179,270**	**71,583**	**1,117,130**	**1,928**	**1,119,058**

*The Group has not separated eliminations separately considering their immateriality. Meanwhile other operating income includes intergroup dividends of GEL 20,000 thousand.

27. SEGMENT ANALYSIS CONTINUED

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate center, other	Eliminations between Georgian financial service companies	Georgian financial services	Other operations and intersegment eliminations	Total
Total gross loans and advances to customers reported	8,283,723	7,513,229	5,480,822	-	(20,082)	21,257,692	19,057	**21,276,749**
Total customer accounts reported	10,200,321	7,469,587	1,900,459	515,079	(142,922)	19,942,524	(8)	**19,942,516**
Total credit related commitments and performance guarantees	2,831,610	161,874	486,756	-	(939)	3,479,301	-	**3,479,301**

27. SEGMENT ANALYSIS CONTINUED

For comparison purposes segment disclosure below for 2022 is prepared with the effect of 2023 re-segmentations as described above:

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate Center, other and sub-segment eliminations*	Georgian financial services	Other operations and intersegment eliminations*	Total
Interest income	643,567	816,689	474,468	278,700	2,213,424	6,357	**2,219,781**
Interest expense	(375,691)	(122,998)	(10,476)	(502,170)	(1,011,335)	(62)	**(1,011,397)**
Net interest gains on currency swaps	1,126	98	79	33,408	34,711	-	**34,711**
Inter-segment interest income/(expense)	137,991	(254,943)	(231,110)	348,062	-	-	**-**
Net interest income	**406,993**	**438,846**	**232,961**	**158,000**	**1,236,800**	**6,295**	**1,243,095**
Fee and commission income	89,290	359,949	31,627	(3,251)	477,615	(2)	**477,613**
Fee and commission expense	(15,434)	(175,863)	(13,820)	(6,801)	(211,918)	(45)	**(211,963)**
Net fee and commission income	**73,856**	**184,086**	**17,807**	**(10,052)**	**265,697**	**(47)**	**265,650**
Net gains/(losses) from derivatives, foreign currency operations and translation	128,150	91,188	53,425	139,046	411,809	(3)	**411,806**
Net gains from disposal of investment securities measured at fair value through other comprehensive income	3,573	-	-	2,238	5,811	-	**5,811**
Other operating income	1,703	6,180	1,230	10,303	19,416	259	**19,675**
Share of profit of associate	(232)	-	-	584	352	-	**352**
Other operating non-interest income	**133,194**	**97,368**	**54,655**	**152,171**	**437,388**	**256**	**437,644**
Credit loss (allowance)/recovery for loans to customers	2,024	(89,197)	(21,273)	(10)	(108,456)	3,209	**(105,247)**
Credit loss (allowance)/recovery for finance lease receivables	-	-	-	(226)	(226)	1,007	**781**
Credit loss (allowance)/recovery for performance guarantees	(2,831)	(4)	(96)	-	(2,931)	-	**(2,931)**
Credit loss recovery/(allowance) for credit related commitments	(59)	345	(76)	-	210	-	**210**
Credit loss allowance for other financial assets	(1,423)	(1,601)	(416)	(5,720)	(9,160)	-	**(9,160)**
Credit loss recovery for financial assets measured at fair value through other comprehensive income	84	-	-	778	862	-	**862**
Net recovery/(impairment) of non-financial assets	432	(64)	104	(828)	(356)	334	**(22)**
Operating income after expected credit and non-financial asset impairment losses	**612,270**	**629,779**	**283,666**	**294,113**	**1,819,828**	**11,054**	**1,830,882**
Staff costs	(58,944)	(164,777)	(65,784)	(12,663)	(302,168)	(4,358)	**(306,526)**
Depreciation and amortization	(6,664)	(61,531)	(14,377)	(2,331)	(84,903)	(205)	**(85,108)**
Provision for liabilities and charges	-	-	-	(2,000)	(2,000)	-	**(2,000)**
Administrative and other operating expenses	(23,954)	(102,268)	(27,486)	(11,922)	(165,630)	(1,718)	**(167,348)**
Operating expenses	**(89,562)**	**(328,576)**	**(107,647)**	**(28,916)**	**(554,701)**	**(6,281)**	**(560,982)**
Profit before tax	**522,708**	**301,203**	**176,019**	**265,197**	**1,265,127**	**4,773**	**1,269,900**
Income tax expense	(54,273)	(31,275)	(20,037)	(141,057)	(246,642)	(183)	**(246,825)**
Profit for the year	**468,435**	**269,928**	**155,982**	**124,140**	**1,018,485**	**4,590**	**1,023,075**

*The Group has not separated eliminations separately considering their immateriality. Meanwhile other operating income includes intergroup dividends of GEL 5,959 thousand.

27. SEGMENT ANALYSIS CONTINUED

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate center, other	Eliminations between Georgian financial service companies	Georgian financial services	Other operations and intersegment eliminations	Total
Total gross loans and advances to customers reported	6,459,584	6,753,242	4,646,363	-	(19,492)	17,839,697	17,579	**17,857,276**
Total customer accounts reported	9,313,612	6,536,649	1,696,962	412,442	(118,300)	17,841,365	(8)	**17,841,357**
Total credit related commitments and performance guarantees	2,636,033	165,807	407,145	-	(910)	3,208,075	-	**3,208,075**

27. SEGMENT ANALYSIS CONTINUED

For comparison purposes segment disclosure below for 2022 is prepared without the effect of 2023 standard re-segmentation as described above:

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate Center, other and sub-segment eliminations*	Georgian financial services	Other operations and intersegment eliminations*	Total
Interest income	630,350	816,689	487,685	278,700	2,213,424	6,357	**2,219,781**
Interest expense	(374,424)	(122,998)	(11,743)	(502,170)	(1,011,335)	(62)	**(1,011,397)**
Net interest gains on currency swaps	1,205	98	-	33,408	34,711	-	**34,711**
Inter-segment interest income/(expense)	140,947	(254,943)	(234,066)	348,062	-	-	**-**
Net interest income	**398,078**	**438,846**	**241,876**	**158,000**	**1,236,800**	**6,295**	**1,243,095**
Fee and commission income	87,510	359,949	33,407	(3,251)	477,615	(2)	**477,613**
Fee and commission expense	(15,434)	(175,863)	(13,820)	(6,801)	(211,918)	(45)	**(211,963)**
Net fee and commission income	**72,076**	**184,086**	**19,587**	**(10,052)**	**265,697**	**(47)**	**265,650**
Net gains/(losses) from derivatives, foreign currency operations and translation	126,900	91,188	54,675	139,046	411,809	(3)	**411,806**
Net gains from disposal of investment securities measured at fair value through other comprehensive income	3,573	-	-	2,238	5,811	-	**5,811**
Other operating income	1,703	6,180	1,230	10,303	19,416	259	**19,675**
Share of (loss)/profit of associate	(232)	-	-	584	352	-	**352**
Other operating non-interest income	**131,944**	**97,368**	**55,905**	**152,171**	**437,388**	**256**	**437,644**
Credit loss (allowance)/recovery for loans to customers	2,773	(89,197)	(22,022)	(10)	(108,456)	3,209	**(105,247)**
Credit loss (allowance)/recovery for finance lease receivables	-	-	-	(226)	(226)	1,007	**781**
Credit loss (allowance)/recovery for performance guarantees	(2,831)	(4)	(96)	-	(2,931)	-	**(2,931)**
Credit loss recovery/(allowance) for credit related commitments	(59)	345	(76)	-	210	-	**210**
Credit loss allowance for other financial assets	(1,423)	(1,601)	(416)	(5,720)	(9,160)	-	**(9,160)**
Credit loss recovery for financial assets measured at fair value through other comprehensive income	84	-	-	778	862	-	**862**
Net (impairment)/recovery of non-financial assets	432	(64)	104	(828)	(356)	334	**(22)**
Operating income after expected credit and non-financial asset impairment losses	**601,074**	**629,779**	**294,862**	**294,113**	**1,819,828**	**11,054**	**1,830,882**
Staff costs	(58,944)	(164,777)	(65,784)	(12,663)	(302,168)	(4,358)	**(306,526)**
Depreciation and amortization	(6,664)	(61,531)	(14,377)	(2,331)	(84,903)	(205)	**(85,108)**
Provision for liabilities and charges	-	-	-	(2,000)	(2,000)	-	**(2,000)**
Administrative and other operating expenses	(23,954)	(102,268)	(27,486)	(11,922)	(165,630)	(1,718)	**(167,348)**
Operating expenses	**(89,562)**	**(328,576)**	**(107,647)**	**(28,916)**	**(554,701)**	**(6,281)**	**(560,982)**
Profit before tax	**511,512**	**301,203**	**187,215**	**265,197**	**1,265,127**	**4,773**	**1,269,900**
Income tax expense	(54,273)	(31,275)	(20,037)	(141,057)	(246,642)	(183)	**(246,825)**
Profit for the year	**457,239**	**269,928**	**167,178**	**124,140**	**1,018,485**	**4,590**	**1,023,075**

*The Group has not separated eliminations separately considering their immateriality. Meanwhile other operating income includes intergroup dividends of GEL 5,959 thousand.

27. SEGMENT ANALYSIS CONTINUED

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate center, other	Eliminations between Georgian financial service companies	Georgian financial services	Other operations and intersegment eliminations	Total
Total gross loans and advances to customers reported	6,301,961	6,753,242	4,803,986	-	(19,492)	17,839,697	17,579	**17,857,276**
Total customer accounts reported	9,249,232	6,536,649	1,761,342	412,442	(118,300)	17,841,365	(8)	**17,841,357**
Total credit related commitments and performance guarantees	2,574,861	165,807	468,317	-	(910)	3,208,075	-	**3,208,075**

27. SEGMENT ANALYSIS CONTINUED

Segment disclosure below for 2022 is prepared without the effect of 2023 re-segmentations as described above:

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate centre and other operations	Total
Interest income	626,782	816,448	488,629	287,922	**2,219,781**
Interest expense	(368,195)	(120,248)	(11,632)	(511,322)	**(1,011,397)**
Net interest gains on currency swaps	1,205	98	-	33,408	**34,711**
Inter-segment interest income /(expense)	140,947	(254,944)	(234,065)	348,062	**-**
Net interest income	**400,739**	**441,354**	**242,932**	**158,070**	**1,243,095**
Fee and commission income	87,399	356,829	33,385	-	**477,613**
Fee and commission expense	(12,868)	(175,988)	(13,275)	(9,832)	**(211,963)**
Net fee and commission income/(expense)	**74,531**	**180,841**	**20,110**	**(9,832)**	**265,650**
Net gains from derivatives, foreign currency operations and translation	126,900	91,187	54,674	139,045	**411,806**
Net gains from disposal of investment securities measured at fair value through other comprehensive income	3,573	-	-	2,238	**5,811**
Other operating income	1,702	6,579	1,417	9,977	**19,675**
Share of profit of associate	(232)	-	-	584	**352**
Other operating non-interest income	**131,943**	**97,766**	**56,091**	**151,844**	**437,644**
Credit loss recovery/(allowance) for loans to customers	2,763	(88,185)	(19,825)	-	**(105,247)**
Credit loss recovery for performance guarantees and credit related commitments	(2,889)	341	(173)	-	**(2,721)**
Credit loss recovery for finance lease receivables	-	-	-	781	**781**
Credit loss allowance for other financial assets	(1,423)	(1,602)	(416)	(5,719)	**(9,160)**
Credit loss recovery for financial assets measured at fair value through other comprehensive income	79	-	-	783	**862**
Net recovery/(impairment) of non-financial assets	432	(64)	105	(495)	**(22)**
Operating income after expected credit and non-financial asset impairment losses	**606,175**	**630,451**	**298,824**	**295,432**	**1,830,882**
Staff costs	(59,710)	(165,527)	(65,904)	(15,385)	**(306,526)**
Depreciation and amortization	(6,668)	(61,535)	(14,378)	(2,527)	**(85,108)**
Recovery for provision for liabilities and charges	-	-	-	(2,000)	**(2,000)**
Administrative and other operating expenses	(23,371)	(102,131)	(26,258)	(15,588)	**(167,348)**
Operating expenses	**(89,749)**	**(329,193)**	**(106,540)**	**(35,500)**	**(560,982)**
Profit before tax	516,426	301,258	192,284	259,932	**1,269,900**
Income tax expense	(54,289)	(31,274)	(20,038)	(141,224)	(246,825)
Profit for the year	**462,137**	**269,984**	**172,246**	**118,708**	**1,023,075**
Total gross loans and advances to customers reported	6,282,469	6,765,392	4,809,415	-	17,857,276
Total customer accounts reported	9,133,452	6,536,649	1,758,814	412,442	**17,841,357**
Total credit related commitments and performance guarantees	2,573,935	165,807	468,333	-	**3,208,075**

27. SEGMENT ANALYSIS CONTINUED

Segment disclosure below for 2023 is prepared with the effect of 2023 re-segmentations as described above:

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate Center, other and sub-segment eliminations	Georgian financial services	Other operations and intersegment eliminations	Total
– Fee and commission income	105,418	379,799	87,206	(1,057)	571,366	25	**571,391**
– Other operating income	7,887	6,289	3,237	5,626	23,039	161	**23,200**
Total	**113,305**	**386,088**	**90,443**	**4,569**	**594,405**	**186**	**594,591**
Timing of revenue recognition:							
– At point in time	113,176	385,333	90,421	4,569	593,499	186	593,685
– Over a period of time	129	755	22	-	906	-	906

*The Group has not separated eliminations separately considering their immateriality. Meanwhile other operating income includes intergroup dividends of GEL 20,000 thousand.

For comparison purposes segment disclosure below for 2022 is prepared with the effect of 2023 re-segmentations as described above:

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate Center, other and sub-segment eliminations	Georgian financial services	Other operations and intersegment eliminations	Total
– Fee and commission income	89,290	359,949	31,627	(3,251)	477,615	(2)	**477,613**
– Other operating income	1,702	6,180	1,230	10,305	19,417	258	**19,675**
Total	**90,992**	**366,129**	**32,857**	**7,054**	**497,032**	**256**	**497,288**
Timing of revenue recognition:							
– At point in time	90,588	365,017	32,804	7,054	495,463	256	495,719
– Over a period of time	404	1,112	53	-	1,569	-	1,569

*The Group has not separated eliminations separately considering their immateriality. Meanwhile other operating income includes intergroup dividends of GEL 5,959 thousand.

28. INTEREST INCOME AND EXPENSE

Interest income and expense of the Group are as follows:

in thousands of GEL	2023	2022
Interest income calculated using effective interest method		
Loans and advances to customers	2,224,514	1,911,782
Investment securities measured at fair value through other comprehensive income	284,495	196,114
Due from other banks	99,777	45,577
Repurchase receivables	3,077	2,449
Other financial assets	2,824	3,645
Other interest income		
Finance lease receivables	74,740	60,214
Total interest income	**2,689,427**	**2,219,781**
Interest expense		
Customer accounts	(813,715)	(571,575)
Due to credit institutions	(288,250)	(266,280)
Debt securities in issue	(104,147)	(116,654)
Subordinated debt	(67,539)	(53,889)
Other interest expense		
Lease Liabilities	(3,281)	(2,999)
Total interest expense	**(1,276,932)**	**(1,011,397)**
Net interest gains on currency swaps	83,101	34,711
Net interest income	**1,495,596**	**1,243,095**

During 2023 interest accrued on defaulted loans amounted to GEL 36,161 thousand (2022: 31,739 GEL thousand).

During 2023 capitalized interest expense in the amount of GEL 2,391 thousand (2022: GEL 1,794 thousand) was attributable to the development of the Group's headquarter. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is weighted average of interest-bearing liabilities by currencies: 9.0% in GEL, 2.1% in USD and 1.0% in EUR. (2022: 8.7% in GEL, 2.3% in USD and 0.6% in EUR). For details of construction in progress please refer to Note 15.

28. INTEREST INCOME AND EXPENSE CONTINUED

Interest income and expense of the Bank are as follows:

in thousands of GEL	2023	2022
Interest income calculated using effective interest method		
Loans and advances to customers	2,221,832	1,908,843
Investment securities measured at fair value through other comprehensive income	287,835	198,918
Due from other banks	97,677	44,959
Repurchase receivables	3,077	2,449
Other financial assets	2,366	3,644
Total interest income	**2,612,787**	**2,158,813**
Interest expense		
Customer accounts	(821,549)	(578,062)
Due to credit institutions	(273,545)	(251,637)
Debt securities in issue	(94,321)	(110,346)
Subordinated debt	(64,632)	(51,358)
Other interest expense		
Lease Liabilities	(2,955)	(2,766)
Total interest expense	**(1,257,002)**	**(994,169)**
Net interest gains on currency swaps	83,101	34,711
Net interest income	**1,438,886**	**1,199,355**

29. FEE AND COMMISSION INCOME AND EXPENSE

Below tables disclose fee and commission income and expense by segments. For the definition of the segments refer to note 27.

2023 *in thousands of GEL*	Retail	Micro small and medium enterprises	Corporate	Corporate center, other and sub-segment eliminations	Georgian financial services	Other operations and intersegment eliminations	Total
Fee and commission income in respect of financial instruments not at fair value through profit or loss:							
– Card operations	257,211	53,245	8	(14)	310,450	9	**310,459**
– Settlement transactions	110,055	17,785	14,214	(92)	141,962	-	**141,962**
– Guarantees issued	25	6,059	38,608	-	44,692	-	**44,692**
– Cash transactions	4,010	4,935	8,039	-	16,984	-	**16,984**
– Issuance of letters of credit	1	120	8,013	(31)	8,103	-	**8,103**
– Foreign exchange operations	114	783	4,546	(8)	5,435	-	**5,435**
– Other	8,383	4,279	31,990	(912)	43,740	16	**43,756**
Total fee and commission income	**379,799**	**87,206**	**105,418**	**(1,057)**	**571,366**	**25**	**571,391**
Fee and commission expense in respect of financial instruments not at fair value through profit or loss:							
– Card operations	(141,793)	(33,468)	-	14	(175,247)	-	**(175,247)**
– Settlement transactions	(6,826)	(9,251)	(5,571)	(37)	(21,685)	-	**(21,685)**
– Cash transactions	(5,514)	(2,584)	(6,347)	(3,143)	(17,588)	-	**(17,588)**
– Guarantees received	-	(276)	(1,706)	-	(1,982)	-	**(1,982)**
– Letters of credit	-	(38)	(2,517)	(3)	(2,558)	-	**(2,558)**
– Foreign exchange operations	(8)	-	-	8	-	(10)	**(10)**
– Other	(7,857)	(7,241)	(1,439)	(1,263)	(17,800)	(45)	**(17,845)**
Total fee and commission expense	**(161,998)**	**(52,858)**	**(17,580)**	**(4,424)**	**(236,860)**	**(55)**	**(236,915)**
Net fee and commission income	**217,801**	**34,348**	**87,838**	**(5,481)**	**334,506**	**(30)**	**334,476**

29. FEE AND COMMISSION INCOME AND EXPENSE CONTINUED

2022* *in thousands of GEL*	Retail	Micro, small and medium enterprise	Corporate	Corporate center, other and sub-segment eliminations	Georgian financial services	Other operations and intersegment eliminations	Total
Fee and commission income in respect of financial instruments not at fair value through profit or loss:							
– Card operations	252,734	-	-	(3,124)	249,610	(2)	**249,608**
– Settlement transactions	94,987	16,163	13,195	(103)	124,242	-	**124,242**
– Guarantees issued	49	5,438	35,069	3	40,559	-	**40,559**
– Cash transactions	6,024	5,792	5,403	-	17,219	-	**17,219**
– Issuance of letters of credit	-	82	6,779	(45)	6,816	-	**6,816**
– Foreign exchange operations	153	757	5,243	18	6,171	-	**6,171**
– Other	6,002	3,395	23,600	1	32,998	-	**32,998**
Total fee and commission income	**359,949**	**31,627**	**89,289**	**(3,250)**	**477,615**	**(2)**	**477,613**
Fee and commission expense in respect of financial instruments not at fair value through profit or loss:							
– Card operations	(155,581)	-	-	3,124	(152,457)	-	**(152,457)**
– Settlement transactions	(6,886)	(9,534)	(5,738)	(19)	(22,177)	-	**(22,177)**
– Cash transactions	(4,163)	(3,554)	(1,052)	(9,691)	(18,460)	-	**(18,460)**
– Guarantees received	(9)	(590)	(3,115)	-	(3,714)	-	**(3,714)**
– Letters of credit	-	(19)	(1,240)	3	(1,256)	-	**(1,256)**
– Foreign exchange operations	(39)	(107)	(897)	2	(1,041)	(7)	**(1,048)**
– Other	(9,185)	(16)	(3,392)	(220)	(12,813)	(38)	**(12,851)**
Total fee and commission expense	**(175,863)**	**(13,820)**	**(15,434)**	**(6,801)**	**(211,918)**	**(45)**	**(211,963)**
Net fee and commission income	**184,086**	**17,807**	**73,855**	**(10,051)**	**265,697**	**(47)**	**265,650**

*Starting from 2023 fee and commission income and expense are presented by segments.

30. NET GAINS FROM CURRENCY DERIVATIVES, FOREIGN CURRENCY OPERATIONS AND TRANSLATION

Net gains from currency derivatives, foreign currency operations and translation for the following years are as follows:

in thousands of GEL	2023	2022
Net gains from trading in foreign currencies	201,457	145,969
Net gains/(losses) from foreign exchange translation	71,179	265,702
Net gains from derivative financial instruments other than derivatives on foreign currency	(333)	135
Total net gains from currency derivatives, foreign currency operations and translation	**272,303**	**411,806**

31. STAFF COSTS

Staff costs of the Group are as follows:

in thousands of GEL	2023	2022
Wages and salaries		
Salaries and bonuses	332,848	269,245
Share based compensation	24,682	21,672
Pension contributions	6,882	5,450
Other compensation cost	21,059	10,159
Salaries and other employee benefits	**385,471**	**306,526**

Staff costs of the Bank are as follows:

in thousands of GEL	2023	2022
Wages and salaries		
Salaries and bonuses	300,517	244,225
Share based compensation	24,153	21,672
Pension contributions	6,222	4,944
Other compensation cost	18,621	8,432
Salaries and other employee benefits	**349,513**	**279,273**

Share based compensation represents remuneration paid in shares and is excluded as non-cash in the consolidated and separate statement of cash flows.

Breakdown of monthly average number of employees by categories is as follows:

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31. STAFF COSTS CONTINUED

Number of employees of the Group are as follows:

Position		2023	2022
Top Management	Temporary	-	-
	Permanent	5	6
Middle Management	Temporary	-	-
	Permanent	289	286
Other Employees	Temporary	1,000	1,105
	Permanent	7,443	6,965
Total		**8,737**	**8,362**

Number of employees of the Bank are as follows:

Position		2023	2022
Top Management	Temporary	-	-
	Permanent	5	6
Middle Management	Temporary	-	-
	Permanent	243	237
Other Employees	Temporary	938	1,038
	Permanent	6,669	6,252
Total		**7,855**	**7,533**

32. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Administrative and other operating expenses of the Group are as follows:

in thousands of GEL	2023	2022
Advertising and marketing services	46,464	30,592
Intangible asset maintenance	25,982	21,071
Professional services	25,408	23,230
Taxes other than on income	12,859	11,515
Premises and equipment maintenance	9,405	8,227
Utilities services	9,368	8,662
Insurance	8,707	7,945
Occupancy and rent*	7,774	9,154
Communications and supply	6,457	6,010
Personnel training and recruitment	5,562	4,178
Stationery and other office expenses	5,304	5,485
Representative expenses	4,310	5,956
Transportation and vehicle maintenance	2,865	2,939
Business trip expenses	2,027	1,674
Security services	1,956	1,572
Charity	1,110	854
Loss on disposal of repossessed collateral	661	1,505
Loss on disposal of premises and equipment	599	1,138
Other	19,830	15,641
Total administrative and other operating expenses	**196,648**	**167,348**

*Includes short-term leases, low value leases not recognised under IFRS 16 scope.

32. ADMINISTRATIVE AND OTHER OPERATING EXPENSES CONTINUED

Administrative and other operating expenses of the Bank are as follows:

in thousands of GEL	2023	2022
Advertising and marketing services	45,369	29,591
Professional services	23,981	21,888
Intangible asset maintenance	22,332	17,632
Utilities services	8,959	8,303
Premises and equipment maintenance	8,231	7,740
Taxes other than on income	6,985	6,201
Occupancy and rent*	5,604	6,810
Personnel training and recruitment	5,374	4,017
Communications and supply	5,317	4,919
Stationery and other office expenses	4,943	5,167
Representative expenses	4,268	5,910
Insurance	2,495	2,583
Business trip expenses	1,859	1,515
Security services	1,739	1,406
Charity	1,094	749
Transportation and vehicle maintenance	749	905
Loss on disposal of repossessed collateral	579	1,297
Loss on disposal of premises and equipment	539	983
Other	16,477	11,527
Total administrative and other operating expenses	**166,894**	**139,143**

*Includes short-term leases, low value leases not recognised under IFRS 16 scope.

32. ADMINISTRATIVE AND OTHER OPERATING EXPENSES CONTINUED

Auditors' remuneration is included within professional services expenses above and comprises:

in thousands of GEL	Audit	Audit Related	Other Services	Total
2023				
Audit of TBC Bank Group and subsidiaries annual financial statements	2,191	-	-	2,191
Review of TBC Bank Group and subsidiaries interim financial statements	-	237	-	237
Other assurance services*	-	-	1,218	1,218
Total auditors' remuneration	**2,191**	**237**	**1,218**	**3,646**
2022				
Audit of TBC Bank Group and subsidiaries annual financial statements	1,894	-	-	1,894
Review of TBC Bank Group and subsidiaries interim financial statements	-	201	-	201
Other assurance services*	-	-	984	984
Total auditors' remuneration	**1,894**	**201**	**984**	**3,079**

* Other assurance services include services provided by audit firms other than of the group auditor.

33. INCOME TAXES

Income tax credit/(expense) comprise of the following:

in thousands of GEL	2023	2022
Current tax charge	246,196	144,919
Effect of change in tax legislation	-	112,877
Deferred tax credit	(62,338)	(10,971)
Total income tax expense for the year	**183,858**	**246,825**

In 2022 the Government of Georgia has approved the changes to the current corporate tax model in Georgia for financial institutions applicable from 2023.

According to the announced changes, the financial sector will no longer switch to the Estonian tax model, which was expected to exempt banks from paying corporate taxes on retained earnings and only required a payment of 15% corporate tax rate on distributed earnings.

The change to the corporate taxation model has an immediate impact on deferred tax balances and a corresponding income tax expense, attributable to temporary differences between financial and tax accounting balances, arising from prior periods. In addition to above changes, tax authorities require the banks to reimburse the tax reliefs obtained through previous provisioning and interest income/expense calculation differences caused by differences in tax and IFRS bases.

As a result of these changes, in 2022 the Group has recognized net deferred tax liabilities and corresponding deferred tax expense in the amount of GEL 112,877 thousand in the statement of profit and loss.

In addition, with the effect from 2023, the existing corporate tax rate for banks has been increased from 15% to 20%, while dividends will no longer be taxed with 5% dividend tax.

33. INCOME TAXES CONTINUED

Current income tax liability to the regulatory authorities is generally paid on a quarterly basis. The amount is calculated by dividing previous year current income tax amount by 4 equal portions. The liability is settled in the following year, based on current income tax liability amount as at year end.

The weighted average income tax rate is 2023: 20% (2022: 15%), when the income tax rate applicable to the majority of subsidiaries income ranged from 15% - 20% (2022: 15% - 20%).

Reconciliation between the expected and the actual taxation (credit)/expense is provided below:

in thousands of GEL	2023	2022
Statutory rate	**20%**	**15%**
Profit before tax	**1,302,916**	**1,269,900**
Theoretical tax charge at weighted average applicable tax rate of 20% (2022: 15%)	259,595	190,594
Tax effect of items which are not deductible or assessable for taxation purposes:		
Income which is exempt from taxation	(70,860)	(38,636)
Non-deductible expenses	654	187
Effects of changes in tax legislation	(5,146)	94,716
Other differences	(385)	(36)
Total income tax expense for the year	**183,858**	**246,825**

Differences between financial reporting framework and statutory taxation regulations in Georgia and Azerbaijan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2022: 15%) for Georgia and 20% (2022: 20%) for Azerbaijan.

Income which is exempt from taxation includes interest income from placements in NBG, Georgian Government Treasury bills and IFI securities. Non-deductible expenses include penalties paid and charity expenses towards beneficiary which are not registered charity organizations.

33. INCOME TAXES CONTINUED

Deferred tax assets/liabilities as of 31 December 2023 and 31 December 2022 are the following:

in thousands of GEL	1 January 2023	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	Effect of currency translation	31 December 2023
Tax effect of (taxable)/deductible temporary differences and tax loss carry forwards					
Premises and equipment and intangibles	(50,887)	(5,906)	-	(1,827)	(58,620)
Loans and advances to customers	1,847	(1,847)	-	-	-
Other financial assets	4,754	1,076	(260)	-	5,570
Other assets	329	(70)	-	-	259
Other financial liabilities	(724)	418	-	-	(306)
Other liabilities	(923)	1,346	-	-	423
Share based payment	4,302	1,636	-	-	5,938
Goodwill	(4,987)	1,584	-	-	(3,403)
Investments in associates	(423)	-	-	-	(423)
One off reimbursement for different tax and IFRS bases	(64,101)	64,101*	-	-	-
Net deferred tax asset/(liability)	**(110,813)**	**62,338**	**(260)**	**(1,827)**	**(50,562)**
Recognised deferred tax asset	2,064	158	-	(1,827)	395
Recognised deferred tax liability	(112,877)	62,180	(260)	-	(50,957)
Net deferred tax asset/(liability)	**(110,813)**	**62,338**	**(260)**	**(1,827)**	**(50,562)**

* The amount had no effect on the consolidated statement of profit and loss and other comprehensive income, as far as, one off deferred tax reimbursements required due to the changes in tax legislation in 2022, has been recorded to current income tax of 2023, leaving no effect on tax expenses.

33. INCOME TAXES CONTINUED

in thousands of GEL	1 January 2022	Credited/ (charged) to profit or loss	Effect of change in tax legislation	Effect of currency translation	31 December 2022
Tax effect of (taxable)/deductible temporary differences and tax loss carry forwards					
Premises and equipment	(1,162)	1,157	(50,882)	-	(50,887)
Loans and advances to customers	(13,399)	15,230	-	16	1,847
Other financial assets	4,110	(4,092)	4,736	-	4,754
Other assets	-	265	64	-	329
Due to credit institutions	(368)	368	-	-	-
Other financial liabilities	123	(128)	(719)	-	(724)
Other liabilities	(922)	866	(867)	-	(923)
Share based payment	2,695	(2,695)	4,302	-	4,302
Goodwill	-	-	(4,987)	-	(4,987)
Investments in associates	-	-	(423)	-	(423)
One off reimbursement for different tax and IFRS bases	-	-	(64,101)	-	(64,101)
Net deferred tax asset/(liability)	**(8,923)**	**10,971**	**(112,877)**	**16**	**(110,813)**
Recognised deferred tax asset	2,056	(8)	-	16	2,064
Recognised deferred tax liability	(10,979)	10,979	(112,877)	-	(112,877)
Net deferred tax asset/(liability)	**(8,923)**	**10,971**	**(112,877)**	**16**	**(110,813)**

In the context of the Group's current structure and Georgian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below sets out movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

in thousands of GEL	Other borrowed funds	Debt securities in Issue	Subordinated debt	Lease Liabilities	Total
Liabilities from financing activities at 1 January 2022	**2,659,418**	**1,583,699**	**623,647**	**56,522**	**4,923,286**
Proceeds from principal	2,501,875	3,504	62,578	-	**2,567,957**
Redemption of principal	(1,731,699)	(205,898)	(13,710)	(13,099)	**(1,964,406)**
Net interest movement**	5,318	13,765	2,921	284	**22,288**
Other non-cash movements*	-	(6,951)	-	36,553	**29,602**
Foreign exchange adjustments	(184,517)	(178,306)	(85,288)	(8,020)	**(456,131)**
Liabilities from financing activities at 31 December 2022	**3,250,395**	**1,209,813**	**590,148**	**72,240**	**5,122,596**
Proceeds from principal	1,894,337	95,820	287,589	-	**2,277,746**
Redemption of principal	(1,698,671)	(43,058)	(15,867)	(12,999)	**(1,770,595)**
Net interest movement**	3,169	(4,287)	4,355	(270)	**2,967**
Other non-cash movements*	-	-	-	24,519	**24,519**
Foreign exchange adjustments	4,869	5,797	2,505	(80)	**13,091**
Liabilities from financing activities at 31 December 2023	**3,454,099**	**1,264,085**	**868,730**	**83,410**	**5,670,324**

* Other non-cash movements represent additions less terminations for finance lease contracts and gain on extinguishment of debt securities in issue.
**Net interest movement includes interest accrued and interest paid. Interest paid on other borrowed funds, debt securities in issue, subordinated debt and lease liabilities is included in operating cash flow interest paid caption.

35. FINANCIAL AND OTHER RISK MANAGEMENT

Credit Quality

Depending on the type of financial asset the Group may utilize different sources of asset credit quality information including credit ratings assigned by the international rating agencies (Standard & Poor's, Fitch), credit scoring information from credit bureau and internally developed credit ratings. Financial assets are classified in an internally developed credit quality grades by taking into account the internal and external credit quality information in combination with other indicators specific to the particular exposure (e.g. delinquency). The Group defines following credit quality grades:

- Very low risk – exposures demonstrate strong ability to meet financial obligations;
- Low risk – exposures demonstrate adequate ability to meet financial obligations;
- Moderate risk – exposures demonstrate satisfactory ability to meet financial obligations;
- High risk – exposures that require closer monitoring, and
- Default – exposures in default, with observed credit impairment.

35. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

The table below shows internal and external grades used in ECL calculation.

	Internal rating grades			External ratings	
Credit quality grade	Rating for consumer loans	Ratings for Loans to micro, small and medium enterprises	Rating for corporate loans	Credit bureau (when applicable)	International credit agency ratings (when applicable)
Very low	1-10	1-2	1-10	A; B; C1; C2; C3	A1.3; A1.4; A1.5; A2; A3; B1; B2
Low	11-21	3-5	11-18	A; B; C1; C2; C3; D1; D2; D3	A2; A3; B1; B2; B3; C1
Moderate	22-35	6-9	19-31	A; B; C1; C2; C3; D1; D2; D3; E1; E2; E3	A1.3; A1.4; A1.5; A2; A3; B1; B2; B3; C1; C2; C3
High	36-44	10-16	32-56	D1; D2; D3; E1; E2; E3	A1.3; A1.4; A1.5; A2; A3; B1; B2; B3; C1; C2; C3; D1; D2; D3

Expected credit loss (ECL) measurement

ECL is a probability-weighted estimate of the present value of future cash shortfalls. An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate. The estimates consider forward looking information, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The Group uses is a three-stage model for ECL measurement and classifies its borrowers across three stages: The Group classifies its exposures as Stage 1 if no significant deterioration in credit quality occurred since initial recognition and the instrument was not defaulted when initially recognized. The exposure is classified to Stage 2 if the significant deterioration in credit quality was identified since initial recognition but the financial instrument is not considered defaulted. The exposures for which the defaulted indicators have been identified are classified as Stage 3 instruments. The Expected Credit Loss (ECL) amount differs depending on exposure allocation to one of the Stages. In the case of Stage 1 instruments, the ECL represents that portion of the lifetime ECL that can be attributed to default events potentially occurring within the next 12 months from the reporting date. In case of Stage 2 instruments, the ECL represents the lifetime ECL, i.e. credit losses that can be attributed to possible default events during the whole lifetime of a financial instrument. Generally, lifetime is set equal to the remaining contractual maturity of the financial instrument. Factors such as existence of contractual repayment schedules, options for extension of repayment maturity and monitoring processes held by The Group affect the lifetime determination. In case of Stage 3 instruments, default event has already incurred and the lifetime ECL is estimated based on the expected recoveries.

Definition of default

Financial assets for which the Group observed occurrence of one or more loss events are classified in Stage 3.

The Group uses both quantitative and qualitative criteria for the definition of default. The borrower is classified as defaulted if at least one of the following occurred:

- Any amount of contractual repayments is past due more than 90 days;
- Factors indicating the borrower's unlikeliness-to-pay.

In case of individually significant borrowers The Group additionally applies criteria including but not limited to: bankruptcy proceedings, significant fraud in the borrower's business that significantly affected its financial condition, breach of the contract terms etc. For SME and corporate borrowers, default is identified on the counterparty level, meaning that all the claims against the borrower are treated as defaulted. As for retail and micro exposures, facility level default definition is applied considering additional pulling effect criteria. If the amount of defaulted exposure exceeds predefined threshold, all the claims against the borrower are classified as defaulted. Once financial instrument is classified as defaulted, it remains as such until it no longer meets any of the default criteria for a consecutive period of six months, in which case exposure is considered to no longer be in default (i.e. to have cured). Probation period of six months has been determined on analysis of likelihood of a financial instrument returning to default status after curing.

35. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

Exposures which are moved to stage 2 from default state are kept there for certain period before transferring to Stage 1 and classified as fully performing instruments again.

Significant increase in credit risk ("SICR")

Financial assets for which the Group identifies significant increase in credit risk since its origination are classified in Stage 2. SICR indicators are recognized at financial instrument level even though some of them refer to the borrower's characteristics. The Group uses both quantitative and qualitative indicators of SICR.

Quantitative criteria

On a quantitative basis the Group assesses change in probability of default parameter for each particular exposure since initial recognition and compares it to the predefined threshold. When absolute change in probability of default exceeds the applicable threshold, SICR is deemed to have occurred and exposure is transferred to Stage 2. While defining and applying SICR thresholds, the Bank considers product type, age of the contracts and rating at origination, therefore, SICR threshold for each particular sub segment vary. Below we disclose the threshold ranges across the relevant sub groups in percentage points triggering contract to move to stage 2:

Mortgage	0% - 10.4%
Consumer (further divided into subgroups to apply thresholds)	0% - 28.2%
Micro (further divided into subgroups to apply thresholds)	0% - 28.7%

Qualitative criteria

Financial asset is transferred to Stage 2 and lifetime ECLs is measured if at least one of the following SICR qualitative criteria is observed:

- delinquency period of more than 30 days on contractual repayments;
- exposure is restructured, but is not defaulted;
- borrower is classified as "watch".

The Group has not rebutted the presumption that there has been significant increase in credit risk since origination when financial asset becomes more than 30 days past due. This qualitative indicator of SICR together with debt restructuring is applied to all segments. Particularly for corporate and SME segment the Group uses downgrade of risk category since origination of the financial instrument as a qualitative indicator of SICR. Based on the results of the monitoring, borrowers are classified across different risk categories. In case there are certain weaknesses present, which if materialized may lead to loan repayment problems, borrowers are classified as "watch" category. Although watch borrowers' financial standing is sufficient to repay obligations, these borrowers are closely monitored and specific actions are undertaken to mitigate potential weaknesses. Once the borrower is classified as "watch" category, it is transferred to Stage 2. If any of the SICR indicators described above occur financial instrument is transferred to Stage 2. Financial asset may be moved back to Stage 1, if SICR indicators are no longer observed.

ECL measurement

The Group utilizes two approaches for ECL measurement – individual assessment and collective assessment. Individual assessment is mainly used for stage 2 and stage 3 individually significant borrowers. For selecting individually significant exposures, the management uses the following estimated thresholds above which exposures[1] are selected for individual review: for stage 2 - to GEL 10 million and for stage 3 - GEL 4 million. Additionally, the Group may arbitrarily designate selected exposures to individual measurement of ECL based on the Group's credit risk management or underwriting departments' decision. The individual assessment takes into account latest available information in order to define ECL under baseline, upside and downside scenarios.

The Group uses the discounted cash flow (DCF) method for the determination of recovery amount under individual assessment. In order to ensure the accurate estimation of recoverable amount the Group utilizes scenario analysis approach. Scenarios may be defined considering the specifics and future outlook of individual borrower, sector the

[1] Total exposure of the bank toward the borrower or group of interconnected borrowers

35. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

borrower operates in or changes in values of collateral. In case of scenario analysis, The Group forecasts recoverable amount for each scenario and estimates respective losses. Ultimate ECL is calculated as the weighted average of losses expected in each scenario, weighted by the probability of scenario occurring.

As for the non-significant and non-impaired significant borrowers The Group estimates expected credit losses collectively. For the collective assessment and risk parameters estimation purposes the exposures are grouped into a homogenous risk pools based on similar credit risk characteristics. Common credit risk characteristics of the group include but are not limited to: Stage (Stage 1, Stage 2 or Stage 3), type of counterparty (individual vs business), type of product, rating (external or internal), overdue status, restructuring status, months in default category or any other characteristics that may differentiate certain sub-segments for risk parameter's estimation purposes. Number of pools differs for different products/ segments considering specifics of portfolio and availability of data within each pool. Collective ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained below, and discounted to present value using the instrument's effective interest rate.

The key principles of calculating the credit risk parameters:

Exposure at default (EAD)

The EAD represents estimation of exposure to credit risk at the time of default occurring during the life of financial instrument. The EAD parameter used for the purpose of the ECL calculation is time-dependent, i.e. the Group allows for various values of the parameter to be applied to subsequent time periods during the lifetime of an exposure. Such structure of the EAD is applied to all Stage 1 and Stage 2 financial instruments. In case of Stage 3 financial instruments and defaulted POCI assets, the EAD vector is one-element with current EAD as the only value. EAD is determined differently for amortising financial instruments with contractual repayment schedules and for revolving facilities. For amortising products EAD is calculated considering the contractual repayments of principal and interest over the 12-month period for facilities classified in Stage 1 and over lifetime period for remaining instruments. It is additionally adjusted to include effect of reduction in exposure due to prepayments - Namely full prepayment ratio. Full Prepayment Ratio (FPR) parameter represents the probability that a financial instrument will be fully prepaid during the particular period to maturity. For the purpose of calculating Full Prepayment Ratio, the Group make the analysis of the historical data of the contracts fully prepaid until the maturity. For revolving facilities, the Bank calculates the EAD based on the expected limit utilisation percentage conditional on the default event.

Probability of default (PD)

Probability of default parameter reflects the likelihood of a default of a facility over a particular time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its contractual debt obligations. The PD parameter is time-dependent (i.e. has a specific term structure) and is applied to all non-defaulted contracts. Taking into account specific nature of different segments of clients for which the PD is estimated as well as unique characteristics that drive their default propensity, the PD is modelled differently for Retail and Micro segments and Corporate and SME segments. PD assessment approach is also differentiated for different time horizons and is further adjusted due to expected influence of macroeconomic variables as forecasted for the period (see 'Forward Looking Information" section for further details on incorporation of macroeconomic expectations in ECL calculation). FLI adjustment is applied on PD for the three-year period, given the uncertainty involved in the macroeconomic forecasts for the longer time horizon. Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months marginal PDs over the life of the instrument. The Group generally uses number based approach of PD model construction, however for the nonhomogeneous portfolios exposure-weighted approach is utilised. The Group uses different statistical approaches such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data and gradual convergence of long-term PD with the long-term default rate.

Loss given default (LGD)

The LGD parameter represents the share of an exposure that would be irretrievably lost if a borrower defaults. For Stage 1 and Stage 2 financial instruments, the LGD is estimated for each period in the instrument's lifetime and reflects

35. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

the share of the expected EAD for that period that will not be recovered over the remaining lifetime of the instrument after the default date. For Stage 3 financial instruments, the LGD represents the share of the EAD as of reporting date that will not be recovered over the remaining life of that instrument. Assessment of LGD varies by the type of counterparty, segment, type of product, securitization level, availability of historical observations and portfolio sale. The general LGD estimation process employed by the Group is based on the assumption that after the default of the exposure, two mutually exclusive scenarios are possible. Non-sold scenario-The exposure either leaves the default state (cure scenario) or does not leave the default state and will be subject to recovery process (non-cure scenario); Sold scenario- exposure is sold. The probability that an exposure is sold, probability of a cure and the probability that a cured exposure defaults again are all determined in the estimation process. Risk parameters applicable to both sub-scenarios, i.e. cure rates and recovery rates, are estimated by means of migration matrices approach, whereas the probability of sale is determined by expert judgement until enough data is gather to allow for statistical estimation. For each LGD portfolio the Group defines the recovery horizon for non-sold exposures and maximum period for an exposure to be sold (which is set at the average time-to-sale), after which no material recoveries are assumed. Recovery horizon is defined by data analytics and expert judgment. For certain portfolios based on the limitations of observations alternative versions of the general approach may be applied. For significant corporate exposures, the Group uses the LGD modelling approach that is based on realized recoveries from historical defaults, adjusted with approximation of future recoveries from individually assessed defaulted exposures. In order to model LGD for SME and non-significant corporate borrowers, the Group is estimating recoverable amount from the collateral and assumes that no recoveries from cash is expected. In order to estimate recoverable amount from the collateral the Group is applying respective haircuts defined for different types of collateral and discounts them using effective interest rate over the realization period. In addition, at each reporting date, the Group makes the decision which historical data horizon should be used in order to model recoveries.

Forward-looking information

The measurement of unbiased, probability weighted ECL requires inclusion of forward-looking information obtainable without undue cost or effort. For forward-looking information purposes, the Group defines three macro scenarios. The scenarios are defined as baseline (most likely), upside (better than most likely) and downside (worse than most likely) scenarios of the state of the economy. To derive the baseline macro-economic scenario, the Group takes into account forecasts from various external sources – the National Bank of Georgia, Ministry of Finance, International Monetary Fund ("IMF") as well as other International Financial Institutions ("IFI"'s) – in order to ensure the to the consensus market expectations. Upside and downside scenarios are defined based on the framework developed by the Group's macroeconomic unit.

The Group uses statistical models and historical relationship between the various macroeconomic factors and default observations to derive forward-looking adjustments. In case these models do not provide reasonable results either from statistical or business perspective, the Group may apply expert judgment or use alternative approach. As at 31 December 2023, the Group employs statistical models to derive forward looking adjustment in all segments except for corporate. In corporate segment, due to the insignificance of the statistical models, the Group does not apply FLI adjustment. The baseline, upside and downside scenarios were assigned probability weighing of 50%, 25% and 25%, respectively.

The forward-looking information is incorporated in collective assessment of expected credit losses of Retail and MSME portfolios and individually assessed exposures.

Model maintenance and validation

The Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual credit loss. Such back-testing (including back-casting) is performed at least once a year. As part of the back-testing process, the Group evaluates actual realization of the risk parameters and their consistency with the model estimates. Additionally staging criteria are also analysed within the back-testing process. The results of back-testing the ECL measurement methodology are communicated to the Group Management and further actions for tuning the models and assumptions are defined after discussions between authorised persons.

35. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

Risk governance

ECL impairment models were developed by internal credit risk governance division with the involvement of external consultants. The division runs the models to calculate ECL each month. They are also responsible for model back-testing, analytics and governance.

Economic scenarios and probability weights are prepared by macro-financial analysis unit.

All the assumptions, including PMAs and PMOs used in the ECL measurement go through of review and approval process:

- Chief Economist reviews and approves the forward-looking scenarios and respective weights;
- Internal allowance committee reviews and approves appropriateness of the estimates and judgements as well as PMAs and PMOs used in ECL measurement on a regular basis; internal committee includes Head of ERM, Heads of Portfolio Credit Risk Management divisions and CRO, who ultimately approves ECL results as of each reporting date.
- Models used in calculation, as well as back-testing process is also validated by the model risk management division.

Climate risk. The Group's largest operations are located in Georgia hence the climate risk overview is done by the management from Georgian perspective. The Georgia's 2030 Climate Change Strategy and Climate Action Plan lays out different policy measures on which TBC Bank based its identification of the potential impact of the policy measures on different economic sectors. As a summary of the potential impact of the various transition risks and physical risks identified, the transitional risks in Georgia are low, considering, that trade and services dominate the Georgian economy, the policy measures outlined in the Georgia's 2030 Climate Change Strategy will have overall low impact on the economic sectors, especially in short and medium term. The Georgia's 2030 Climate Change Strategy takes into consideration that Georgia is a transitional and growing economy, and therefore the government strategy is not to impede the growth of the GDP with policy measures and rather to support a smooth transition where necessary. It is worth noting, that the economic sectors most affected by transitional risks world-wide such as mining crude petroleum, natural gas and metal ores, manufacturing coke and refined petroleum products are present to the very limited extend in Georgia, resulting in a low overall impact of transitional measures on economic growth, if any. In order to increase the understanding of climate-related risks on its loan portfolio, the Bank performed a high-level sectoral risk assessment, as different sectors might be vulnerable to different climate-related risks over different time horizons; furthermore, the Bank performed climate stress testing of the credit portfolio. The maturity structure of the loan portfolio shows that the largest part of assets is distributed in the time horizons that are much shorter than the impacts of climate change, especially of physical risks, can be materialized in Georgia. Therefore, the bank has not made any adjustment to the level of provisions purely related to climate risk. On the other hand, the understanding of climate related risks, which have longer-term impacts need to be increased in coming years, therefore, when the bank has a more definitive analysis, it will further develop the approach, how to consider climate risks in provisioning. No post model adjustments (PMAs) or Post model overlays (PMOs) have been posted for 2023 in this regard.

Geographical risk concentrations

Assets, liabilities, credit related commitments and performance guarantees have generally been attributed to geographic regions based on the country in which the counterparty is located. Balances legally outstanding to/from off-shore companies which are closely related to Georgian counterparties are allocated to the caption "Georgia". Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

Tables below includes geographical concentration by country of incorporation. Loans and advances to OECD and Non-OECD resident customers, as well as to Georgian customers, are issued to the entities most of which are based and performing in Georgia.

35. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

The geographical concentration of the Group's assets and liabilities as of 31 December 2023 is set out below by country of incorporation:

in thousands of GEL	Georgia	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	1,685,000	1,968,167	38,065	3,691,232
Due from other banks	10,661	446	28	11,135
Mandatory cash balances with NBG	1,572,506	-	-	1,572,506
Loans and advances to customers	20,328,591	338,835	291,106	20,958,532
Investment securities measured at fair value through FVTOCI	2,184,130	695,552	595,779	3,475,461
Finance lease receivables	363,303	-	7,492	370,795
Other financial assets	254,599	25,236	2,026	281,861
Total financial assets	**26,398,790**	**3,028,236**	**934,496**	**30,361,522**
Non-financial assets	1,407,504	201	1,909	1,409,614
Total assets	**27,806,294**	**3,028,437**	**936,405**	**31,771,136**
Liabilities				
Due to credit institutions	1,696,854	1,997,341	652,756	4,346,951
Customer accounts	16,934,364	933,114	2,075,038	19,942,516
Debt securities in issue	1,260,830	-	3,255	1,264,085
Other financial liabilities	214,346	61,882	268	276,496
Lease liabilities	82,482	-	928	83,410
Subordinated debt	153,323	578,675	136,732	868,730
Total financial liabilities	**20,342,199**	**3,571,012**	**2,868,977**	**26,782,188**
Non-financial liabilities	237,602	683	2,954	241,239
Total liabilities	**20,579,801**	**3,571,695**	**2,871,931**	**27,023,427**
Net balance sheet position	**7,226,493**	**(543,258)**	**(1,935,526)**	**4,747,709**
Performance guarantees	1,134,832	439,939	60,147	1,634,918
Undrawn credit lines	1,045,632	787	2,596	1,049,015
Letters of credit issued	282,757	-	914	283,671
Financial guarantees issued	509,855	1,065	777	511,697

35. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

The geographical concentration of the Group's assets and liabilities as of 31 December 2022 is set out below by country of incorporation:

in thousands of GEL	Georgia	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	2,074,615	1,683,849	27,634	3,786,098
Due from other banks	5,001	1,297	-	6,298
Mandatory cash balances with NBG	2,047,564	-	-	2,047,564
Loans and advances to customers	17,094,888	151,750	250,804	17,497,442
Investment securities measured at fair value through OCI	1,712,616	596,009	576,103	2,884,728
Repurchase receivables	-	267,495	-	267,495
Finance lease receivables	282,300	-	6,586	288,886
Other financial assets	246,866	-	132	246,998
Total financial assets	**23,463,850**	**2,700,400**	**861,259**	**27,025,509**
Non-financial assets	1,299,611	257	3,633	1,303,501
Total assets	**24,763,461**	**2,700,657**	**864,892**	**28,329,010**
Liabilities				
Due to credit institutions	1,363,669	1,930,394	591,297	3,885,360
Customer accounts	15,090,636	1,034,409	1,716,312	17,841,357
Debt securities in issue	1,201,666	-	8,147	1,209,813
Other financial liabilities	250,085	433	-	250,518
Lease liabilities	72,219	-	21	72,240
Subordinated debt	98,008	354,336	137,804	590,148
Total financial liabilities	**18,076,283**	**3,319,572**	**2,453,581**	**23,849,436**
Non-financial liabilities	208,519	1,168	4,085	213,772
Total liabilities	**18,284,802**	**3,320,740**	**2,457,666**	**24,063,208**
Net balance sheet position	**6,478,659**	**(620,083)**	**(1,592,774)**	**4,265,802**
Performance guarantees	901,320	565,669	56,881	1,523,870
Undrawn credit lines	1,045,975	2,021	3,229	1,051,225
Letters of credit issued	224,789	-	7,277	232,066
Financial guarantees issued	400,006	876	32	400,914

Market risk. Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. Management sets risk appetite limits on the value of risk that may be accepted, which is monitored on a regular basis. These limits provide buffers over regulatory limits, ensuring early detection of potential losses in the event of more significant market movements.

Currency risk. Foreign exchange rate risk arises from the potential change in foreign currency exchange rates, which can affect the value of a financial instrument. This risk stems from the open currency positions created due to mismatches in foreign currency assets and liabilities. The NBG requires the Bank to monitor both balance sheet and total aggregate (including off-balance sheet) open currency positions and to maintain the later one within 20% of the

35. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

Bank's regulatory capital. The Asset-Liability Management Committee ("ALCO") has set limits on the level of exposure by currency as well as on aggregate exposure positions which are more conservative than those set by the NBG. The Bank's compliance with such limits is monitored daily by the heads of the Treasury department and Financial Risk Management division.

Currency risk management framework is governed through the Market Risk Management Policy. The table below summarises the Group's exposure to foreign currency exchange rate risk at the balance sheet date. While managing open currency position the Group considers part of the provisions to be denominated in the USD, Euro and other currencies. Gross amount of currency swap deposits is included in Derivatives. Therefore, total financial assets and liabilities below are not traceable with either balance sheet or liquidity risk management tables, where net amount of gross currency swaps is presented.

As of 31 December 2023 *in thousands of GEL*	Monetary financial assets	Monetary financial liabilities	Derivatives	Net position
Georgian Lari	15,308,291	13,003,203	1,404,462	3,709,550
US Dollar	10,221,224	11,037,953	684,157	(132,572)
Euro	4,671,064	2,585,038	(2,114,187)	(28,161)
Other	160,943	177,054	27,257	11,146
Total	**30,361,522**	**26,803,248**	**1,689**	**3,559,963**

As of 31 December 2022 *in thousands of GEL*	Monetary financial assets	Monetary financial liabilities	Derivatives	Net position
Georgian Lari	13,454,240	10,906,671	672,019	3,219,588
US Dollar	9,116,276	10,829,585	1,696,253	(17,056)
Euro	4,210,065	1,934,556	(2,322,418)	(46,909)
Other	244,928	198,532	(31,929)	14,467
Total	**27,025,509**	**23,869,344**	**13,925**	**3,170,090**

US Dollar strengthening by 20% (weakening 20%) would decrease Group's profit or loss and equity in 2023 by GEL 26,514 thousand (increase by GEL 26,514 thousand). Euro strengthening by 20% (weakening 20%) would decrease Group's profit or loss and equity in 2023 by GEL 5,632 thousand (increase by GEL 5,632 thousand).

US Dollar strengthening by 20% (weakening 20%) would decrease Group's profit or loss and equity in 2022 by GEL 3,411 thousand (increase by GEL 3,411 thousand). Euro strengthening by 20% (weakening 20%) would decrease Group's profit or loss and equity in 2022 by GEL 9,382 thousand (increase by GEL 9,382 thousand).

Interest rate risk. Interest rate risk arises from potential changes in the market interest rates that can adversely affect the fair value or future cash flows of the financial instrument. This risk can arise from maturity mismatches of assets and liabilities, as well as from the re-pricing characteristics of such assets and liabilities.

The biggest share of the Bank's deposits and loans are at fixed interest rates, while major part of the Bank's borrowings is at a floating interest rate. In addition, the Bank actively uses floating and combined[1] interest rate structures in its loan portfolio. In case of need, the Bank also applies for interest rate risk hedging instruments in order to mitigate interest rate risk. Furthermore, many of the Bank's loans to customers contain a clause allowing it to adjust the interest rate on the loan in case of adverse interest rate movements, thereby limiting the Bank's exposure to interest rate risk. The management also believes that the Bank's interest rate margins provide a reasonable buffer to mitigate the effect of possible adverse interest rate movements.

[1] In case of combined interest rates, interest rate is fixed for a pre-agreed term, and switches to floating interest rate after the term passes.

35. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

The Group employs an advanced framework for the management of interest rate risk by establishing appropriate Risk Appetite limits, monitoring compliance with them and preparing forecasts. From September, 2020 the NBG introduced regulation on interest rate risk and set the limit for Economic Value of Equity (EVE) sensitivity at 15% of NBG Tier 1 Capital. The main principles and assumptions of NBG IRR methodology are in line with Basel standards developed for IRR management purposes.

According to NBG guidelines the net interest income sensitivity under parallel shifts of interest rate scenarios is maintained for monitoring purposes, while EVE sensitivity is calculated under 6 predefined stress scenarios of interest rate changes and the limit is applied to the worst case scenario result.

Interest rate risk is managed by the Balance Sheet Management division and is monitored by the ALCO, which decides on actions that are necessary for effective interest rate risk management and follows up on their implementation. Financial Risk Management division is responsible for developing procedures, policy document and setting risk appetite for interest rate risk. The major aspects of interest rate risk management development and the respective reporting are periodically provided to the Management Board, the Supervisory Board's Risk Committee.

Following main assumptions under NBG IRR Regulation and Basel 2016 guidelines, at 31 December, 2023, if market interest rates for each currency had been 200 basis points higher, with all other variables held constant, profit would have been equivalent GEL 24 million higher, mainly as a result of higher interest income on variable interest assets (2022: GEL 84 million). If market interest rates for each currency at 31 December, 2023 had been 200 basis points lower with all other variables held constant, profit for the year would have been equivalent GEL 42 million lower, mainly as a result of lower interest income on variable interest assets (2022: GEL 78 million). Compared to the last year, in 2023 in both of the scenarios the effects have been muted due to the reduction of variable interest assets over the year.

At 31 December, 2023, if interest rates had been 200 basis points lower, with all other variables held constant, other comprehensive income would have been GEL 47.3 million higher (2022: GEL 35.6 million), as a result of an increase in the fair value of fixed rate financial assets measured at fair value through other comprehensive income and repurchase receivables. If interest rates at 31 December, 2023 had been 200 basis points higher with all other variables held constant, Other comprehensive income would have been GEL 47.3 million lower (2022: GEL 35.6 million), as a result of decrease in the fair value of fixed rate financial assets measured at fair value through other comprehensive income.

Liquidity Risk. The liquidity risk is the risk that TBC Bank either does not have sufficient financial resources available to meet all of its obligations and commitments as they fall due or can access those resources only at a high cost. The risk is managed by the Balance Sheet Management division and Treasury Department and is monitored by the ALCO, within their pre-defined functions. Financial Risk Management (FRM) division is responsible for developing procedures, policy document and setting risk appetite on funding and market liquidity risk management. In addition, FRM performs liquidity risk assessment and communicates the results to the MB and Risk Committee of the Supervisory Board on a regular basis.

The principal objectives of the TBC Bank's liquidity risk management policy are to: (i) ensure the availability of funds in order to meet claims arising from total liabilities and off-balance sheet commitments, both actual and contingent, at an economic price; (ii) recognise any structural mismatch existing within TBC Bank's statement of financial position and set monitoring ratios to manage funding in line with well-balanced growth; and (iii) monitor liquidity and funding on an on-going basis to ensure that approved business targets are met without compromising the risk profile of the Bank.

The liquidity risk is categorised into two risk types: the funding liquidity risk and the market liquidity risk.

Funding liquidity risk is the risk that TBC will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs without affecting either its daily operations or its financial condition. To manage funding liquidity risk TBC Bank uses the Liquidity Coverage ratio and the Net Stable Funding ratio set, forth under Basel III, and defined further by the NBG. In addition, the Bank performs stress tests and "what-if" scenario analysis. For NBG LCR the limits are set by currency (GEL, FC, Total). TBC monitors compliance with NBG LCR limits on a daily basis. On a monthly basis the Bank also monitors compliance with the set limit for NBG NSFR.

The Liquidity Coverage Ratio is used to help manage short-term liquidity risks. The Bank's liquidity risk management framework is designed to comprehensively project cash flows arising from assets, liabilities and off-balance sheet items over certain time buckets and ensure that NBG LCR limits, are met on a daily basis.

35. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

The Net Stable Funding ratio is used for long-term liquidity risk management to promote resilience over a longer time horizon by creating additional incentives for TBC Bank to rely on more stable sources of funding on a continuous basis. The Bank also monitors deposit concentration for large deposits and sets the limits for non-Georgian residents' deposits share in total deposit portfolio.

The Bank relies on relatively stable deposits from Georgia as the main source of funding. In order to maintain and further enhance the liability structure TBC Bank sets the targets for deposits and IFI funding within the Bank's risk appetite.

The Bank's liquidity position was strong as of 31 December 2023, both LCR and NSFR ratios above the NBG minimum requirements of 100%.

Maturity analysis. The table below summarizes the maturity analysis of the Group's financial liabilities, based on remaining undiscounted contractual obligations as of 31 December 2023 subject-to-notice repayments are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

35. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

The maturity analysis of undiscounted financial liabilities as of 31 December 2023 is as follows:

in thousands of GEL	Less than 3 months	From 3 to 12 months	From 1 to 5 Years	Over 5 years	Total
Due to credit institutions	2,025,151	614,741	2,111,466	158,151	4,909,509
Customer accounts – individuals	6,837,847	2,316,324	770,225	94,784	10,019,180
Customer accounts – other	8,502,324	519,089	1,121,045	190,490	10,332,948
Other financial liabilities	249,622	9,957	16,917	-	276,496
Lease liabilities	10,108	23,951	80,264	22,019	136,342
Subordinated debt	15,219	71,053	618,564	696,276	1,401,112
Debt securities in issue	11,972	1,024,816	346,658	20,147	1,403,593
Gross settled swaps and forwards:					
– Inflows	(2,636,719)	(165,372)	(213,640)	-	(3,015,731)
– Outflows	2,681,271	167,390	229,544	-	3,078,205
Performance guarantees	1,692,739	-	-	-	1,692,739
Financial guarantees	516,119	-	-	-	516,119
Letters of credit	135,347	164,018	11,118	-	310,483
Undrawn credit lines	1,049,014	-	-	-	1,049,014
Total potential future payments for financial obligations	**21,090,014**	**4,745,967**	**5,092,161**	**1,181,867**	**32,110,009**

The maturity analysis of undiscounted financial liabilities as of 31 December 2022 is as follows:

in thousands of GEL	Less than 3 months	From 3 to 12 months	From 1 to 5 Years	Over 5 years	Total
Due to credit institutions	1,814,831	548,857	1,983,019	183,256	4,529,963
Customer accounts – individuals	6,156,427	2,025,734	1,015,495	67,368	9,265,024
Customer accounts – other	6,861,142	683,448	1,008,931	446,341	8,999,862
Other financial liabilities	188,538	51,176	10,804	-	250,518
Lease liabilities	6,297	17,219	63,265	18,526	105,307
Subordinated debt	18,824	111,605	421,704	286,247	838,380
Debt securities in issue	49,511	86,259	1,280,365	-	1,416,135
Gross settled swaps and forwards:					
– Inflows	(2,599,378)	(279,912)	(58,148)	-	(2,937,438)
– Outflows	2,615,037	328,255	67,248	-	3,010,540
Performance guarantees	1,552,134	-	-	-	1,552,134
Financial guarantees	406,456	-	-	-	406,456
Letters of credit	53,556	112,016	90,158	-	255,730
Undrawn credit lines	1,051,216	-	-	-	1,051,216
Total potential future payments for financial obligations	**18,174,591**	**3,684,657**	**5,882,841**	**1,001,738**	**28,743,827**

35. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

The undiscounted financial liability analysis gap does not reflect the historical stability of the current accounts. Their liquidation has historically taken place over a longer period than the one indicated in the tables above. These balances are included in amounts due in less than three months in the tables above.

Term deposits included in the customer accounts are classified based on remaining contractual maturities, however, according to the Georgian Civil Code, individuals have the right to withdraw their deposits prior to maturity, if they partially or fully forfeit their right to accrued interest and the Group is obliged to repay such deposits upon the depositor's demand. Based on the Bank's deposit retention history, the Management does not expect that many customers will require repayment on the earliest possible date. Accordingly, the table does not reflect the Management's expectations as to actual cash outflows.

The Group does not use the above undiscounted maturity analysis to manage liquidity as it shows contractual terms purely and disregard the actual expected behaviour of the instruments. Instead, the Group monitors the liquidity gap analysis based on the expected maturities. In particular, expected maturities disclosure include customers' deposits and contingent liabilities according to their behavioural analysis, while for undiscounted cash flow disclosure purposes, demand deposits are put in on demand bucket.

As at 31 December 2023 the analysis by expected maturities is as follows:

in thousands of GEL	Less than 3 months	From 3 to 12 months	From 1 to 5 Years	Over 5 years	Total
Cash and cash equivalents	3,691,232	-	-	-	3,691,232
Due from other banks	10,029	446	-	660	11,135
Mandatory cash balances with NBG	1,572,506	-	-	-	1,572,506
Loans and advances to customers	1,901,522	4,065,620	8,610,524	6,380,866	20,958,532
Investment securities measures at fair value through OCI	3,475,461	-	-	-	3,475,461
Finance lease receivables	48,516	75,836	192,381	54,062	370,795
Other financial assets	242,829	36,720	2,312	-	281,861
Total financial assets	**10,942,095**	**4,178,622**	**8,805,217**	**6,435,588**	**30,361,522**

As at 31 December 2022 the analysis by expected maturities is as follows:

in thousands of GEL	Less than 3 months	From 3 to 12 months	From 1 to 5 Years	Over 5 years	Total
Cash and cash equivalents	3,786,098	-	-	-	3,786,098
Due from other banks	-	4,326	1,327	645	6,298
Mandatory Cash Balances with NBG	2,047,564	-	-	-	2,047,564
Loans and advances to customers	1,637,240	3,108,636	7,189,586	5,561,980	17,497,442
Investment securities measures at fair value through OCI	2,884,728	-	-	-	2,884,728
Repurchase receivables	267,495	-	-	-	267,495
Finance lease receivables	32,027	75,455	152,937	28,467	288,886
Other financial assets	186,864	58,326	1,808	-	246,998
Total financial assets	**10,842,016**	**3,246,743**	**7,345,658**	**5,591,092**	**27,025,509**

35. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

In alignment with internal liquidity management principles, the Group changed the presentation of expected maturities for financial assets and liabilities, consolidating them into a single category spanning over 1 year.

As at 31 December 2023 the analysis by expected maturities is as follows:

in thousands of GEL	Less than 3 months	From 3 to 12 months	Over 1 years	Total
Cash and cash equivalents	3,691,232	-	-	3,691,232
Due from other banks	10,029	446	660	11,135
Mandatory cash balances with NBG	1,572,506	-	-	1,572,506
Loans and advances to customers	1,901,522	4,065,620	14,991,390	20,958,532
Investment securities measures at fair value through OCI	3,475,461	-	-	3,475,461
Finance lease receivables	48,516	75,836	246,443	370,795
Other financial assets	242,829	36,720	2,312	281,861
Total financial assets	**10,942,095**	**4,178,622**	**15,240,805**	**30,361,522**
Due to credit institutions	2,002,664	461,016	1,883,271	4,346,951
Customer accounts	1,651,240	257,259	18,034,017	19,942,516
Debt securities in issue	11,819	976,109	276,157	1,264,085
Other financial liabilities	249,622	9,956	16,918	276,496
Lease liabilities	6,944	14,539	61,927	83,410
Subordinated debt	7,164	8,298	853,268	868,730
Total financial liabilities	**3,929,453**	**1,727,177**	**21,125,558**	**26,782,188**
Net liquidity gap as of 31 December 2023	**7,012,642**	**2,451,445**	**(5,884,753)**	**3,579,334**
Cumulative gap as of 31 December 2023	**7,012,642**	**9,464,087**	**3,579,334**	

35. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

As at 31 December 2022 the analysis by expected maturities is as follows:

in thousands of GEL	Less than 3 months	From 3 to 12 months	Over 1 years	Total
Cash and cash equivalents	3,786,098	-	-	3,786,098
Due from other banks	-	4,326	1,972	6,298
Mandatory Cash Balances with NBG	2,047,564	-	-	2,047,564
Loans and advances to customers	1,637,240	3,108,636	12,751,566	17,497,442
Investment securities measures at fair value through OCI	2,884,728	-	-	2,884,728
Repurchase receivables	267,495	-	-	267,495
Finance lease receivables	32,027	75,455	181,404	288,886
Other financial assets	186,864	58,326	1,808	246,998
Total financial assets	**10,842,016**	**3,246,743**	**12,936,750**	**27,025,509**
Due to credit institutions	1,787,320	392,818	1,705,222	3,885,360
Customer accounts	1,405,899	176,629	16,258,829	17,841,357
Debt securities in issue	47,661	81,779	1,080,373	1,209,813
Other financial liabilities	188,538	51,176	10,804	250,518
Lease liabilities	4,531	11,862	55,847	72,240
Subordinated debt	16,171	70,244	503,733	590,148
Total financial liabilities	**3,450,120**	**784,508**	**19,614,808**	**23,849,436**
Net liquidity gap as of 31 December 2022	**7,391,896**	**2,462,235**	**(6,678,058)**	**3,176,073**
Cumulative gap as of 31 December 2022	**7,391,896**	**9,854,131**	**3,176,073**	**-**

The Management believes that the Group has sufficient liquidity to meet its current on- and off-balance sheet obligations.

36. CONTINGENCIES AND COMMITMENTS

Legal and regulatory matters. When determining the level of provision to be set up with regards to such matters, or the amount (not subject to provisioning) to be disclosed in the financial statements, the management seeks both internal and external professional advice. The management believes that the provision recorded in these consolidated financial statements is adequate and the amount (not subject to provisioning) need not be disclosed as it will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Tax legislation. Georgian and Azerbaijanian tax and customs legislation is subject to varying interpretations, and changes, which can occur frequently. The management's interpretation of the legislation as applied to the Group's transactions and activity may be challenged by the relevant authorities. In Azerbaijan, the tax review periods for the five preceding calendar years remain open to review by authorities. In Georgia, the period of limitation for tax review is three years. To respond to the risks, the Group has engaged external tax specialists to carry out periodic reviews of Group's taxation policies and tax filings. The Group's management believes that its interpretation of the relevant legislation is appropriate, and the Group's tax and customs positions will be substantially sustained.

Compliance with covenants. The Group is subject to certain financial and non-financial covenants primarily related to its debt. Non-compliance with such covenants may result in negative consequences for the Group including mandatory prepayment and declaration of default. The Group was in compliance with all covenants as of 31 December 2023 and 31 December 2022.

Group's financial covenants mainly consist of three major sub-categories. Key covenants within each category and their compliance status are disclosed below:

Covenant Description	Status
Liquidity	
Net Stable Funding Ratio (NSFR)	Complied
Liquidity Coverage Ratio (LCR)	Complied
Net loan to deposit and funding ratio	Complied
Capital Adequacy	
Tier 1 capital ratio	Complied
Total capital ratio	Complied
Asset Quality	
Net problem loans to total capital	Complied

For all financial covenants the Group has sufficient headroom for any potential violation risks to materialise.

Management of Capital. The Bank manages capital requirements under regulatory rules. The Bank complied with all its imposed capital requirements for the year 2023 and 2022. Based on information provided internally to key management personnel, the amount of capital that the Bank managed was GEL 4,235,033 thousand as of 31 December 2023 (2022: GEL 3,333,039 thousand), regulatory Tier 1 capital amounts to GEL 4,772,913 thousand (2022: GEL 3,873,439 thousand), total regulatory capital amounts to GEL 5,374,301 thousand (2022: GEL 4,561,525 thousand).

Credit related commitments and financial guarantees. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Financial guarantees and standby letters of credit, which represent the irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, that are underwritten by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to prolong credit in the form of loans,

36. CONTINGENCIES AND COMMITMENTS CONTINUED

guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss is lower than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term ones.

As of 31 December 2023, outstanding credit related commitments presented by stages are as follows:

in thousands of GEL	Stage 1	Stage 2	Stage 3
Undrawn credit lines	1,031,588	13,388	4,039
Letters of credit issued	283,671	-	-
Financial guarantees issued	509,835	1,139	723
Total credit related commitments (before provision)	**1,825,094**	**14,527**	**4,762**
Credit loss allowance for credit related commitments			
Undrawn credit lines	(1,268)	(219)	-
Letters of credit issued	(428)	-	-
Financial guarantees issued	(783)	-	-
Credit loss allowance for credit related commitments	**(2,479)**	**(219)**	**-**
Total credit related commitments	**1,822,615**	**14,308**	**4,762**

As of 31 December 2022, outstanding credit related commitments presented by stages are as follows:

in thousands of GEL	Stage 1	Stage 2	Stage 3
Undrawn credit lines	1,008,262	40,296	2,667
Letters of credit issued	232,066	-	-
Financial guarantees issued	399,820	1,044	50
Total credit related commitments (before provision)	**1,640,148**	**41,340**	**2,717**
Credit loss allowance for credit related commitments			
Undrawn credit lines	(1,531)	(364)	(47)
Letters of credit issued	(436)	-	-
Financial guarantees issued	(799)	-	-
Credit loss allowance for credit related commitments	**(2,766)**	**(364)**	**(47)**
Total credit related commitments	**1,637,382**	**40,976**	**2,670**

36. CONTINGENCIES AND COMMITMENTS CONTINUED

The credit quality of contingencies and commitments is as follows at 31 December 2023:

in thousands of GEL	31 December 2023 Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
Undrawn credit lines risk category				
– Very low	978,851	3,999	-	982,850
– Low	48,596	4,454	-	53,050
– Moderate	4,140	3,895	-	8,035
– High	1	1,040	-	1,041
– Default	-	-	4,039	4,039
Gross carrying amount	**1,031,588**	**13,388**	**4,039**	**1,049,015**
Credit loss allowance	(1,268)	(219)	-	(1,487)
Carrying amount	**1,030,320**	**13,169**	**4,039**	**1,047,528**
Letters of credit issued risk category				
– Very low	283,671	-	-	283,671
– Low	-	-	-	-
– Moderate	-	-	-	-
– High	-	-	-	-
– Default	-	-	-	-
Gross carrying amount	**283,671**	**-**	**-**	**283,671**
Credit loss allowance	(428)	-	-	(428)
Carrying amount	**283,243**	**-**	**-**	**283,243**
Financial guarantees issued risk category				
– Very low	508,916	-	-	508,916
– Low	891	1,139	-	2,030
– Moderate	28	-	-	28
– High	-	-	-	-
– Default	-	-	723	723
Gross carrying amount	**509,835**	**1,139**	**723**	**511,697**
Credit loss allowance	(783)	-	-	(783)
Carrying amount	**509,052**	**1,139**	**723**	**510,914**

36. CONTINGENCIES AND COMMITMENTS CONTINUED

The credit quality of contingencies and commitments is as follows at 31 December 2022:

in thousands of GEL	31 December 2022 Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
Undrawn credit lines risk category				
– Very low	935,349	870	-	936,219
– Low	68,729	32,329	-	101,058
– Moderate	4,181	6,104	-	10,285
– High	3	993	-	996
– Default	-	-	2,667	2,667
Gross carrying amount	**1,008,262**	**40,296**	**2,667**	**1,051,225**
Credit loss allowance	(1,531)	(364)	(47)	(1,942)
Carrying amount	**1,006,731**	**39,932**	**2,620**	**1,049,283**
Letters of credit issued risk category				
– Very low	232,066	-	-	232,066
– Low	-	-	-	-
– Moderate	-	-	-	-
– High	-	-	-	-
– Default	-	-	-	-
Gross carrying amount	**232,066**	**-**	**-**	**232,066**
Credit loss allowance	(436)	-	-	(436)
Carrying amount	**231,630**	**-**	**-**	**231,630**
Financial guarantees issued risk category				
– Very low	397,358	-	-	397,358
– Low	2,462	1,044	-	3,506
– Moderate	-	-	-	-
– High	-	-	-	-
– Default	-	-	50	50
Gross carrying amount	**399,820**	**1,044**	**50**	**400,914**
Credit loss allowance	(799)	-	-	(799)
Carrying amount	**399,021**	**1,044**	**50**	**400,115**

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. Non-cancellable commitments as of 31 December 2023 were 293,278 GEL thousand (2022: 313,199 GEL thousand).

Performance guarantees. Performance guarantees are contracts that provide compensation in case of another party fails to perform a contractual obligation.

36. CONTINGENCIES AND COMMITMENTS CONTINUED

As of 31 December 2023, outstanding performance guarantees presented by stages are as follows:

in thousands of GEL	Stage 1	Stage 2	Stage 3
Outstanding amount	1,602,884	2,804	29,230
Credit loss allowance	(2,462)	(7)	(6,126)
Total performance guarantees	**1,600,422**	**2,797**	**23,104**

As of 31 December 2022, outstanding performance guarantees presented by stages are as follows:

in thousands of GEL	Stage 1	Stage 2	Stage 3
Outstanding amount	1,495,335	12,704	15,831
Credit loss allowance	(2,997)	(4)	(4,204)
Total performance guarantees	**1,492,338**	**12,700**	**11,627**

The credit quality of performance guarantees is as follows at 31 December 2023:

in thousands of GEL	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
Performance guarantees risk category				
– Very low	1,584,657	-	-	1,584,657
– Low	18,152	1,411	-	19,563
– Moderate	75	1,393	-	1,468
– High	-	-	-	-
– Default	-	-	29,230	29,230
Gross carrying amount	**1,602,884**	**2,804**	**29,230**	**1,634,918**
Credit loss allowance	(2,462)	(7)	(6,126)	(8,595)
Carrying amount	**1,600,422**	**2,797**	**23,104**	**1,626,323**

The credit quality of performance guarantees is as follows at 31 December 2022:

in thousands of GEL	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
Performance guarantees risk category				
– Very low	1,466,676	-	-	1,466,676
– Low	21,143	2,749	-	23,892
– Moderate	7,495	9,955	-	17,450
– High	21	-	-	21
– Default	-	-	15,831	15,831
Gross carrying amount	**1,495,335**	**12,704**	**15,831**	**1,523,870**
Credit loss allowance	(2,997)	(4)	(4,204)	(7,205)
Carrying amount	**1,492,338**	**12,700**	**11,627**	**1,516,665**

36. CONTINGENCIES AND COMMITMENTS CONTINUED

Fair value of credit related commitments was GEL 2,698 thousand as of 31 December 2023 (2022: GEL 3,177 thousand).

Total credit related commitments and performance guarantees are denominated in currencies as follows:

in thousands of GEL	2023	2022
Georgian Lari	1,681,587	1,457,633
US Dollar	1,138,414	1,195,206
Euro	569,022	484,040
Other	90,278	71,196
Total	**3,479,301**	**3,208,075**

Capital expenditure commitments. As of 31 December 2023, the Group has contractual capital expenditure commitments amounting to GEL 91,056 thousand (2022: GEL 131,983 thousand). Out of total amount as at 31 December 2023, contractual commitments related to the head office construction amounted GEL 54,348 thousand (2022: GEL 105,623 thousand).

37. NON-CONTROLLING INTEREST

The following table provides information for each subsidiary with a non-controlling interest as of 31 December 2023:

in thousands of GEL	Proportion of non-controlling interest's voting rights held	Profit attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary
United Financial Corporation JSC	0.47%	33	197

The summarised financial information of these subsidiaries for the year ended 31 December 2023 was:

in thousands of GEL	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit	Total comprehensive income	Net cash flows
United Financial Corporation JSC	2,972	31,507	3,736	1,155	21,653	9,549	9,549	106

The following table provides information for each subsidiary with a non-controlling interest as of 31 December 2022:

in thousands of GEL	Proportion of non-controlling interest's voting rights held	Profit attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary
United Financial Corporation JSC	0.47%	25	164

The summarised financial information of these subsidiaries for the year ended 31 December 2022 was:

in thousands of GEL	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit	Total comprehensive income	Net cash flows
United Financial Corporation JSC	2,284	22,314	3,429	1,178	14,886	3,400	3,400	(457)

38. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As of 31 December 2023, financial instruments subject to offsetting, enforceable master netting and similar arrangements were as follows:

in thousands of GEL	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amount after offsetting in the statement of financial position (c)=(a)-(b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments (d)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Cash collateral received (e)	Net amount of exposure (c)-(d)-(e)
Assets						
Other financial assets						
– Receivables on credit card services and money transfers*	73,056	-	73,056	34,628	-	38,428
Assets subject to offsetting, master netting and similar arrangement	**73,056**	**-**	**73,056**	**34,628**	**-**	**38,428**
Other financial liabilities						
– Payables on credit card services and money transfers*	34,628	-	34,628	34,628	-	-
Liabilities subject to offsetting, master netting and similar arrangement	**34,628**	**-**	**34,628**	**34,628**	**-**	**-**

38. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTINUED

As of 31 December 2022, financial instruments subject to offsetting, enforceable master netting and similar arrangements were as follows:

in thousands of GEL	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amount after offsetting in the statement of financial position (c)=(a)-(b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments (d)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Cash collateral received (e)	Net amount of exposure (c)-(d)-(e)
Assets						
Investment securities measured at FVOCI sold under sale and repurchase agreements	267,495	-	267,495	262,415	-	5,080
Reverse sale and repurchase agreements with other banks with original maturities of less than three months	370,022	-	370,022	370,022	-	-
Other financial assets						
-Receivables on credit card services and money transfers	46,724	-	46,724	22,785*	-	23,939*
Assets subject to offsetting, master netting and similar arrangement	**684,241**	**-**	**684,241**	**655,222***	**-**	**29,019***
Liabilities						
Sales and repurchase agreements	262,415	-	262,415	262,415	-	-
Other financial liabilities						
- Payables on credit card services and money transfers	22,785	-	22,785	22,785*	-	-*
Liabilities subject to offsetting, master netting and similar arrangement	**285,200**	**-**	**285,200**	**285,200***	**-**	**-***

* Starting from 2023 the management decided to change the presentation of financial instruments subject to offsetting for receivables and payables on credit card services and money transfers and showed net amount of exposure. As the Group currently does not have a legally enforceable right to set off the recognised amounts, however amounts are settled on a net basis in practice.

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

Deposits placed with other banks and deposits received from other banks as part of gross settled currency swap arrangements have been netted-off in these financial statements and the instrument has been presented as either asset or liability at a fair value.

The disclosure does not apply to loans and advances to customers and related customer deposits unless they are netted-off in the statement of financial position.

39. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Group enters into various derivative financial instruments, to manage currency,

in thousands of GEL	2023	2022
Fair value of foreign exchange forwards and gross settled currency swaps, included in other financial assets or due from other banks	41,038	69,921
Fair value of foreign exchange forwards and gross settled currency swaps, included in other financial liabilities	(62,474)	(73,102)
Total	**(21,436)**	**(3,181)**

liquidity and interest rate risks and for trading purposes.

Foreign Exchange Forwards and gross settled currency swaps. Foreign exchange derivative financial instruments the Group entered are generally traded in an over-the-counter market with professional counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The table below sets out fair values, at the balance sheet date, of currencies receivable or payable under foreign exchange forwards contracts and gross settled currency swaps the Group entered. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective balance sheet date.

	2023		2022	
in thousands of GEL	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
Foreign exchange forwards and gross settled currency swaps: fair values, at the balance sheet date, of				
– USD payable on settlement (-)	(1,191,584)	(559,424)	(1,043,758)	(103,669)
– USD receivable on settlement (+)	68,788	2,345,437	69,042	2,758,993
– GEL payable on settlement (-)	(47,973)	(181,665)	(53,019)	(408,702)
– GEL receivable on settlement (+)	1,084,087	549,659	1,002,936	130,514
– EUR payable on settlement (-)	(33,344)	(2,309,183)	(16,534)	(2,489,689)
– EUR receivable on settlement (+)	132,593	93,920	142,774	39,931
– Other payable on settlement (-)	(45,828)	(40,093)	(35,729)	(913)
– Other receivable on settlement (+)	74,299	38,875	4,209	433
Fair value of foreign exchange forwards and gross settled currency swaps	**41,038**	**(62,474)**	**69,921**	**(73,102)**
Net fair value of foreign exchange forwards and gross settled currency swaps		**(21,436)**		**(3,181)**

40. FAIR VALUE DISCLOSURES

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised as follows:

	31-Dec-23					31-Dec-22				
in thousands of GEL	Level 1	Level 2	Level 3	Total fair Value	Carrying value	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets carried at fair value										
Financial assets										
Investment securities measured at fair value through other comprehensive income										
– Corporate Bonds	40,466	1,184,535	-	**1,225,001**	**1,225,001**	36,630	1,254,755	-	**1,291,385**	**1,291,385**
– Foreign government treasury bills	303,850	-	-	**303,850**	**303,850**	35,583	-	-	**35,583**	**35,583**
– Ministry of Finance of Georgia Treasury Bills	1,944,132	-	-	**1,944,132**	**1,944,132**	4,420	1,552,675	-	**1,557,095**	**1,557,095**
– Repurchase receivables	-	-	-	**-**	**-**	267,495	-	-	**267,495**	**267,495**
– Corporate shares	-	-	2,478	**2,478**	**2,478**	-	-	665	**665**	**665**
Investment securities measured at fair value through profit and loss										
– Foreign exchange forwards and gross settled currency swaps, included in other financial assets or due from banks	-	41,038	-	**41,038**	**41,038**	-	69,921	-	**69,921**	**69,921**
– Investment held at fair value through profit or loss	-	-	8,062	**8,062**	**8,062**	-	-	9,704	**9,704**	**9,704**
Total assets recurring fair value measurements	**2,288,448**	**1,225,573**	**10,540**	**3,524,561**	**3,524,561**	**344,128**	**2,877,351**	**10,369**	**3,231,848**	**3,231,848**
Liabilities carried at fair value										
Financial liabilities										
Foreign exchange forwards and gross settled currency swaps, included in other financial liabilities	-	62,474	-	**62,474**	**62,474**	-	73,102	-	**73,102**	**73,102**
Total liabilities recurring fair value measurements	**-**	**62,474**	**-**	**62,474**	**62,474**	**-**	**73,102**	**-**	**73,102**	**73,102**

40. FAIR VALUE DISCLOSURES CONTINUED

There were no transfers between levels 1 , 2 and 3 during the year ended 31 December 2023 (2022 none).

The description of the valuation technique and the description of inputs used in the fair value measurement for level 2 measurements:

	Fair value at 31 December			
in thousands of GEL	2023	2022	Valuation technique	Inputs used
Assets carried at fair value				
– Ministry of Finance of Georgia Treasury Bills, foreign government treasury bills, corporate bonds	1,184,535	2,807,430	Discounted cash flows ("DCF")	Government bonds yield curve
– Foreign exchange forwards and gross settled currency swaps, included in due from banks	41,038	69,921	Forward pricing using present value calculations	Official exchange rate, risk-free rate
Total assets recurring fair value measurements at level 2	**1,225,573**	**2,877,351**		
Liabilities carried at fair value				
– Foreign exchange forwards included in other financial liabilities	62,474	73,102	Forward pricing using present value calculations	Official exchange rate, risk-free rate
Total liabilities recurring fair value measurements at level 2	**62,474**	**73,102**		

The description of the valuation technique and the description of inputs used in the fair value measurement for level 3 measurements:

	Fair value at 31 December				
in thousands of GEL	2023	2022	Valuation technique	Inputs used	Unobservable inputs
Assets carried at fair value					
– Investment held at fair value through profit or loss	8,062	9,704	Discounted cash flows ("DCF")	Weighted average borrowing interest rate	Cash flow
– Corporate shares	2,478	665	Discounted cash flows ("DCF")	Government bonds yield curve	Cash flow
Total assets recurring fair value measurements at level 3	**10,540**	**10,369**			

There were no changes in the valuation technique for the level 2 and level 3 recurring fair value measurements during the year ended 31 December 2023 (2022: none).

Sensitivity of the input to fair value – increase/(decrease) in projected cash flows by 10% would result in increase/(decrease) in fair value by GEL 292 thousand/ (GEL 292 thousand).

Fair value measurement analysis by level in the fair value hierarchy is disclosed in Note 2.

40. FAIR VALUE DISCLOSURES CONTINUED

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	31 December 2023				
in thousands of GEL	Level 1	Level 2	Level 3	Total fair Value	Carrying value
Financial assets					
Cash and cash equivalents	936,988	2,754,244	-	**3,691,232**	**3,691,232**
Due from other banks	-	11,135	-	**11,135**	**11,135**
Mandatory cash balances with NBG	-	1,572,506	-	**1,572,506**	**1,572,506**
Loans and advances to customers:					
– Corporate loans	-	-	8,312,499	**8,312,499**	**8,210,100**
– Consumer loans	-	-	2,925,207	**2,925,207**	**2,667,907**
– Mortgage loans	-	-	5,156,836	**5,156,836**	**4,702,477**
– Loans to micro, small and medium enterprises	-	-	5,489,839	**5,489,839**	**5,378,048**
Finance lease receivables	-	-	354,884	**354,884**	**370,795**
Other financial assets	-	-	232,761	**232,761**	**232,761**
Non-financial assets					
Investment properties, at cost			21,903	**21,903**	**15,235**
Total assets (excluding assets with no fair value hierarchy)	**936,988**	**4,337,885**	**22,493,929**	**27,768,802**	**26,852,196**
Financial liabilities					
Customer accounts	-	13,628,412	6,312,485	**19,940,897**	**19,942,516**
Debt securities in issue	1,250,981	-	-	**1,250,981**	**1,264,085**
Due to credit institutions	-	-	4,345,484	**4,345,484**	**4,346,951**
Other financial liabilities	-	-	297,432	**297,432**	**297,432**
Subordinated debt	-	-	860,433	**860,433**	**868,730**
Total liabilities (excluding liability with no fair value hierarchy)	**1,250,981**	**13,628,412**	**11,815,834**	**26,695,227**	**26,719,714**
Performance guarantees	-	-	8,595	8,595	8,595
Financial guarantees	-	-	783	783	783
Credit related commitments	-	-	1,915	1,915	1,915
Total credit related commitments and performance guarantees	**-**	**-**	**11,293**	**11,293**	**11,293**

40. FAIR VALUE DISCLOSURES CONTINUED

	31 December 2022				
in thousands of GEL	Level 1	Level 2	Level 3	Total fair Value	Carrying value
Financial assets					
Cash and cash equivalents	1,224,265	2,561,833	-	**3,786,098**	**3,786,098**
Due from other banks	-	6,298	-	**6,298**	**6,298**
Mandatory cash balances with NBG	-	2,047,564	-	**2,047,564**	**2,047,564**
Loans and advances to customers:					
– Corporate loans	-	-	6,336,111	**6,336,111**	**6,236,011**
– Consumer loans	-	-	2,662,334	**2,662,334**	**2,328,868**
– Mortgage loans	-	-	4,863,317	**4,863,317**	**4,219,260**
– Loans to micro, small and medium enterprises	-	-	4,708,953	**4,708,953**	**4,713,303**
Finance lease receivables			288,852	**288,852**	**288,886**
Other financial assets	-	-	167,373	**167,373**	**167,373**
Non-financial assets					
Investment properties, at cost	-	-	25,683	**25,683**	**22,154**
Total assets (excluding assets with no fair value hierarchy)	**1,224,265**	**4,615,695**	**19,052,623**	**24,892,583**	**23,815,815**
Financial liabilities					
Customer accounts	-	12,241,574	5,585,966	**17,827,540**	**17,841,357**
Debt securities in issue	1,188,684	-	-	**1,188,684**	**1,209,813**
Due to credit institutions	-	-	3,880,943	**3,880,943**	**3,885,360**
Other financial liabilities	-	-	249,656	**249,656**	**249,656**
Subordinated debt	-	-	587,218	**587,218**	**590,148**
Total liabilities (excluding liability with no fair value hierarchy)	**1,188,684**	**12,241,574**	**10,303,783**	**23,734,041**	**23,776,334**
Performance guarantees	-	-	7,205	7,205	7,205
Financial guarantees	-	-	799	799	799
Credit related commitments	-	-	2,378	2,378	2,378
Total credit related commitments and performance guarantees	**-**	**-**	**10,382**	**10,382**	**10,382**

The fair values in the level 2 and the level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of unquoted fixed interest rate instruments was calculated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of investment properties was estimated using market comparatives.

Amounts due to credit institutions were discounted at the Group's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the Group could be required to pay the amount. Amounts due to credit institutions, subordinated debt and other financial liabilities were moved from level 2 to level 3. There were no changes in the valuation technique for the level 2 and level 3 measurements of assets and liabilities not measured at fair values in the year ended 31 December 2023 (2022: none).

41. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2023:

in thousands of GEL	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Total
Assets				
Cash and cash equivalents	3,691,232	-	-	**3,691,232**
Due from other banks	11,135	-	-	**11,135**
Mandatory cash balances with NBG	1,572,506	-	-	**1,572,506**
Loans and advances to customers	20,958,532	-	-	**20,958,532**
Investment securities measured at FVOCI	-	3,475,461	-	**3,475,461**
Other financial assets	232,761	-	49,100	**281,861**
Total financial assets subject to IFRS 9 measurement categories	**26,466,166**	**3,475,461**	**49,100**	**29,990,727**
Finance lease receivables	-	-	-	**370,795**
Non-financial assets	-	-	-	**1,409,614**
Total assets	**26,466,166**	**3,475,461**	**49,100**	**31,771,136**

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2022:

in thousands of GEL	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Total
Assets				
Cash and cash equivalents	3,786,098	-	-	**3,786,098**
Due from other banks	6,298	-	-	**6,298**
Mandatory cash balances with NBG	2,047,564	-	-	**2,047,564**
Loans and advances to customers	17,497,442	-	-	**17,497,442**
Investment securities measured at FVOCI	-	2,884,728	-	**2,884,728**
Repurchase receivable	-	267,495	-	**267,495**
Other financial assets	167,373	-	79,625	**246,998**
Total financial assets subject to IFRS 9 measurement categories	**23,504,775**	**3,152,223**	**79,625**	**26,736,623**
Finance lease receivables	-	-	-	**288,886**
Non-financial assets	**-**	**-**	**-**	**1,303,501**
Total assets	**23,504,775**	**3,152,223**	**79,625**	**28,329,010**

For the measurement purposes, IFRS 9, classifies financial assets into the categories discussed in Note 2.

As of 31 December 2023 and 2022 all of the Group's financial liabilities except for derivatives are carried at amortised cost. Derivatives belong to the assets fair value through profit or loss measurement category under IFRS 9.

42. RELATED PARTY TRANSACTIONS

Pursuant to IAS 24 "Related Party Disclosures", parties are generally considered to be related if the parties are under common control or one party has the ability to control the other or it can exercise significant influence over the other party in taking financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form:

- Parties with material ownership stake (more than 5% beneficial ownership stake for 2023 and 2022) in the Group or with representatives in the Board of Directors are considered as Significant Shareholders.
- The key management personnel includes the Management Board of the Bank.
- Related parties not included in significant shareholders and key management personnel are presented in other related parties.

Transactions between Group and its subsidiaries also meet the definition of related party transactions.

As at 31 December 2023 and 2022 the Group's outstanding balances with related parties were as follows:

in thousands of GEL	Contractual interest rate	Significant shareholders	Key management personnel	Other related parties	Associates	Immediate parent	Companies under common control
2023							
Gross amount of loans and advances to customers	3.9%-36.0%	–	5,655	1,461	–	–	–
Credit loss allowance for loans and advances to customers	–	–	–	1	–	–	–
Customer accounts	0%-12.4%	169	6,693	26,425	4,386	99,075	47,791
Guarantees	–	–	–	–	–	–	223
2022							
Gross amount of loans and advances to customers	4.4%-36.0%	–	6,097	1,135	–	–	–
Credit loss allowance for loans and advances to customers	–	–	3	–	–	–	–
Customer accounts	0%-12.5%	1,248	25,106	51,490	4,341	90,358	45,442
Guarantees	–	–	–	–	–	–	357

42. RELATED PARTY TRANSACTIONS CONTINUED

The Group's income and expense items with related parties except from key management compensation for the year 2023 and 2022 were as follows:

in thousands of GEL	Significant shareholders	Key management personnel	Other related parties	Associates	Immediate parent	Companies under common control
2023						
Interest income - loans and advances to customers	-	248	109	-	-	-
Interest expense	24	348	610	183	9,280	5,060
Fee and commission income	8	18	148	2	8	1,625
Administrative and other operating expenses (excluding staff costs)	-	727	795	-	-	-
2022						
Interest income - loans and advances to customers	-	287	93	–	-	-
Interest expense	10	359	948	140	2,568	3,691
Fee and commission income	6	21	134	2	482	747
Administrative and other operating expenses (excluding staff costs)	–	443	400	-	-	-

The aggregate loan amounts disbursed to and repaid by related parties during 2023 and 2022 were as follows:

in thousands of GEL	Significant shareholders	Key management personnel	Other related parties
2023			
Amounts disbursed to related parties during the year	218	2,081	2,543
Amounts repaid by related parties during the year	(218)	(2,882)	(2,337)
2022			
Amounts disbursed to related parties during the year	43	2,007	934
Amounts repaid by related parties during the year	(59)	(2,233)	(1,197)

42. RELATED PARTY TRANSACTIONS CONTINUED

As of 31 December 2023 and 2022 transactions and balances of JSC TBC Bank with its subsidiaries were as follows:

in thousands of GEL	31 December 2023	31 December 2022
Gross amount of loans and advances granted to subsidiaries	20,082	19,492
Customer accounts of subsidiaries	172,587	135,236
Other Financial Assets	101,945	66,276
Other Financial Liabilities	6,681	4,761
Investment in subsidiaries	31,453	31,513

The income and expense items for JSC TBC Bank with its subsidiaries were as follows:

in thousands of GEL	2023	2022
Interest income	4,908	3,705
Interest expense	7,885	6,487
Fee and commission income	11,761	8,792
Fee and commission expense	48,347	32,593
Other operating income	21,311	5,876
Administrative and other operating expense	3,974	5,466

As of 31 December 2023 and 2022 detailed breakdown of TBC Bank's investment in subsidiaries and associates is as follows:

in thousands of GEL	2023	2022
TBC Kredit LLC	12,760	12,760
TBC Leasing JSC	11,777	11,777
CreditInfo Georgia JSC	3,007	2,528
United Financial Corporation JSC	2,275	2,275
TBC Invest-Georgia LLC	1,883	1,883
TBC Capital LLC	1,838	1,938
TBC Asset Management LLC	850	750
TBC Pay LLC	70	70
Index LLC	-	60
Investment in subsidiaries and associates*	**34,460**	**34,041**

*Considering the immaterial movement between the years no detailed disclosure is made for changes compared to the prior year.

As of 31 December 2023 and 2022 detailed breakdown of the Group's investment in associates is as follows:

in thousands of GEL	2023	2022
Creditinfo Georgia JSC	3,007	2,528
Georgian Stock Exchange JSC	202	202
Tbilisi Stock Exchange JSC	995	991
Investment in associates*	**4,204**	**3,721**

*Considering the immaterial movement between the years no detailed disclosure is made for changes compared to the prior year.

42. RELATED PARTY TRANSACTIONS CONTINUED

Compensation of the key management personnel and Supervisory Board members is presented below:

	2023		2022	
in thousands of GEL	Expense	Accrued liability	Expense	Accrued liability
Salaries and short-term bonuses	10,666	–	12,340	–
Equity-settled share-based compensation	11,695	–	16,888	–
Total	**22,361**	**–**	**29,228**	–

43. EVENTS AFTER REPORTING PERIOD

On 15 February 2024 TBC Bank JSC has declared a final dividend for the year 2023 of GEL 7.46 per TBC Bank JSC share.

A FULL LIST OF RELATED UNDERTAKINGS AND THE COUNTRY OF INCORPORATION IS SET OUT BELOW.

Company Name	Country of incorporation
JSC TBC Bank	7 Marjanishvili Street, 0102, Tbilisi, Georgia
United Financial Corporation JSC	154 Agmashenebeli Avenue, 0112, Tbilisi, Georgia
TBC Capital LLC	11 Chavchavadze Avenue, 0179, Tbilisi, Georgia
TBC Leasing JSC	76 Chavchavadze Avenue, 0162,, Tbilisi, Georgia
TBC Kredit LLC	71-77, 28 May Street, AZ1010, Baku, Azerbaijan
TBC Pay LLC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
TBC Invest LLC	7 Jabonitsky street, , 52520, Tel Aviv, Israel
TBC Invest International Ltd	7 Marjanishvili Street, 0102, Tbilisi, Georgia
University Development Fund	1 Chavchavadze Avenue, 0128 , Tbilisi, Georgia
CreditInfo Georgia JSC	2 Tarkhnishvili street, 0179, Tbilisi, Georgia
Natural Products of Georgia LLC	1 Chavchavadze Avenue, 0128 , Tbilisi, Georgia
Mobi Plus JSC	45 Vazha Pshavela Street, 0177, Tbilisi, Georgia
Mineral Oil Distribution Corporation JSC	11 Tskalsadeni Street, 0153, Tbilisi, Georgia
Georgian Card JSC	106 Beliashvili Street, 0159, Tbilisi Georgia
Georgian Central Securities Depositor JSC	74 Chavchavadze Avenue, 0162, Tbilisi, Georgia
Givi Zaldastanishvili American Academy In Georgia JSC	37 Chavchavadze Avenue, 0162, Tbilisi Georgia
United Clearing Centre	5 Sulkhan Saba Street, 0105, Tbilisi, Georgia
Banking and Finance Academy of Georgia	123, Agmashenebeli Avenue, 0112, Tbilisi, Georgia
Tbilisi's City JSC	15 Rustaveli Avenue, 0108, Tbilisi Georgia
TBC Trade LLC	11A Chavchavadze Ave, 0179, Tbilisi, Georgia
Tbilisi Stock Exchange JSC	floor 2th block 8, 71 Vazha Pshavela Ave, Tbilisi, Georgia
Georgian Stock Exchange JSC	74a chavchavadzis avenue, vake-saburtalo, Tbilisi, Georgia
Kavkasreestri JSC	74a chavchavadzis avenue, vake-saburtalo, Tbilisi, Georgia
TBC Asset Management LLC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
Swift	1 Adele Avenue, B-1310, La Hulpe, Belgium
Diversified Credit Portfolio JSC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
Globally Diversified bond fund JSC	7 Marjanishvili Street, 0102, Tbilisi, Georgia

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Chapter

Additional Information

GLOSSARY

Bank	Joint Stock Company TBC Bank
Chairman	Chairman of Supervisory Board of TBC Bank JSC
Code	The UK Corporate Governance Code
Company	TBC Bank Group JSC
Conversion rate	Number of loans disbursed from generated leads
Corporate and Investment Banking (CIB) segment	A legal entity/group of affiliated entities with an annual revenue exceeding GEL 15.0 million or which has been granted facilities of more than GEL 6.0 million. Some other business customers may also be assigned to the CIB segment or transferred to the micro, small and medium enterprises (MSME) segment on a discretionary basis. In addition, CIB includes wealth management (WM) private banking services to high-net-worth individuals (HNWI) with a threshold of US$ 250,000 on assets under management (AUM), as well as on discretionary basis
DAU/MAU	Average daily active digital users divided by monthly active digital users. DAU/MAU is calculated for the Bank internet and mobile banking only
Digital daily active users (DAU)	Monthly average number of individual digital users who logged into our digital channels at least once per day
Digital monthly active users (MAU)	An individual user who logged into the digital application at least once during the month
ENPS (Employee Net Promoter Score)	The employee net promoter score measures employee loyalty and reflects the likelihood of our colleagues recommending their workplace to their friends and family
ESG and Ethics Committee	Committee at the Board level to support and advise the Supervisory Board in its oversight of the ESG and climate-related matters
ESG Committee	Committee at the executive management level to support and advise the management of TBC Bank in its oversight of the ESG and climate-related matters
Executive Management	Executive Management of Joint Stock Company TBC Bank
Group	TBC Bank JSC and its subsidiary companies
Growth at constant currency basis	Refers to growth at fixed exchange rate of the starting period
Lead	A potential client who has expressed interest in the product
Monthly active cardholder (MACH)	Number of retail customers who made at least one transaction with a TBC card at least once a month
Micro loans	Includes collateralised business and agri loans up to GEL 1 million, as well as micro businesses with a maximum turnover of GEL 2 million
MSME (Micro, Small and Medium) segment	Business customers (legal entities and private individual customers that generate income from business activities) who are not included in the CIB segment
MSME monthly active customers	MSME legal entity that used Business mBank or iBank at least once, or had at least one active credit product, or performed at least one debit transaction, or had any type of deposit with a balance above a certain threshold
NPS (Net Promoter Score)	Net promoter score measures how willing customers are to recommend our products and services to others
Retail monthly active customers	For Georgian business, an individual user who has at least one active product as of the reporting date or performed at least one transaction during the past month.
Retail segment	Non-business individual customers
Supervisory Board	Supervisory Board of Joint Stock Company TBC Bank
TBC Asset Management	TBC Asset Management JSC
TBC Bank	TBC Bank Group JSC and its subsidiary companies

TBC Bank Group PLC	A public limited company registered in England and Wales. It is the parent company of JSC TBC Bank (the Bank) and a group of companies that principally operate in Georgia in the financial sector. It also offers non-financial services via TNET, the largest digital ecosystem in Georgia. Since 2019, It has expanded its operations into Uzbekistan by operating fast growing retail digital financial services in the country. TBC Bank Group PLC is listed on the London Stock Exchange under the symbol TBCG
TBC Capital	TBC Capital LLC
TBC Invest	TBC Invest LLC
TBC JSC	TBC Bank JSC
TBC Leasing	TBC Leasing JSC
TBC Pay	TBC Pay LLC
TBC PLC	TBC Bank Group PLC
TBCG	TBC Bank Group PLC

The Group utilises a wide range of alternative performance measures (APMs) to assess the Group's performance. These measures can be grouped under the following headings:

- Profitability
- Asset quality & portfolio concentration
- Capital & liquidity positions

Certain performance measures are calculated on standalone basis for the Bank only in order to highlight the performance of the Bank, which is the major subsidiary of the Group, as well as facilitate peer comparison.

The regulatory performance measures are calculated in accordance with NBG's requirements for the Bank only based on local accounting standards.

Term	#	Type	Definition
Profitability			
ROE	1	IFRS based	Return on average total equity (ROE) equals profit attributable to owners divided by the monthly average of total shareholders' equity attributable to the PLC's equity holders for the same period; annualised where applicable.
ROA	2	IFRS based	Return on average total assets (ROA) equals profit of the period divided by monthly average total assets for the same period; annualised where applicable.
Cost to income	3	IFRS based	Cost to income ratio equals total operating expenses for the period divided by the total revenue for the same period. (Revenue represents the sum of net interest income, net fee and commission income and other non-interest income).
NIM	4	IFRS based	Net interest margin (NIM) is net interest income divided by monthly average interest-earning assets; annualised where applicable. Interest-earning assets include investment securities (excluding CIB shares), net investment in finance lease, net loans, and amounts due from credit institutions.
Loan yields	5	IFRS based	Loan yields equal interest income on loans and advances to customers divided by monthly average gross loans and advances to customers; annualised where applicable.
Deposit rates	6	IFRS based	Deposit rates equal interest expense on customer accounts divided by monthly average total customer deposits; annualised where applicable.
Cost of funding	7	IFRS based	Cost of funding equals sum of the total interest expense and net interest gains on currency swaps (entered for funding management purposes), divided by monthly average interest bearing liabilities; annualised where applicable.
Asset quality & portfolio concetration			
Cost of risk	8	IFRS based	Cost of risk equals credit loss allowance for loans to customers divided by monthly average gross loans and advances to customers; annualised where applicable.
PAR 90 to gross loans	9	IFRS based	PAR 90 to gross loans ratio equals loans for which principal or interest repayment is overdue for more than 90 days divided by the gross loan portfolio for the same period.
NPLs to gross loans	10	IFRS based	NPLs to gross loans equals loans with 90 days past due on principal or interest payments, and loans with a well-defined weakness, regardless of the existence of any past-due amount or of the number of days past due divided by the gross loan portfolio for the same period.
NPL provision coverage	11	IFRS based	NPL provision coverage equals total credit loss allowance for loans to customers divided by the NPL loans.
Total NPL coverage	12	IFRS based	Total NPL coverage equals total credit loss allowance plus the minimum of collateral amount of the respective NPL loan (after applying haircuts in the range of 0%-50% for cash, gold, real estate and PPE) and its gross loan exposure divided by the gross exposure of total NPL loans.
Credit loss level to gross loans	13	IFRS based	Credit loss level to gross loans equals credit loss allowance for loans to customers divided by the gross loan portfolio for the same period.
Related party loans to gross loans	14	IFRS based	Related party loans to total loans equals related party loans divided by the gross loan portfolio.
Top 10 Borrowers to total portfolio	15	IFRS based	Top 10 borrowers to total portfolio equals the total loan amount of the top 10 borrowers divided by the gross loan portfolio.
Top 20 Borrowers to total portfolio	16	IFRS based	Top 20 borrowers to total portfolio equals the total loan amount of the top 20 borrowers divided by the gross loan portfolio.
Capital & liquidity positions			
Net loans to deposits plus IFI funding	17	IFRS based	Net loans to deposits plus IFI funding ratio equals net loans divided by total deposits plus borrowings received from international financial institutions.
Net stable funding ratio (NSFR)		Regulatory based	Net stable funding ratio equals the available amount of stable funding divided by the required amount of stable funding as defined by NBG in line with Basel III guidelines. Calculations are made for the Bank only.
Liquidity coverage ratio (LCR)		Regulatory based	Liquidity coverage ratio equals high-quality liquid assets divided by the total net cash outflow amount as defined by the NBG. Calculations are made for the Bank only.
Leverage	18	IFRS based	Leverage equals total assets to total equity.
CET 1 CAR (Basel III)		Regulatory based	CET 1 CAR equals CET 1 capital divided by total risk weighted assets, both calculated in accordance with requirements of the NBG Basel III standards. Calculations are made for the Bank only.
Tier 1 CAR (Basel III)		Regulatory based	Tier 1 CAR equals tier I capital divided by total risk weighted assets, both calculated in accordance with the requirements of the NBG Basel III standards. Calculations are made for the Bank only.
Total CAR (Basel III)		Regulatory based	Total CAR equals total capital divided by total risk weighted assets, both calculated in accordance with the requirements of the NBG Basel III standards. Calculations are made for the Bank only.

These tables provide the reconciliation of the Group's IFRS based alternative performance measures with Financial Statements.

1	Reference to financial statements	2023	2022
Profit attributable to owners	Consolidated statement of profit and loss and other comprehensive income	1,119,025	1,023,050
Total shareholders' equity attributable to owners	Consolidated statement of financial position	4,747,512	4,265,638
Adjusted to arrive at monthly balances		*-339,338*	*-328,851*
Monthly averages of total shareholders' equity attributable to owners		4,408,174	3,936,787
Return on average total equity (ROE)		**25.4%**	**26.0%**

2	Reference to financial statements	2023	2022
Profit attributable to owners	Consolidated statement of profit and loss and other comprehensive income	1,119,025	1,023,050
Total assets	Consolidated statement of financial position	31,771,136	28,329,010
Adjusted to arrive at monthly balances		*-3,668,625*	*-2,903,705*
Monthly averages of total assets		28,102,511	25,425,305
Return on average total assets (ROA)		**4.0%**	**4.0%**

3	Reference to financial statements	2023	2022
Total operating expenses	Consolidated statement of profit and loss and other comprehensive income	681,762	560,982
Total revenue	Consolidated statement of profit and loss and other comprehensive income	2,132,112	1,946,389
Cost to income		**32.0%**	**28.8%**

4	Reference to financial statements	2023	2022
Net interest income	Consolidated statement of profit and loss and other comprehensive income	1,495,596	1,243,095
Total interest earning assets	Consolidated statement of financial position	26,388,429	22,724,918
– *Investment securities measured at fair value through other comprehensive income*		*3,475,461*	*2,884,728*
– *Net investment in finance lease*		*370,795*	*288,886*
– *Net loans*		*20,958,532*	*17,497,442*
– *Mandatory cash balances with National Bank of Georgia*		*1,572,506*	*2,047,564*
– *Due from other banks*		*11,135*	*6,298*
Adjusted to arrive at monthly balances		*-2,622,249*	*-1,607,434*
Monthly average interest earning assets		23,766,180	21,117,484
Net interest margin (NIM)		**6.3%**	**5.9%**

5	Reference to financial statements	2023	2022
Interest income from loans	Note 28. Interest income and expense	2,224,514	1,911,782
Total loan portfolio	Note 9. Loans and advances to customers	21,276,749	17,857,276
Adjusted to arrive at monthly balances		*(2,417,621)*	*(771,572)*
Total monthly average loan portfolio		18,859,128	17,085,704
Loan yields		**11.8%**	**11.2%**

6 Returns	Reference to financial statements	2023	2022
Interest expense from customer accounts	Note 28. Interest income and expense	(813,715)	(571,575)
Total deposits portfolio	Note 19. Customer accounts	19,942,516	17,841,357
Adjusted to arrive at monthly balances		*(1,831,730)*	*(2,096,195)*
Total monthly average deposits portfolio		18,110,786	15,745,162
Deposit rates		**4.5%**	**3.6%**

7	Reference to financial statements	2023	2022
Total Interest expense	Consolidated statement of profit and loss and other comprehensive income	(1,193,831)	(976,686)
Total interest bearing liabilities	Consolidated statement of financial position	26,505,692	23,598,918
– *Customer accounts*		*19,942,516*	*17,841,357*
– *Due to credit institutions*		*4,346,951*	*3,885,360*
– *Subordinated debt*		*868,730*	*590,148*
– *Debt securities in issue*		*1,264,085*	*1,209,813*
– *Lease Liabilities*		*83,410*	*72,240*
Adjusted to arrive at monthly balances		*(3,409,376)*	*(2,472,069)*
Monthly average interest bearing liabilities		23,096,316	21,126,849
Cost of fund		**5.2%**	**4.6%**

8	Reference to financial statements	2023	2022
Credit loss allowance for loans	Consolidated statement of profit and loss and other comprehensive income	(130,380)	(105,247)
Total loan portfolio	Note 9. Loans and advances to customers	21,276,749	17,857,276
Adjusted to arrive at monthly balances		*(2,417,621)*	*(771,572)*
Total monthly average loan portfolio		18,859,128	17,085,704
Cost of risks		**0.7%**	**0.6%**

9	Reference to financial statements	2023	2022
Total principal or interest repayment is overdue for more than 90 days	Not available	236,052	217,596
Total gross loan portfolio	Note 9. Loans and advances to customers	21,276,749	17,857,276
Par 90 to gross loans		**1.1%**	**1.2%**

10	Reference to financial statements	2023	2022
NPLs to gross loans equals loans with 90 days past due on principal	Not available	425,743	390,651
Total gross loan portfolio	Note 9. Loans and advances to customers	21,276,749	17,857,276
NPLs to gross loans		**2.0%**	**2.2%**

11	Reference to financial statements	2023	2022
Total credit loss allowance for loans to customers	Note 9. Loans and advances to customers	318,217	359,834
NPL provision coverage	Not available	425,743	390,651
NPL provision coverage		**74.7%**	**92.1%**

12	Reference to financial statements	2023	2022
NPL collatetal	*Not available*	*293,239*	*246,242*
NPL provision coverage	*Note 9. Loans and advances to customers*	*318,217*	*359,834*
Total		611,456	606,076
Total NPL exposure	Not available	425,743	390,651
Total NPL coverage		**143.6%**	**155.1%**

13	Reference to financial statements	2023	2022
Total credit loss allowance for loans to customers	Note 9. Loans and advances to customers	318,217	359,834
Total gross loan portfolio	Note 9. Loans and advances to customers	21,276,749	17,857,276
Credit loss level to gross loans		**1.5%**	**2.0%**

14	Reference to financial statements	2023	2022
Related party loans	Note 42. Related party transactions	27,198	26,717
Total gross loan portfolio	Note 9. Loans and advances to customers	21,276,749	17,857,276
Related party loans to gross loans		**0.1%**	**0.1%**

15	Reference to financial statements	2023	2022
Top 10 borrowers	Not available	1,359,734	967,960
Total gross loan portfolio	Note 9. Loans and advances to customers	21,276,749	17,857,276
Top 10 borrowers		**6.4%**	**5.4%**

16	Reference to financial statements	2023	2022
Top 20 borrowers	Not available	2,013,974	1,511,447
Total gross loan portfolio	Note 9. Loans and advances to customers	21,276,749	17,857,276
Top 20 borrowers		**9.5%**	**8.5%**

17	Reference to financial statements	2023	2022
Net loans	Consolidated statement of financial position	20,958,532	17,497,442
Total Deposits portfolio	*Note 19. Customer accounts*	*19,942,516*	*17,841,357*
IFI funding	*Not available*	*2,222,611*	*2,115,335*
Deposits + IFI funding		22,165,127	19,956,692
Net loans to deposits + IFI funding		**94.6%**	**87.7%**

18	Reference to financial statements	2023	2022
Total assets	Consolidated statement of financial position	31,771,136	28,329,010
Total equity	Consolidated statement of financial position	4,747,709	4,265,802
Leverage		**6.7x**	**6.6x**

ABBREVIATIONS

ACCA	Association of chartered certified accountants
ALCO	Asset-liability management committee
APM	Alternative performance measure
ATM	Automated teller machine
CAGR	Compounded annual growth rate
CAR	Capital adequacy ratio
CEO	Chief executive officer
CFA	Chartered financial analyst
CFO	Chief financial officer
CGU	Cash generating unit
CIB	Corporate investment banking
CIS	The Commonwealth of Independent States
COR	Cost of risk
CRO	Chief risk officer
CSR	Corporate social responsibility
DCF	Discounted cash flows
EBRD	European Bank for Reconstruction and Development
ECL	Expected credit losses
EMEA	Europe, Middle East and Africa
EMS	Environmental management system
ENPS	Employee Net Promoter Score
ERM	Enterprise risk management
ESG	Environmental, social and governance
ESRM	Environmental and social risk management
EU	European Union
EUR	Euro
FC	Foreign currency
FDI	Foreign direct investment
FVOCI	Fair value through other comprehensive income
GBP	Great British pound, national currency of the UK
GDP	Gross domestic product
GEL	Georgian lari, national currency of Georgia
GHG	Greenhouse gas
NMF	Not meaningful figure
HNWI	High-net-worth individuals
HR	Human resources
IAS	International Accounting Standards
ICAAP	Internal capital adequacy assessment process
ILAAP	Internal liquidity adequacy assessment process
IFC	International Finance Corporation
IFI	International financial institution
IFRS	International Financial Reporting Standards
IMF	International Monetary Fund
IPCC	Intergovernmental Panel on Climate Change
IT	Information technology
JSC	Joint stock company
KPI	Key performance indicators
LSE	London Stock Exchange
LTIP	Long-term incentive plan
LTV	Loan to value
MBA	Master of business administration
MSME	Micro, small and medium-sized enterprises
NBG	National Bank of Georgia
NCI	Non-controlling interest
NIM	Net interest margin
NPL	Non-performing loans
NPS	Net promoter score
OCI	Other comprehensive income
OECD	Organisation for Economic Cooperation and Development
PLC	Public limited company
POS	Point of sale
P2P	Peer-to-peer
PWC	PricewaterhouseCoopers
ROA	Return on average assets
ROE	Return on average equity
SME	Small and medium-sized enterprises
SPPI	Solely payments of principal and interest
STEM	Science, technology, engineering and mathematics
TCFD	Force on climate-related financial disclosures
UK	United Kingdom of Great Britain and Northern Ireland
US$	The US dollar, national currency of the United States
VAR	Value-at-risk
WM	Wealth management