Pillar 3 Annual Report 2021

საქართველოს ბანკი
BANK OF GEORGIA

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Content

1. Executive Summary

1.1. Introduction

This report represents the disclosure of JSC Bank of Georgia (the "**Bank**") in accordance with the Order No. 92/04 of the Governor of the National Bank of Georgia (the "**NBG**") "Regulation on Disclosure Requirements for Commercial Banks within Pillar 3" dated 22 June 2017 (the "**Regulation**") (as amended), under which commercial banks are obliged to disclose qualitative and quantitative information relating to a bank's regulatory capital elements, risk weighted assets, remuneration of senior management and other material information, within the Basel III framework. The Regulation also requires banks to disclose corporate governance and risk management related matters, based on the transparency principles enshrined in the Basel III framework. In exceptional cases, Article 3.3 of the Regulation permits omission of disclosure of the information, which if disclosed could have an adverse impact on the bank.

According to the Regulation, Pillar 3 reports and disclosure forms shall be available on the official websites of the National Bank of Georgia and respective bank, both in Georgian and English languages.

1.2. Management Statement

The Management Board (comprising the General Director and the Deputy General Directors as set out in section 3.4 below (the "**Management Board**")) and the Supervisory Board as set out in section 3.3 (the "**Supervisory Board**") of the Bank confirm the authenticity and accuracy of the data and information presented within this Pillar 3 Annual Report for the year ended 31 December 2021 (the "**Report**").

The Report is prepared in full compliance with the Regulation and other rules and norms established by NBG, as well as with the internal control procedures agreed with the Supervisory Board.

All numbers in this Report are on a standalone basis and in accordance with the local accounting standards set by the NBG, unless otherwise noted. The Regulation does not require Pillar 3 disclosures to be audited, and the information provided in this Report is not audited as such.

1.3. Summary of Risk Profile

This section presents a high-level summary of the Bank's risk profile in line with its risk appetite, through the following risk metrics:

CET1 capital adequacy ratio (NBG, Basel III)

13.2%

2020	10.4%
2021	13.2%

Minimum regulatory requirement – 11.5%

Cost of credit risk ratio (IFRS)

0.0%

2020	1.9%
2021	0.0%

-1.9 ppts y-o-y

Liquidity coverage ratio (NBG, Basel III)

124.0%

2020	138.6%
2021	124.0%

Minimum regulatory requirement – 100%

Net stable funding ratio (NBG, Basel III)

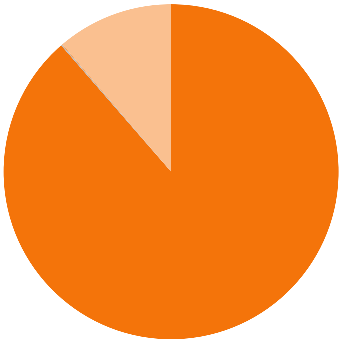
132.5%

2020	137.5%
2021	132.5%

Minimum regulatory requirement – 100%

Risk Weighted Assets

2021 RWA



	Risk Weighted assets 2021 kGEL	Risk Weighted assets 2020 kGEL
Credit Risk	15,929,110	14,216,128
Counterparty Credit Risk	19,165	31,970
Market Risk	9,731	12,720
Operational risk	2,019,943	1,779,276
	17,977,949	**16,040,094**

Maintaining strong capital and liquidity positions has been one of the Group's priorities during the ongoing COVID-19 pandemic.

At 31 December 2021, the Bank's Basel III CET1, Tier 1 and Total capital adequacy ratios stood at 13.2%, 15.0% and 19.3%, respectively, all comfortably above the minimum required levels of 11.5%, 13.6% and 17.7%, respectively. The risk-weighted assets increased by 12.1% y-o-y at 31 December 2021, reflecting the increase in interest-earning assets during the year. As a result of our robust operating performance and strong internal capital generation, the Bank resumed dividend payments in 2021, declaring and paying an interim dividend in the second half of 2021.

The Bank's liquidity and funding positions have remained strong. The Bank maintained excess liquidity during 2020 for risk mitigation purposes on the back of the COVID-19 crisis, which it successfully deployed during 2021. As a result, the Bank's liquidity coverage ratio was 124.0% and net stable funding ratio was 132.5% at 31 December 2021, still comfortably above the minimum required levels.

Against the backdrop of the COVID-19 crisis, the loan portfolio quality has been resilient. The Bank entered the COVID-19 environment with a de-risked banking sector, with non-performing loans (NPLs) at historical lows. This was driven by prudent risk management practices at the Group coupled with a shift in the loan portfolio mix from high-yielding unsecured lending to more secured consumer lending following the consumer lending regulation introduced by the National Bank of Georgia in 2018.

Having recorded a significant expected credit loss (ECL) provision in the first quarter of 2020 to cover expected credit losses for the full economic cycle, we experienced a resilience and recovery in the Georgian economy with a resultant increase in recoveries, in both the Retail and Corporate Banking lending portfolios, resulting in a lower than normalised level of provisions in 2021. As a result, cost of credit risk ratio decreased from 1.9% in 2020 to 0.0% in 2021.

1.4. Pillar 3 Disclosures contained in the Report

The following table summarises - the required Pillar 3 disclosures contained in this report, which can be found as indicated below.

Article in REGULATION (EU) No 575/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 June 2013 on prudential requirements for credit institutions and investment firms (the "CRR")	Article in the Regulation	Location in the Report
Scope of disclosure requirements (Article 431)	Article 3.8	Section 1.2
Scope of application (Article 436)	Article 6.1	Sections 2.1 and 2.2
Risk management objectives and policies (Article 435)	Articles 6.2 and 6.3	Sections 3 and 4
Credit risk adjustments (Article 442)	Article 6.3	Section 4
Use of ECAIs (Article 444)	Article 6.3	Section 4
Use of credit risk mitigation techniques (Article 453)	Article 6.3	Section 4
Exposure to market risk (Article 445)	Article 6.3 (გ)	Section 4
Operational risk (Article 446)	Article 6.3 (გ)	Section 4
Regulatory Capital requirements (Article 438)	Article 6.4	Section 6
Remuneration policy (Article 450)	Article 7	Section 7

2. Ownership and Group Structure

2.1. Ownership

As at 31 December 2021, the principal direct shareholder of the Bank was JSC BGEO Group, owning 79.78% of the Bank's shares, while 19.78% of the shares were owned by Bank of Georgia Group plc. The remaining 0.44% of the shares was owned by up to 1,000 different individuals on the Georgian Stock Exchange.

JSC BGEO Group is wholly owned by Bank of Georgia Group plc, a public limited liability company incorporated in England and Wales (the "**BoGG**") which represents the ultimate parent company of the Bank. The shares of BoGG are admitted to the premium listing segment of the Official List of the UK Listing Authority and are traded on the London Stock Exchange plc under ticker "BGEO".

As at 31 December 2021 and 2020, the following shareholders owned more than 3.0% of the total outstanding shares of BoGG. Other shareholders individually owned less than 3.0% of the outstanding shares.

Shareholder of BoGG	31 December, 2021	31 December, 2020
JSC Georgia Capital**	19.90%	19.90%
Fidelity Investments	4.00%	6.15%
Harding Loevner LP	4.48%	4.50%
Van Eck Associates Corporation	3.46%	3.26%
Dimensional Fund Advisors (DFA) LP	3.13%	3.04%
Others	65.03%	61.65%
Total*	**100.00%**	**100.00%**

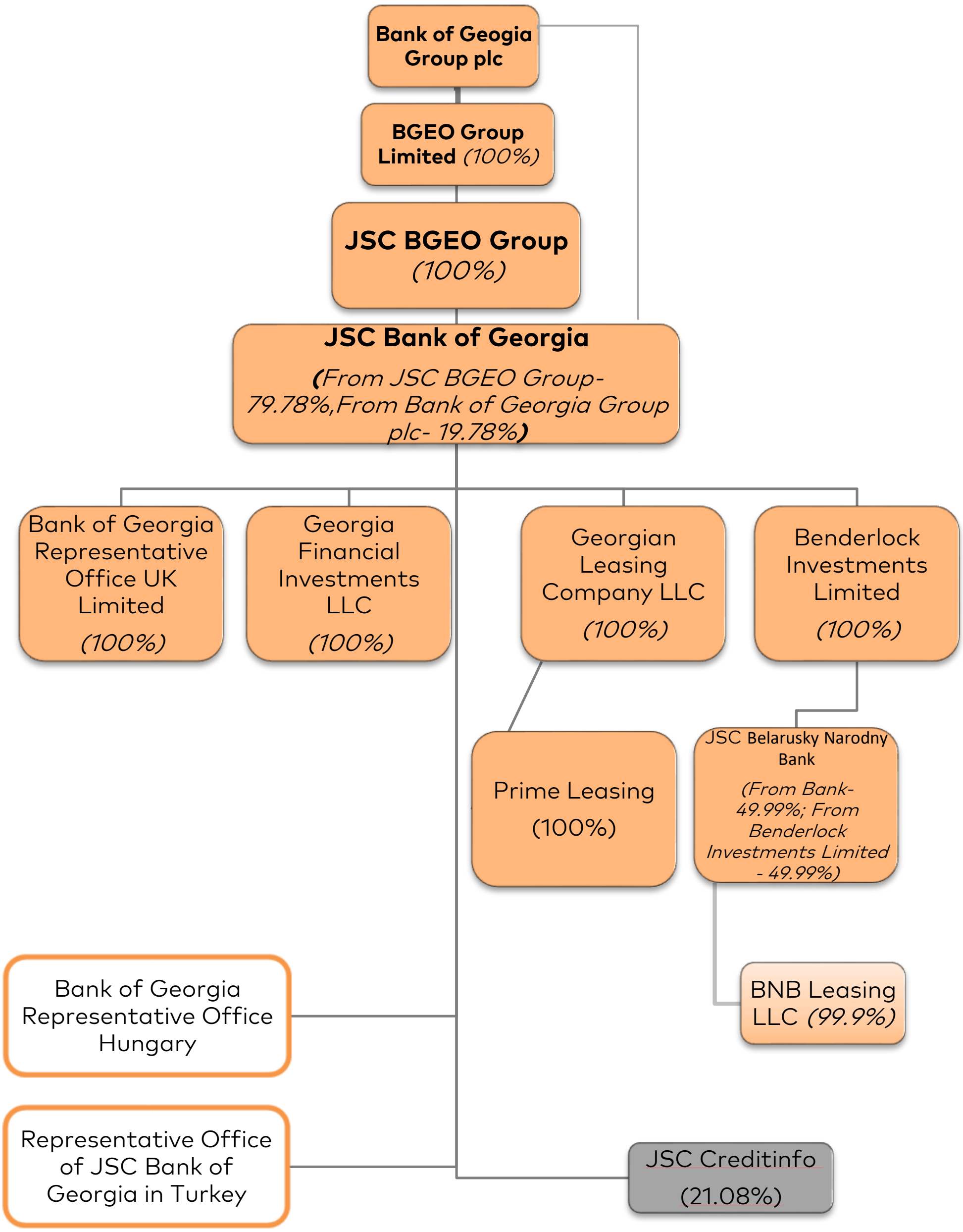
* *For the purposes of calculating percentage of shareholding, the denominator includes total number of issued shares, which includes shares held in the trust for the share-based compensation purposes of the BoGG group companies.*

** *JSC Georgia Capital will exercise its voting rights at the Group's general meetings in accordance with the votes cast by all other Group Shareholders, as long as JSC Georgia Capital's percentage holding in Bank of Georgia Group PLC is greater than 9.9%.*

2.2. Group Structure

Bank of Georgia Group plc, its core subsidiary – JSC Bank of Georgia and its other subsidiaries make up a group of companies mainly incorporated in Georgia (together referred to as the "**Group**"). For information about the companies incorporated within the Group, please see page 266 of Bank of Georgia Group plc Annual Report 2021, available as of the date of this Report on BoGG's official website – www.bankofgeorgiagroup.com.

The Bank and its remaining subsidiaries make up a group of companies where the primary business activities include providing banking services to corporate and individual customers. As at 31 December 2020, the principal holdings of JSC Bank of Georgia were as follows:



Apart from the commercial legal entities provided in the above scheme, the Bank is also the founder and major contributor to "Tree of Life Foundation", a non-profit, non-commercial legal entity established under the laws of Georgia.

3. Governance

3.1. Corporate Governance Framework

3.1.1. The Bank

The Bank's corporate bodies are the General Meeting of Shareholders (the **GMS**), the Supervisory Board and the Management Board, each having its own responsibilities and authorities in accordance with applicable Georgian laws and the Bank's Charter (the **Charter**). The GMS is the highest internal governing body of the Bank which appoints the members of the Supervisory Board, which is responsible for overall corporate governance of the Bank, and supervising the Management Board. The Supervisory Board appoints members of the Management Board – the executive body of the Bank responsible for day-to-day operations. The Bank's ultimate parent company, BoGG, determines the strategy of the Group, including that of the Bank. Under the Corporate Governance Code for Commercial Banks (Order # 215/04 of the President of the NBG, dated 26 September 2018) (the **Corporate Governance Code**) (as amended), commercial banks in Georgia are required to have audit and risk committees, elected within and reporting to the supervisory board, and, in addition, systemically important banks are required to have corporate governance, nomination, and remuneration committees within their supervisory boards. As described in detail below, the Bank's Supervisory Board is assisted by five different committees, which are composed of members of the Supervisory Board: Audit Committee, Risk Committee, Nomination and Corporate Governance Committee, Remuneration Committee, and Special Committee. The Committee members are elected by and within the Supervisory Board.

3.1.2. The Group

On the Group level, the BoGG Board of Directors (which consists of members of the Bank's Supervisory Board serving as non-executive directors, the Bank's General Director serving as Chief Executive Officer, and the Bank's Supervisory Board Chairman serving as the Chairman) (the **BoGG Board**), with its Audit, Risk, Nomination, and Remuneration Committees, is ultimately responsible for the Group's strategy, risk management and internal controls. Interaction between the BoGG Board and the Corporate Governance Framework of the Bank is described below.

3.2. Shareholder Engagement and Functions of GMS

<u>Regulation of Shareholder Engagement, based on the Charter</u>

According to the Charter, the annual GMS is convened annually, at least once a year, not later than 3 months after the completion of the annual audit.

Convening a GMS was not necessary if a shareholder holding more than 75.0% of the Bank's voting shares passed a resolution. Such decision was considered equivalent to the minutes of the GMS and was considered a resolution of the GMS. However, following the adoption of the new Law on Entrepreneurs, the Bank changed its charter in April 2022, whereby the convening of a GMS is necessary for all matters pertaining to the authority of the GMS under the Charter as described below.

According to the new version of the Charter, if the convening of a GMS is necessary, then the time, place and agenda of the GMS is published on the Bank's webpage and its public registry portal at least 21 days prior to the date of the GMS. According to the Charter, the Supervisory Board determines the record date for the GMS. The annual GMS discusses and adopts decisions on issues such as annual report and annual accounts, proposal(s) of the Management Board and Supervisory Board regarding the distribution of dividends, the bank's reserves and dividend and capital distribution policy and other subjects presented for discussion by the Management Board or the Supervisory Board as well as items put forward by the shareholders in accordance with Georgian law and the Charter.

The GMS quorum is satisfied if it is attended by the holders of at least half of the voting shares or their representatives. If there is no quorum, a new GMS shall be convened with the same agenda and within the period determined by the Supervisory Board in accordance with the procedures set by the law and the Charter. The new GMS quorum is satisfied if holders of at least 25.0% of the voting shares are present. If there is no quorum at this new GMS, another GMS shall be convened and such further GMS will be quorate irrespective of the number of attending and voting shareholders or their representatives.

An extraordinary GMS (**EGMS**) is convened whenever the Management Board, the Supervisory Board or a shareholder/group of shareholders holding at least 5.0% of the issued shares deems such a meeting necessary. Pursuant to the law, shareholders who individually or together hold at least 5.0% of the total issued capital may, stating the subjects to be discussed, not earlier than one month from the latest GMS, request that the Management Board convene an EGMS. The Management Board shall publish the decision to convene such meeting within 10 days after the receipt of the request from the shareholder(s)

The GMS is presided over by the chairman of the Supervisory Board or, in his absence, by the deputy chairman or any other member of the Supervisory Board. In the absence of members of the Supervisory Board, the meeting is presided over by the General Director or one of the Deputy General Directors. In their absence, the chairman of the meeting is elected by the GMS by a simple majority of votes. The minutes of the meeting are drawn up and certified by a notary.

All shareholders registered with the share registrar as of the record date of the GMS shall have the right to attend and vote (if applicable) at the meeting. Georgian law provides that holders of preferred shares are not entitled to voting rights at the GMS, unless the Charter or any relevant share issue prospectus allocates voting rights to preferred shareholders. According to the Charter, holders of preferred shares are not entitled to voting rights at the GMS. As of the date of this Report, the Bank has not issued any preferred shares. Shareholders may be represented at the GMS by a proxy.

Under Georgian law and the Charter, the matters reserved to the shareholders' authority are:

- Approval and amendment of the Charter;
- Reorganisation of the Bank;
- Winding-up of the Bank, the appointment of a liquidator, the approval of interim and final liquidation balance sheets;
- Authorisation of redemption of shares by the Bank;
- Any changes to the subscribed capital;
- Determining the composition of the Supervisory Board, the number of members, their election, recall, the amount of remuneration and the structure;
- Approval of the Bank's audit report and selection of a person performing the audit inspection;
- Approval of the financial report and distribution of dividends;
- Determining the procedure for holding a GMS, and electing a vote counting commission;
- Making decisions on participation in court proceedings against the members of the management body/managers and members of the Supervisory Board, including the appointment of a representative in such proceedings;
- Making decisions on the acquisition, alienation, exchange (interrelated transactions) or otherwise encumbrance of the assets of the Bank, the value of which is more than half the book value of the assets of the joint-stock company, except for transactions that fall within the ordinary business activities.

According to the Charter, decisions on all other issues are made by the Supervisory Board and the Management Board within their respective authorities.

Shareholder Meetings held and Resolutions reached during 2021

- On May 6 2021 Mariam Megvinetukhutsesi was appointed as a member of the Supervisory Board of the Bank.
- On May 6, 2021 a Resolution was passed on the approval of the financial audit report and the Bank's capital distribution decisions for 2021.

Regulation of Holders of Commercial Bank Shares, based on the NBG Regulations

Pursuant to the Banking Law, a person who has been convicted of a serious or extremely serious offence, terrorism financing and/or legalisation of illicit income, or other economic crime, may not hold a significant shareholding (defined as more than 10.0% of either the authorised share capital or of the fully paid-up issued share capital held directly or indirectly) in a commercial bank. The NBG is authorised to establish additional compliance criteria for holders of a significant shareholding with a normative act.

Pursuant to the Banking Law, a person who intends to acquire shares in a Georgian bank and who, as a result of the relevant acquisition, would hold or beneficially own more than 10.0%, 25.0% or 50.0% of the share capital of the bank, must submit a declaration to and obtain prior approval from the NBG. Generally, the NBG should issue or deny its consent within one month from the date of submission of the declaration; however, if the information provided by the applicant is not satisfactory, the NBG may extend this term by up to three months.

In the absence of a submission of a declaration to the NBG of in the case of the NBG's denial of consent, a transaction by which a person acquires, directly or indirectly, more than 10.0% of the authorised share capital or fully paid-up issued share capital of a Georgian bank, is deemed null and void.

The NBG may request a bank to submit a declaration about direct/indirect or beneficial holders of more than 10.0% of the authorised share capital or fully paid-up issued share capital of the bank. In this case, the NBG is entitled to temporarily or indefinitely suspend the voting rights of a relevant person or request that such person reduces his shareholding to 10.0%. The NBG is entitled to deny approval if the transaction may endanger the stability of Georgia's financial sector, result in a breach of the requirements established by international organisations or by Georgia's international agreements or if the person wishing to acquire shares in a commercial bank fails to provide the necessary information on the origin of funds used to purchase such shares. The NBG is authorised to establish additional compliance criteria for holders of significant shareholding with a normative act.

Furthermore, according to the Banking Law, a person, or group of shareholders acting in concert, who intend to sell shares in a Georgian bank and, if as a result of such sale, their holding may fall below 10.0%, 25.0% or 50.0%, are required to notify the NBG prior to such sale and provide detailed information regarding the transaction.

There are certain reporting obligations related to the ownership of a significant shareholding of a Georgian bank. Pursuant to the Order No 94/04 of the President of NBG, commercial banks are required to quarterly disclose information on direct holders of more than 1.0% of their share capital, and on beneficial owners who own more than 5% of the bank's share capital indirectly. Such information must be prepared based on the information available to a commercial bank, which must also note whether or not it confirms the accuracy thereof. In addition, any person that directly or indirectly beneficially owns more than 10.0% of shares of a commercial bank must submit a declaration to the NBG in April of each calendar year as to the amount of its shareholdings as of 31 December of the preceding calendar year. The information on the shareholders of the Bank is provided in Ownership section of this report.

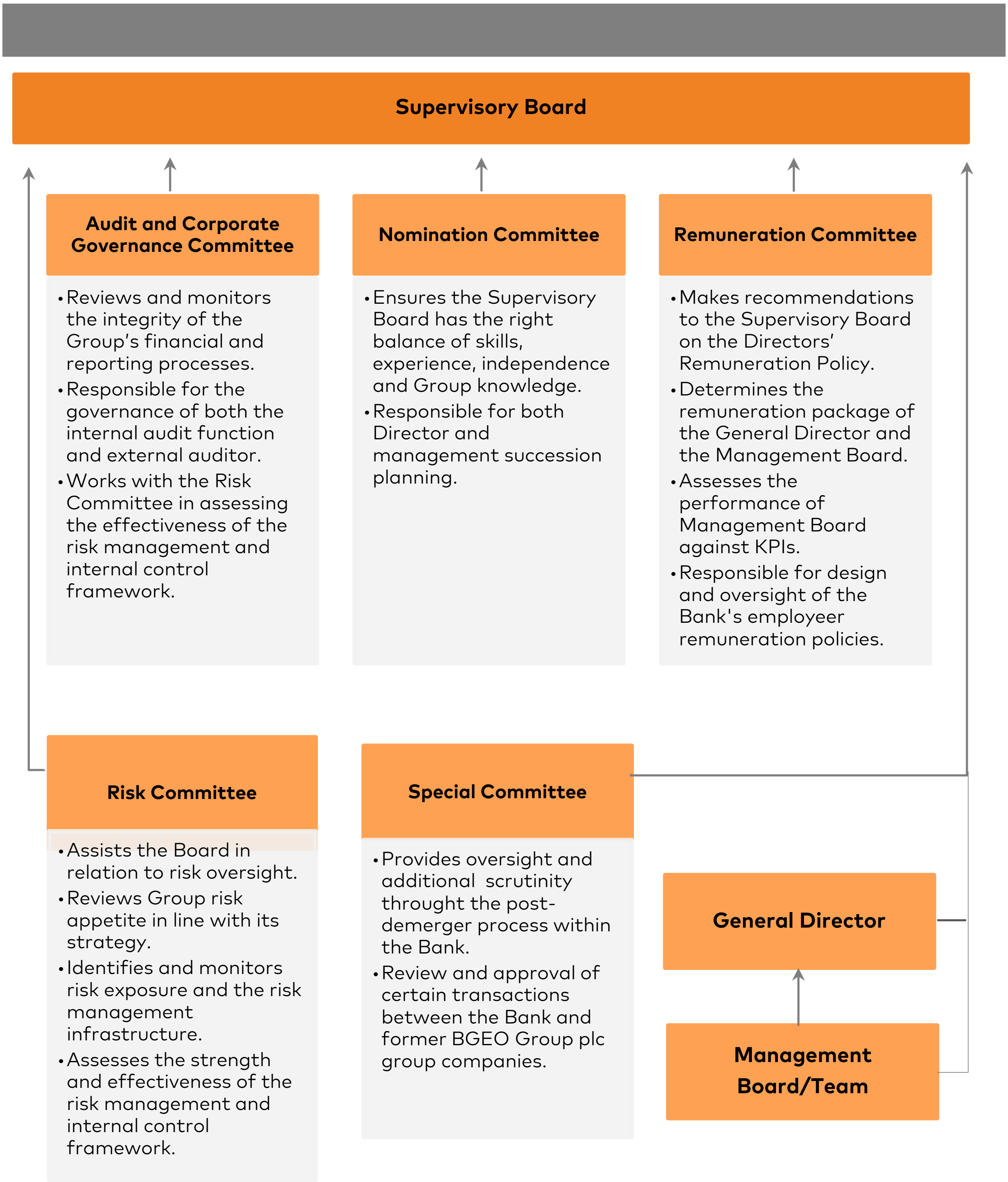
3.3. The Supervisory Board, the Committees and interaction with the BoGG Board

In accordance with the Charter and applicable Georgian laws, it is the responsibility of the Supervisory Board to supervise the Management Board of the Bank. The Supervisory Board is responsible for the Bank's overall risk management approach and for approving the Bank's risk strategies and principles, and is ultimately responsible for identifying and controlling risks. It approves the Credit Policies, which outline credit risk control and monitoring procedures and the Bank's credit risk management systems, and approves certain decisions that fall outside the scope of the respective authorities of the Credit Committees (including approval of single borrower lending exposures exceeding US$ 35.0 million). The Management Board presents a comprehensive credit risk report and market risk report to the Supervisory Board for its review on a quarterly basis.

As at the date of this Report, the Supervisory Board consists of seven members, each elected by the GMS, subject to approval of the NBG. As at 31 December 2021, the Supervisory Board consisted of eight members (details provided below).

The Supervisory Board members are appointed for three-year terms, and their reappointment and term prolongation is not restricted. The Supervisory Board members are required to act in the best interests of all shareholders of the Bank and its business when performing their duties. The Supervisory Board is assisted by five different committees, composed of members of the Supervisory Board: Audit Committee, Risk Committee, Nomination and Corporate Governance Committee, Remuneration Committee, and Special committee. The Committee members are elected by the Supervisory Board. The functions of the Supervisory Board's Audit, Risk, Nomination and Corporate Governance, Remuneration, and Special Committees are described below.

The chart below outlines the committees operating under the Supervisory Board and their key responsibilities.



The Supervisory Board is responsible collectively for the long-term success of the Bank and for the creation and delivery to shareholders of sustainable value through the management of the Bank's business. The Supervisory Board establishes the Bank's core values and leads by example; sets and oversees the execution of the Bank's strategy within a framework of strong and effective risk management and internal controls; and encourages a culture of corporate governance in line with best practice, amongst its many other responsibilities.

Terms of Reference and Reporting to the Supervisory Board

Each Committee has agreed terms of reference, which are reviewed annually by each Committee and any changes are approved by the Supervisory Board.

All Supervisory Board Members have a standing invitation to attend Committee meetings (rather than just limiting attendance to Committee members).

The Supervisory Board consists of eight members. Mariam Megvinetukhutsesi was appointed as a member of the Supervisory Board on 06 May 2021. Mel Gerard Carvill was appointed Non-Executive Chairman of Bank of Georgia's ultimate parent company, Bank of Georgia Group PLC on 10 March 2022. Mr Carvill serves as Chairman of Bank of Georgia Group PLC's Nomination Committee, as well as a member of the Remuneration Committee. Subject to regulatory approval, he will serve as a member of the Supervisory Board of JSC Bank of Georgia and is expected to become its Chair. Please see his biography below.

- **Mel Gerard Carvill**
  Chairman of Bank of Georgia Group PLC

Following Neil Janin's resignation from Bank of Georgia Group PLC's Board on 10 March 2022, Mel Carvill was appointed as the Chairman of Bank of Georgia Group PLC's Board on 10 March 2022. Subject to regulatory approval, he will serve as a member of the Supervisory Board of JSC Bank of Georgia and is expected to become its Chair. Neil Janin served as a Chairman of the Supervisory Board of JSC Bank of Georgia until 31 March 2022.

Skills and Experience

Mr Carvill has extensive international experience across a broad range of companies in the financial sector. He worked at the Generali Group from 1985 until 2009, holding various positions, including Chief Risk Officer, Head of Corporate Finance and M&A and of Strategic Planning. He also served as Head of Western Europe, Americas and Middle East at Generali. In 2009 he joined PPF Partners, a private equity fund investing in Central Eastern Europe and Asia, where he held the position of President until 2014, and then worked for the wider PPF Group, serving as an advisor. Mr Carvill also served on company boards in multiple European and Asian markets.

In addition to his directorship at Bank of Georgia Group PLC, Mr Carvill has built a portfolio of non-executive directorships, including as Non-Executive Director at Home Credit N.V., Chairman at Aviva Life UK, Chair of the Financial Services Opportunities Investment Fund Ltd in Guernsey, and Investor Non-Executive Director at Clearbank. He is the Senior Independent Director at Sanne Group plc, a FTSE-250 company, which he will resign from upon the completion of the Apex Group's acquisition of Sanne. Mr Carvill has spoken at a number of universities, regulatory events and think tanks, maintaining his links with high-level global foreign policy and economics contacts.

Education

Mr Carvill qualified as a Chartered Accountant while at Coopers & Lybrand and is a Fellow of the Institute of Chartered Accountants in England and Wales. He holds an Advanced Diploma in Corporate Finance, is a Chartered Insurer and an Associate of the Chartered Insurance Institute, as well as a Fellow of the Chartered Institute for Securities and Investment.

The professional backgrounds of the Supervisory Board members are outlined below:

- **Hanna Loikkanen**
  Deputy Chairperson

Hanna Loikkanen was appointed as a Member of the Bank's Supervisory Board in August 2015 and as a Deputy Chairperson in August 2019. Ms Loikkanen serves as a Chair of the Remuneration Committee and is also a member of the Bank's Nomination and Corporate Governance Committee and the Audit Committee. Ms Loikkanen also serves as the Senior Independent Non-Executive Director of BoGG plc. Ms Loikkanen previously served as an Independent Non-Executive Director of BGEO Group plc, which included positions on their Nomination and Risk Committees.

Skills and experience:

Ms Loikkanen has over 25 years of experience working with financial institutions in Russia and Eastern Europe. She worked at the Moscow office of a Swedish asset management company East Capital from 2007 until 2015, managing a private equity fund focusing on investments in financial institutions in the region. During this period, she served on the boards of several regional banks, with special focus on corporate governance and business development. Prior to this, Ms Loikkanen held the position of CEO at FIM Group in Russia, a Finnish investment bank, where she was responsible for setting up and running FIM Group's brokerage and corporate finance operations in Russia. Earlier in her career, Ms Loikkanen worked for Nordea Finance in various senior management positions in Poland, the Baltic States and Scandinavia with a focus on business development, strategy and business integration; for SEB in Moscow where she was responsible for the restructuring of SEB's debt capital market operations in Russia; and for MeritaNordbanken in St Petersburg where she focused on trade finance and correspondent banking. In addition to her directorships at Bank of Georgia Group plc, Ms Loikkanen serves as a Non-Executive Director, Chair of the Compensation and Remuneration Committee and a member of the Audit Committee of PJSC Rosbank, a universal bank listed on the Moscow Stock Exchange (Société Générale Group in Russia) and as a Non-Executive Director and a member of HR Committee at Finnfund, a Finnish state owned development financier. Since 2014, she has acted as Non-Executive Chairman of the Board of T&B Capital, an independent regulated wealth management company based in Helsinki.

Education:

Ms Loikkanen holds a Master's degree in Economics and Business Administration from the Helsinki School of Economics, and was a Helsinki School of Economics scholar at the University of New South Wales.

- **Tamaz Georgadze**
  Member

Tamaz Georgadze was appointed as a Member of the Bank's Supervisory Board in December 2013 and has been subsequently re-appointed in accordance with the Charter. Mr Georgadze serves as a member of the Bank's Risk Committee, Remuneration Committee and the Nomination and Corporate Governance Committee. Mr Georgadze also serves as an Independent Non-Executive Director of BoGG plc, as well as a member of BoGG plc's Risk Committee, Remuneration and Nomination Committees. Mr Georgadze previously served as an Independent Non-Executive Director of BGEO Group plc, which included positions on BGEO Group plc's Audit, Nomination and Risk Committees.

Skills and experience:

In 2013, Mr Georgadze founded Raisin GmbH, a company which launched the first global deposit intermediation in Europe, and he continues to serve as its CEO/Chairman. PayPal and Goldman Sachs are amongst shareholders of Raisin. Prior to founding this company, Mr Georgadze had a ten-year career at McKinsey & Company in Berlin, where he served as a Partner from 2009 to 2013. At McKinsey & Company, he conducted engagements with banks in Germany, Switzerland, Russia, Georgia and Vietnam, focusing on strategy, risk identification and management, deposit and investment products, operations and sales. Prior to joining McKinsey & Company, Mr Georgadze worked as an aide to the President of Georgia in the Foreign Relations Department from 1994 to 1995. Save for his role at Raisin GmbH, Mr Georgadze does not hold any other directorships.

Education:

Mr Georgadze holds two PhDs, one in Economics from Tbilisi State University and the other in Agricultural Economics from Justus-Liebig University Gießen, Germany. Mr Georgadze also studied Law at Justus-Liebig Universität Gießen and graduated with honours.

- **Alasdair (Al) Breach**

  Member

Alasdair Breach was appointed as a Member of the Bank's Supervisory Board in September 2010 and has been subsequently re-elected in accordance with the Charter. Mr Breach serves as a member of the Bank's Remuneration Committee, Risk Committee and the Nomination and Corporate Governance Committee. Mr Breach also serves as an Independent Non-Executive Director of BoGG plc, as well as a member of BoGG plc's Remuneration, Risk and Nomination Committees. He previously served as an Independent Non-Executive Director of BGEO Group plc, which included positions on BGEO Group plc's Remuneration, Nomination and Risk Committees.

Skills and experience:

In 2013, Mr Breach co-founded Gemsstock Limited, a UK FCA-regulated fund manager, where he also serves as an Executive Director. In 2010, Mr Breach also founded Furka Advisors AG, a Swiss-based asset management firm, and served as an Executive Director until founding Gemsstock Limited, which manages the Gemsstock Fund, which was previously called the Gemsstock Growth Fund and managed by Mr Breach at Furka Advisors AG. His previous career was in research in investment banks, principally in Russia. In January 2003, Mr Breach joined Brunswick UBS (later UBS Russia) as Chief Economist, and later was appointed Head of Research and Managing Director until October 2007. From 1998 to 2002, Mr Breach was a Russia and Former Soviet Union (FSU) economist at Goldman Sachs, based in Moscow. Mr Breach is also the co-founder of The Browser.com, a web-based curator of current affairs writing, established in 2008. Mr Breach serves as a Director of Gemsstock Limited, the Gemsstock Fund, The Browser and Furka Holdings AG, all of which are private entities. He is also an advisor to East Capital.

Education:

Mr Breach obtained an MSc in Economics from the London School of Economics and an undergraduate degree in Mathematics and Philosophy from Edinburgh University.

- **Jonathan Muir**

  Independent Member

Jonathan Muir was appointed as an Independent Member of the Bank's Supervisory Board in August 2017. He serves as the Chairman of the Bank's Audit Committee and as a member of the Special Committee and the Nomination and Corporate Governance Committee. Mr Muir also serves as an Independent Non-Executive Director of BoGG plc, as well as the Chairman of BoGG plc's Audit Committee and a member of the Nomination Committee. He previously served as an Independent Non-Executive Director of BGEO Group plc, after serving as an advisor to BGEO Group plc's Board of Directors since December 2016.

Skills and experience:

Mr Muir has over 30 years' experience working as a professional in accounting and finance. He is an executive director and CEO of LetterOne Holdings SA and LetterOne Investment Holdings. LetterOne is an international investment business consisting of two groups which target investments in the healthcare, energy, telecoms and technology, and retail sectors. Prior to joining LetterOne, Mr Muir was CFO (2008-2013) and Vice President of Finance and Control (2003-2008) of TNK-BP, which he joined after serving as CFO of SIDANCO, one of TNK-BP's heritage companies. Prior to this, he was a partner at the global audit and consulting company Ernst & Young (1985-2000).

Education:

Mr Muir graduated with first class honours from St. Andrews University in the UK. He is a British-qualified Chartered Accountant and a member of the Institute of Chartered Accountants of England and Wales.

- **Cecil Quillen**

  Independent Member

Cecil Quillen was appointed as an Independent Member of the Bank's Supervisory Board in June 2018. Mr Quillen also serves as a Chairman of the Bank's Special Committee since January 1, 2022 and a member of the Bank's Audit, Remuneration, Nomination and Corporate Governance Committees. Mr Quillen also serves as a member of Bank of Georgia Group PLC's Audit Committee, Remuneration Committee and Nomination Committee. Mr Quillen is also a member of the Bank's Supervisory Board.

Skills and experience:

Mr Quillen is a lawyer and a London-based U.S. partner of Linklaters LLP, the global law firm. He is the leader of the firm's U.S. securities practice. Mr Quillen works on a broad spectrum of securities and finance matters. A particular focus of his practice has been transactions in the CIS and in central and eastern Europe. Mr Quillen is an officer of the Securities Law Committee of the International Bar Association and chairs its Regulatory Affairs sub-committee and sits on the Advisory Committee for Securities Regulation in Europe of the Practising Law Institute. He is a trustee of the University of Virginia Law School Foundation. Mr Quillen became a partner of Linklaters in 1996 and was resident in the firm's New York office before transferring to the London office in 2000. He is admitted to practice in New York and the District of Columbia, and is a registered foreign lawyer in England and Wales.

Education:

Mr Quillen received his undergraduate degree from Harvard and his law degree from the University of Virginia.

- **Véronique McCarroll**
  Independent Member

Véronique McCarroll was appointed as an Independent Member of the Bank's Supervisory Board on 11 February 2019. Ms McCarroll also serves as a Chairman of the Risk Committee since 1 January, 2022 and a member of the Bank's Nomination and Corporate Governance Committee and Special Committee. She also serves as an Independent Non-Executive Director of BoGG plc, as well as a Chairman of BoGG plc's Risk Committee and a member of Nomination Committee.

Skills and experience:

Ms McCarroll has over 30 years' experience in Financial Services, with a strong focus on Corporate and Investment Banking, Risk Management and Digital banking. She is currently Deputy CEO at Orange Bank, with responsibility for finance, data office, risk and compliance, having previously headed Strategy and Innovation for Mobile Finance and Digital banking across Europe at Orange. Prior to this role, she has been an Executive Director at Crédit Agricole CB, in charge of Strategy and Business Transformation, and has spent 19 years in consulting firms, helping large banking clients on financial matters, including as a Partner at McKinsey & Company, Oliver Wyman and Andersen/Ernst & Young. Ms McCarroll started her career with Banque Indosuez in Capital Markets in 1986, serving in various front office fixed income and then market risk management roles. Ms McCarroll also teaches Finance at Paris Dauphine University.

Education:

Ms McCarroll graduated from ESSEC (Ecole Supérieure des Sciences Economiques et Commerciales) in 1985.

- **Mariam Megvinetukhutsesi**
  Independent Member

Mariam Megvinetkhutsesi was appointed as an Independent Member of the Bank's Supervisory Board on 06 May 2021. Ms Megvinetkhutsesi also serves as a member of the Bank's Risk Committee and Nomination and Corporate Governance Committee. She also serves as an Independent Non-Executive Director of BoGG plc, as well as a member of BoGG plc's Risk and Nomination Committees.

Skills and experience:

Mariam Megvinetukhutsesi provides consulting services to businesses on governance and financial management. Previously she served as Head of Georgia's Investors Council Secretariat (2015-2019), promoting reforms for improvement of Georgia's investment climate. She has 20 years' prior experience in the financial services, including as Deputy CEO at TBC Bank (2009-2014) and banking appointments at the European Bank for Reconstruction and Development (1997-2007).

Education:

Ms Megvinetukhutsesi received her undergraduate degree in Banking and Finance from Tbilisi State University and holds an MSc in Finance and Investments from the University of Edinburgh.

Supervisory Board Diversity and Independence

The Bank considers that a diversity of skills, backgrounds, knowledge, experience, geographic location, nationalities and gender is important to effectively govern the business. The Supervisory Board and its Nomination Committee work to ensure that the Bank's Supervisory Board continues to have the right balance of skills, experience, knowledge and independence necessary to discharge its responsibilities.

Following the appointment of Mariam Megvinetukhutsesi in May 2021, the Supervisory Board considers that the overall size and composition is appropriate, considering the independence of character and integrity of all members. Each of the Supervisory Board members occupies, and/or has previously occupied, senior positions in a broad range of relevant associated sectors, bringing valuable insights to the Board's deliberations and contributing significantly to decision-making. No individual, or group of individuals, can dominate the decision-making process and no undue reliance is placed on any individual.

The Bank values diversity in all forms. At 31 December 2021, six different nationalities were represented on the Bank's Supervisory Board of eight members. The Bank is committed to sustaining and developing gender balance. At 31 December 2021, female representation on the Supervisory Board was 37.5%.

The Supervisory Board has considered the implications of an update to the NBG's Code of Corporate Governance for Commercial Banks (which was published on 5 February 2021) and which introduced a criterion of service of 7 years or more on the supervisory board of the Bank, after which a member would statutorily not be considered independent anymore, irrespective of absence of other criteria.

During 2021 the Board and the Nomination and Corporate Governance Committee have focused on the appointment of a new Chairman. The Nomination and Corporate Governance Committee, led by Hanna Loikkanen and Jonathan Muir on this matter, undertook a thorough and rigorous process which concluded by recommending Mel Carvill as Chairman of Bank of Georgia Group PLC's Board with effect from 10 March 2022. Subject to the regulatory approval, Mel Carvill will also serve as a member of the Supervisory Board of JSC Bank of Georgia and is expected to become its Chair.

The Supervisory Board will build any new requirements into its regular succession-planning discussions, specifically in the light of the Group's commitment to the "mirror board" structure for the BoGG PLC's Board of Directors and the Bank's Supervisory Board.

As the current composition of the Supervisory Board stands, two specific requirements of the updated NBG Code need to be met by 31 December 2022: the requirement that the chairman of the Supervisory Board, and the chair of the Audit, Risk and Nomination Committees shall be independent - with the status of an independent member being terminated after the expiration of seven years after the initial appointment of a member of the Supervisory Board. As a result of these requirements:

- Neil Janin stepped down from the role of the Chair of the Board of Directors of BoGG plc, and of the Bank's Supervisory Board, and Mel Carvill was appointed as a new Chairman of BOGG plc. Subject to NBG approval, he will serve as a member of the Supervisory Board of JSC Bank of Georgia and is expected to become its chair.
- Tamaz Georgadze, stepped down as Chair of the Risk Committees of both Boards, replaced by Véronique McCarroll in both roles. He will continue to serve on both Boards.

Succession Planning and Supervisory Board Appointment Procedures

Members of the Supervisory Board may be appointed and dismissed at a GMS. Banking regulations contain certain limitations as to who may become a member of the Supervisory Board; for example, a person who has been convicted of money laundering, terrorist financing or economic crime cannot be elected to the Supervisory Board of a bank. The statutory term of each Supervisory Board member is seven years. The Supervisory Board as well as each holder of voting shares is entitled to make a recommendation on one or more candidates for each vacant seat of the Supervisory Board.

Furthermore, shareholders the right to nominate, subject to the existence of a vacancy on the Supervisory Board, their representative to the Supervisory Board. The members of the Supervisory Board are elected by cumulative voting. A member of the Supervisory Board may not serve as a member of the Management Board at the same time. According to the Bank's Charter, the Supervisory Board elects the Chairman and the Vice-Chairman from its members.

The Chairman of the Supervisory Board (or in case of his/her absence, the Vice-Chairman) convenes the Supervisory Board meetings and determines the agenda. Any member may add items to the agenda or request a meeting of the Supervisory Board. Meetings of the Supervisory Board shall be held at least once per quarter. A written notification with the respective agenda shall be sent at least eight days prior to the anticipated date of the meeting. The Bank believes that effective succession planning mitigates the risks associated with the departure or absence of qualified and experienced individuals. The Bank's aim is to ensure that the Supervisory Board and Management Board are always well-resourced with the right people in terms of skills and experience, to effectively and successfully deliver on the Bank's strategy. The Bank also recognises that continued tenure brings a depth of Bank-specific knowledge that is important to retain.

Role of the Supervisory Board

The Supervisory Board's principal duty is to promote the long-term success of the Bank by directing management towards creating and delivering sustainable shareholder value. This is accomplished by setting the Bank's strategy and overseeing its implementation by management. The Supervisory Board is accountable to shareholders for the financial performance of the Bank.

The Bank believes that the success of the implementation of its strategy requires for the strategy to be aligned with the Bank's internal governance framework. The Bank views a strong system of risk management and internal controls as essential to governance in allowing the Bank to pursue its strategy in a way that risk appetite can be set and risks identified, assessed, managed and reported effectively. By setting the tone at the top, establishing the core values of the Bank and demonstrating leadership, the Supervisory Board is able to implement the key policies and procedures the Bank has created in a manner that clearly sets an expectation that every employee acts ethically and transparently in all of his or her dealings.

The management's execution of strategy and financial performance are also monitored. While the ultimate focus is long-term growth, the Bank also needs to deliver on short-term objectives and thus seeks to ensure that management strikes the right balance between the two.

The Bank is mindful of its wider obligations and considers the impact its decisions will have on the Bank's various stakeholders, such as the employees, the shareholders, the customers and the clients, the environment and the community as a whole.

In order to ensure that the Bank meets its responsibilities, specific key decisions have been reserved for approval by the Supervisory Board. In addition, the Supervisory Board will receive reports and recommendations from time to time on any matter which it considers significant to the Bank.

Responsibilities of the Bank's Supervisory Board include:

- Supervising the activities of the Management Board;
- Appointing and dismissing the General Director and other directors, concluding and terminating service contracts with them, as well as establishing a code of conduct for the members of the Management Board;
- Approving and amending the Bank's policy and other regulatory requirements;
- Inspecting the Bank's accounts and property, including inspection of conditions of cash desk, securities and assets, personally or with the help of invited experts;
- Requesting reports of the Bank's activities from the Management Board (including information concerning associated companies and subsidiaries) and reviewing the information provided by internal audit or external inspections;
- Convening an extraordinary general meeting, if necessary;
- Reviewing annual reports and the proposals of the Management Board on profit distribution;
- Representing the Bank in proceedings against the Bank's General Director and other directors;
- Approving the annual budget;
- Electing Supervisory Board committee members;
- Making decisions in other cases provided by applicable laws; and
- Approving the decisions of the Management Board (see responsibilities of the Management Board on page 30).

The Following are the matters reserved for the Supervisory Board's resolution only, per the Charter:

- Acquisition and disposal of a stake in other companies if the amount of such stake/share exceeds 50% (fifty percent) of the total equity of such company or the volume of the transaction exceeds 2.5% (two and a half percent) of the Bank's equity value as at the end of the previous calendar month;
- Acquisition, transfer and encumbrance of real estate and property ownership rights, if such transaction falls outside the scope of routine economic activity of the Bank and the volume of such transaction exceeds 2.5% (two and a half percent) of the Bank's equity value as at the end of the previous calendar month;
- Establishment and liquidation of branches;
- Investments, the partial or total amount of which exceeds 2.5% (two and a half percent) of the Bank's equity value as at the end of the previous calendar month;
- Borrowing funds in excess of 2.5% (two and a half percent) of the Bank's equity value as at the end of the previous calendar month;
- Securing loans, if they fall outside the scope of routine economic activity;
- Launching new banking activities or terminating or suspending existing banking activities;
- Determination of general principles of business strategy and the business plan of the Bank and the development and approval of the annual budget and long-term liabilities;
- Determination of the remuneration and/or additional benefits for the Bank's top management (General Director and other management board members, and any other top managers so selected by the supervisory board);
- Approval of agreement(s) or contract(s) pursuant to which a non-recurring expense or several-tranche expenditure of the Bank is to be made which exceeds 1% (one percent) of the Bank's equity value as at the end of the previous calendar month;

- Determination and approval of internal policies and procedures for lending, investing, foreign exchange, assets and liabilities management, their classification and adequate provisioning;
- Redemption of the Bank's shares in cases envisaged by the applicable laws or effected through share buy backs (including without limitation of the treasury shares); and
- Other activities that may be defined by the applicable laws.

Operation of the Supervisory Board

The Supervisory Board usually meets four times a year in Georgia in person. For the rest of the meetings the discussion and approval is held either through teleconference or through email correspondence. However, due to the global COVID-19 pandemic and ensuing travel restrictions, the Supervisory Board met by video conference in 2020, both for its scheduled in-person meetings and those meetings convened to monitor the impact of the COVID-19 pandemic.

At each scheduled meeting, the Supervisory Board receives reports from the Chairman, the General Director and the Chief Financial Officer on the performance and results of the Bank. The General Directors of the principal subsidiaries and the Deputy General Directors of the Bank regularly update the Supervisory Board on the performance, strategic developments and initiatives in their respective segments throughout the year. The Chief Risk Officer and General Counsel/Chief Legal Officer regularly report to the Supervisory Board. The Supervisory Board receives updates from the Bank's operating functions on internal control and risk management, compliance, internal audit, human resources and corporate responsibility matters, among others.

A regular quarterly in-person meeting will include discussion on the following topics:

- Updates from Committee Chairmen on matters discussed at the respective Committee meetings held the day before;
- The macroeconomic environment;
- Financial performance;
- Business segment performance and developments;
- A deeper dive into strategy and performance at one or more business units;
- New strategic initiatives and progress against strategy;
- Regulatory, legislative and other corporate governance updates;
- Developments in relation to principal risks and risk management.

A comprehensive assessment of the risk management framework and system of internal controls is performed at least once a year through the Risk and Audit Committees, or the Supervisory Board.

Supervisory Board meetings are, however, flexible to ensure that pressing matters, when they arise, are addressed as quickly as possible.

The Chairman meets with the General Director after each meeting to agree the follow-up actions and to discuss how effective the meeting was.

The Chairman and General Director maintain frequent contact (in person or otherwise) with each other and the other Supervisory Board members throughout the year outside of the formal meetings. The Senior Independent Member supports the Chairman in his role, acts as an intermediary for other Independent Members where necessary and liaises with the Members outside of the Supervisory Board and Committee meetings.

In 2021, as per good practice, the Chairman met with the Independent Members and the Senior Independent Member held a meeting with the Supervisory Board member without the Chairman.

Supervisory Board Induction, Ongoing Training and Professional Development

On appointment, Supervisory Board members participate in an induction programme, during which they meet members of Management Board/Team and receive information about the role of the Supervisory Board and individual members, each Supervisory Board Committee and their respective powers. They are also advised of their legal and regulatory obligations. Induction sessions are designed to be interactive and are tailored to each individual based on his or her previous experience and knowledge.

The Bank committed to ensuring the continuing development of the Supervisory Board members so that they build on their expertise and develop an ever more detailed understanding of the business, and of the markets and the regulatory environment in which the Bank operates.

All members of the Supervisory Board participated in an ongoing training and professional development throughout 2021, which included briefings, development sessions and presentations by members of the Management Board/Team and the Bank's professional advisors. During the year, the Bank's Chief Legal Officer provided updates on regulatory and legislative changes, including the changes to the Code of Corporate Governance for the Commercial Banks as adopted by the National Bank of Georgia and related changes in the appointment process and independence criteria. They were also briefed on new Sanctions compliance requirements for the Bank, in particular associated with Belarus and Russian Federation. In addition, the Supervisory Board members received updates from the management on regulation around climate-related disclosures and on the Bank's action plan with respect to climate-related risks and opportunities management.

The Bank also ensures that all members of the Supervisory Board have access to the advice of the Supervisory Board Secretary as well as independent professional advice, at the Bank's expense, on any matters relating to their responsibilities.

Evaluation of the Supervisory Board Performance

The Bank's Supervisory Board continually strives to improve its effectiveness and recognises that its annual evaluation process is an important tool in reaching that goal. Following a tender process for suitable evaluators, in 2020 the Supervisory Board engaged Farman & Partners, a specialist consultancy firm, to conduct a comprehensive review of the Supervisory Board's composition, succession planning, expertise, dynamics, management and focus of meetings, support, culture, and risk management and oversight. The evaluation was conducted via a detailed questionnaire which sought to capture both quantitative and qualitative data on the Supervisory Board's processes and behaviours, along with performance of the Committees, and also via a one to one discussion between each Supervisory Board member and the external facilitator. The results of the evaluation were discussed by the Supervisory Board both in a formal setting, and in ongoing informal discussions.

The evaluation highlighted areas in which the Supervisory Board was operating well and also identified areas of focus for the coming year. Overall, it was the view of the member that the Supervisory Board and the Committees discharge their respective responsibilities effectively, which is supported by good working relationships, both between members, as well as between the Supervisory Board and management. Farman & Partners has no other connection with the Company.

The Supervisory Board also recognised the areas for further improvement and set objectives for 2021 to address those recommendations arising from the evaluation. Based on the evaluation, the Supervisory Board's objectives for 2021 were:

- to further improve and strengthen succession planning and diversity at the Supervisory Board and at the top levels of the organisation. This will include working closely with the Nomination Committee and HR;

- to further focus on the development of ESG matters and to create an appropriate framework for climate-related disclosures specifically; and
- to further improve Supervisory Board and Committee support processes, including improvements to the consistency in quality of Supervisory Board meeting materials.

These objectives were in addition to the priorities the Supervisory Board has set for itself with regards to culture, and the embedding of our values and business principles across all parts of the Group.

Supervisory Board and Committee Meeting Attendance

Details of the Supervisory Board and Committee meetings attendance in 2021 are presented below.

Members	Board	Audit Committee	Nomination and Corporate	Remuneration Committee	Risk Committee	Special Committee
Neil Janin	4 of 4 scheduled 5 of 5 ad hoc	N/A	4/4	6/6	N/A	N/A
Alasdair Breach	4 of 4 scheduled 5 of 5 ad hoc	N/A	4/4	6/6	4/4	N/A
Tamaz Georgadze	4 of 4 scheduled 5 of 5 ad hoc	N/A	4/4	6/6	4/4	N/A
Hanna Loikkanen	4 of 4 scheduled 5 of 5 ad hoc	4/4	4/4	6/6	N/A	N/A
Véronique McCarroll[1]	4 of 4 scheduled 5 of 5 ad hoc	N/A	4/4	N/A	4/4	3/3
Jonathan Muir	4 of 4 scheduled 5 of 5 ad hoc	4/4	4/4	N/A	N/A	3/3
Cecil Quillen[2]	4 of 4 scheduled 5 of 5 ad hoc	4/4	4/4	6/6	N/A	3/3
Mariam Megvinetkhutsesi[2]	3 of 3 scheduled 4 of 4 ad hoc	N/A	2/3	N/A	2/3	N/A

Committees

The Bank's Supervisory Board has delegated authority to respective Board Committees to carry out certain tasks on their behalf, to operate efficiently and give the right level of attention and consideration to relevant matters, and to ensure there is independent oversight of financial, audit, internal control and risk issues, review of remuneration, while reserving the authority to approve certain key matters to the Supervisory Board, as documented in the Bank's Charter, which is reviewed annually by the Supervisory Board.

The Bank's Supervisory Board has the following Committees:

- the Audit Committee;
- the Risk Committee;
- the Nomination and Corporate Governance Committee
- the Remuneration Committee and;
- the Special Committee.

[1] Ms McCarroll and Mr Quillen were unable to attend one ad hoc Board meeting due to a prior commitment; however, they provided full comments on the materials discussed to the Board ahead of the meeting.
[2] Mariam Megvinetukhutsesi joined the Board on 6 May 2021. She attended the Supervisory Board and Committee meetings which were held immediately prior to her appointment.

Audit Committee

The Audit Committee assists the Supervisory Board in relation to the oversight of the Bank's financial and reporting processes. It monitors the integrity of the financial statements and is responsible for governance around both the internal audit function and external auditor, reporting back to the Supervisory Board. It reviews the effectiveness of the policies, procedures and systems in place related to, among others, operational risks, compliance, IT and information security (including cyber-security) and works closely with the Risk Committee in connection with assessing the effectiveness of the risk management and internal control framework. The Audit Committee oversees and challenges management on its internal control and risk management systems in relation to the financial reporting process.

The rights and obligations of the Audit Committee are to:

- set the accounting and reporting rules for the Bank, supervise the compliance with such rules and inspect the Bank's books and journals through the Bank's Internal and External Audit;
- supervise the compliance of the Bank with the applicable laws;
- approve the regulations governing the Bank's Internal Audit and monitor the functioning of the Internal Audit of the Bank;
- ensure the independence of the Internal Audit from the Supervisory Board and the Management Board;
- approve the operation plan of the Internal Audit for the following fiscal year;
- review the quarterly reports of the Internal Audit, approve and present to the Supervisory Board and the Management Board audit inspections and recommendations;
- supervise the activities of the Internal Audit, ensure its compliance with quarterly and annual operation plans;
- assess the activities carried out by the director of the Internal Audit and individual auditors;
- approve the annual operations plan by quarters prepared by the Internal Audit and supervise its fulfilment;
- assess the activities of each of the employees of the internal audit service in consideration of their professional skills and their ability to work independently and make appropriate decisions;
- together with the Supervisory Board and the Management Board, ensure the cooperation of the Internal Audit with other structural units of the Bank;
- make recommendations to the Supervisory Board on the employment/dismissal of the head and deputy head of the Bank's Internal Audit, as well as on their remuneration;
- make recommendations (subject to the agreement of the head of the Internal Audit) to the Management Board on the employment/dismissal of the other staff of Internal Audit, as well as on remuneration of such staff;
- facilitate the activities of the external auditors; and
- submit periodic reports about its activities to the Supervisory Board.

Meetings of the Audit Committee shall be held at least once a quarter. In extraordinary cases, a meeting may be convened upon the request of the Supervisory Board. The Audit Committee passes resolutions by a simple majority of votes. The attending members do not have the right to abstain from voting.

Hanna Loikkanen, Jonathan Muir and Cecil Quillen are members of the Audit Committee of the Bank. The composition of the Audit Committee was last approved on 1 January 2022. Jonathan Muir serves as a chairman of the Audit Committee.

Risk Committee

The main role of the Risk Committee is in relation to the oversight of risk. It reviews the Bank's risk appetite in line with strategy, identifies and monitors risk exposure and the risk management infrastructure, oversees the implementation of strategy to address risk, reviews the Bank's risk policies on a regular basis, cooperates and monitors the activities of the Chief Risk Officer, provides recommendations to the Supervisory Board regarding the risk strategies and effectiveness of the policies and in conjunction with the Audit Committee, assesses the strength and effectiveness of the risk management and internal control framework. The Risk Committee oversees the risk exposures of the Bank and advises the Supervisory Board on risk strategy. The Risk Committee regularly reviews and approves the parameters and methodology used by the Bank to assess risk and reviews the Bank's capability to identify and manage new risk types. The Risk Committee also sets standards for accurate and timely monitoring of large exposures and certain risk types of critical importance, including, but not limited to, credit risk, market risk and operational risk.

Alasdair Breach, Tamaz Georgadze, Mariam Megvinetukhutsesi and Véronique McCarroll are members of the Risk Committee, the composition being last approved on 1 January 2022. Veronique McCarroll took over as Chair of the Risk Committee on 1 January 2022.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee (recommended for systemically important banks) provides recommendations to the Supervisory Board on all new appointments of both directors and Supervisory Board members, ensures that the Supervisory Board is not dominated by any one individual or small group of individuals. The Nomination and Corporate Governance Committee is constituted to regularly review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Supervisory Board. The committee is required to give consideration to succession planning for directors and other senior executives; and make recommendations to the Supervisory Board on new appointments of executive and non-executive directors and memberships in Supervisory Board committees. The committee also oversees the annual review of the Supervisory Board effectiveness.

Each member of the Supervisory Board also sits on the Nomination and Corporate Governance Committee.

Remuneration Committee

The Remuneration Committee reviews and recommends to the Supervisory Board the Remuneration Policy for the General Director, Deputy General Directors and executive management to ensure that remuneration packages are designed to promote the long-term success of the Bank and to see that management is appropriately rewarded for its contribution to the Bank's performance in the context of wider market conditions and shareholder views. The Committee determines the remuneration packages for the above-listed positions along with their terms of employment and assesses the performance of executive management against KPIs. The functions of the Remuneration Committee include determining the terms and conditions of employment of the members of the Management Board and other top executives and from time to time assessing their performance. The Remuneration Committee reviews the recommendation of the General Director in respect of the total bonus pool for the Bank's employees as well as the individual bonuses for the Management Board and certain executive officers.

The members of the Bank Remuneration Committee are: Alasdair Breach, Hanna Loikkanen (Chairman), Tamaz Georgadze and Cecil Quillen, the composition was last approved on 1 January 2022. Hanna Loikkanen serves as Chairman.

Special Committee

The Special Committee was established on 7 January 2019 in the interests of the best practices of corporate governance and provides oversight and additional scrutiny throughout the post-demerger process within the Bank. The functions of the Special Committee include general oversight of post-demerger processes, including review and approval of certain transactions between the Bank and former BGEO Group plc group companies.

Jonathan Muir, Cecil Quillen and Véronique McCarroll are members of the Special Committee, the composition being last approved on 1 January 2022 and Cecil Quillen serves as Chairman.

Terms of Reference and Reporting to the Supervisory Board

Each Committee has agreed terms of reference, which are reviewed annually by each Committee and any changes are approved by the Supervisory Board.

Interaction between the Bank's Supervisory Board and the BoGG Board

On BoGG level, the BoGG Board members are elected by BoGG Shareholders' Annual General Meeting and they are divided into "Executive" and "Non-executive" directors (the **Non-Executive Directors**). Eight of nine members of BoGG Board are independent non-executive members (in accordance with the UK Corporate Governance rules applicable to BoGG plc). Each of the Chairman and Non-Executive Directors has clearly defined roles within the BoGG Board structure.

On the Bank's Supervisory Board level, there are no "executive" directors, as the executive powers are carried out by the management of the Bank as exemplified below. The Supervisory Board is appointed by GMS as described above. The Supervisory Board elects its own Chairman and Committee members.

Interaction between the BoGG Board and the Supervisory Board of the Bank is further described below:

- While the BoGG Board retains ultimate responsibility for the Group's governance and management, it delegates authority for certain matters to its Committees (Audit, Nomination, Remuneration, and Risk). The Bank's Supervisory Board performs similar functions on the Bank level and maintains ultimate responsibility for the Bank's governance and management.
- The BoGG Board sets the Group strategy, oversees its implementation and sets the Group policies, which are cascaded down to key operating subsidiaries as appropriate. The BoGG Board and the Bank's Supervisory Board, respectively, monitor the BoGG management team and the Management Board's execution of strategy and financial performance in a number of ways including:
  - Regular reports at BoGG Board meetings and the Supervisory Board meetings from the Bank's General Director, Chief Financial Officer and Deputy General Directors on matters including strategy, progress against strategy and financial performance;
  - Updates at each regularly scheduled meeting of each BoGG Board Committee Chairmen and the Supervisory Board Committee Chairmen;
  - Updates at each regularly scheduled meeting on macroeconomics and business segment performance;
  - Updates at each regularly scheduled meeting of Audit Committee on Internal Audit, with serious matters reported to the BoGG Board and the Supervisory Board by the Chairman of the Audit Committee; and
  - Reviewing and approving policies in a range of areas which have relevance across the Group by the BoGG Board and for the Bank by the Supervisory Board;

- The BoGG Board has a schedule of defined matters reserved for the BoGG Board and meets at least quarterly to discuss strategic matters and business performance. The BoGG Board committees have documented terms of reference.

Succession Planning and BoGG Board/Supervisory Board Appointment Procedures

At BoGG level, the BoGG Board Nomination Committee is responsible for both Director and Group executive management succession planning. There is a formal, rigorous and transparent procedure for the appointment of new Directors to the BoGG Board.

BoGG's succession planning model occasionally involves the recruitment of independent external advisors to the BoGG Board and Committees. In this way, both BoGG and the Bank receive objective insight into the decision making and can judge whether an individual advisor has the requisite skills, knowledge and understanding of the Bank to be appointed as an Independent Non-Executive Director and/or Independent member of the Bank's Supervisory Board.

On appointment, Non-Executive Directors are given a Letter of Appointment that sets out the terms and conditions of their directorship, including the fees payable and the expected time commitment. Each Non-Executive Director is expected to commit approximately 25-35 days per year to the role. An additional time commitment is required to fulfil the role as BoGG Board Committee members and/or BoGG Board Committee Chairmen, as applicable. The BoGG is satisfied that all Non-Executive Directors dedicate the amount of time necessary to contribute to the effectiveness of the BoGG Board. The letters of appointment for Non-Executive Directors are available for inspection at the Company's registered office during normal business hours.

Any external appointment or other significant commitment of the Non-Executive Directors requires the prior approval of the BoGG Board. The Non-Executive Directors hold external directorships or other external positions but the BoGG Board believes they still have sufficient time to devote to their duties as a Director of BoGG and that the other external directorship positions held provide BoGG and the Bank with valuable expertise.

3.4. Management Board and Management Team

As at the date of this report the Bank's Management Board consists of the members listed below. The business address for all of the Management Board members is 29a Gagarini Street, Tbilisi 0160, Georgia.

Name	Current Position
Archil Gachechiladze	General Director
Sulkhan Gvalia	Deputy General Director, Chief Financial Officer
George Chiladze	Deputy General Director, Chief Risk Officer
Levan Kulijanishvili	Deputy General Director, Chief Operations Officer
Vakhtang Bobokhidze	Deputy General Director, Information Technology, Data Analytics, Digital Channels
Mikheil Gomarteli	Deputy General Director, Mass Retail and Micro Business Banking
Eter (Etuna) Iremadze	Deputy General Director, Premium Banking (SOLO)
Zurab Kokosadze	Deputy General Director, Corporate Banking

In addition to the Management Board, the persons listed below are part of the Bank's senior management team:

Name	Current Position
Zurab Masurashvili	Head of SME Business Banking
Levan Gomshiashvili	Chief Marketing Officer
Nutsa Gogilashvili	Head of Customer Experience and Human Capital Management
Ana Kostava	Chief Legal Officer
David Chkonia	Director of International Business

The professional backgrounds of the Bank's Management Board/Team are presented below:

- **Archil Gachechiladze**
  General Director

Mr Gachechiladze was appointed as General Director and CEO of the Bank and Bank of Georgia Group plc on 28 January 2019. Prior to his recent appointment, Mr Gachechiladze served as CEO of Georgian Global Utilities (formerly part of BGEO Group plc) from January 2017 to January 2019. Mr Gachechiladze joined the Bank in 2009 as Deputy General Director, Corporate Banking (2009-2013) and has since held various roles with the Bank and its holding and sister companies, such as Deputy General Director, Investment Management (2013-2015), CFO of BGEO Group (2015-2016) and Deputy General Director, Corporate and Investment Banking (2016-2017). Mr Gachechiladze has over 20 years of experience in financial services, including various senior positions in both local and international organisations, such as TBC Bank (2008-2009), Lehman Brothers Private Equity (currently Trilantic Capital Partners) (2006-2008), Salford Equity Partners (2002-2004), the European Bank for Reconstruction and Development (EBRD) (2001-2002), KPMG and the World Bank's CERMA (1998-2000). Mr Gachechiladze received his undergraduate degree in Economics from Tbilisi State University, and holds his MBA with distinction from Cornell University. He is also a CFA Charterholder and a member of the CFA Society in the United Kingdom.

- **Sulkhan Gvalia**
  Deputy General Director, Chief Financial Officer

Mr Gvalia was appointed as Deputy General Director, Chief Financial Officer of JSC Bank of Georgia in May 2019. Mr Gvalia has extensive experience in banking having worked in a number of senior management roles at the Bank, including Chief Risk Officer (2005-2013) and Head of Corporate Banking (2013-2016). Mr Gvalia previously served as Deputy CEO of TbilUniversalBank, prior to its acquisition by the Bank of Georgia in November 2004. Prior to his recent appointment, Mr Gvalia was the founder and CEO of E-Space Limited, Tbilisi – the only Georgian company developing the electric car charging infrastructure in Georgia. He also serves as a non-executive independent director at Inecobank (Armenia) since 2018. Mr Gvalia received a law degree from Tbilisi State University.

- **George Chiladze**
  Deputy General Director, Chief Risk Officer

Mr Chiladze was appointed as Deputy General Director, Chief Risk Officer of JSC Bank of Georgia in September 2013. He re-joined the Bank having already served as Deputy General Director, Finance, from 2008 to 2012. From 2012 to 2013, Mr Chiladze was Deputy CEO at the Partnership Fund, and he served as general director of BTA Bank (Georgia) from 2005 to 2008. Prior to joining BTA Bank, he was an executive member of the Supervisory Board of JSC Europace Insurance Company and a founding partner of the management consulting firm, Altergroup Ltd. Mr Chiladze had previously worked in the US at the Programme Trading Desk at Bear Stearns in New York City, before returning to Georgia in 2003. Mr Chiladze received a PhD in Physics from Johns Hopkins University in Baltimore, Maryland, and an undergraduate degree in Physics from Tbilisi State University.

- **Levan Kulijanashvili**
  Deputy General Director, Chief Operations Officer

Mr Kulijanishvili was appointed as Deputy General Director, Chief Operations Officer of JSC Bank of Georgia in September 2017, prior to which he served as BGEO Group plc's CFO and as Deputy General Director, Finance of the Bank from February 2016. He has been with the Bank since 1997. During his over 20 years of service, Mr Kulijanishvili has held various senior positions, including Head of Compliance and Internal Control from 2009 (until his appointment as Deputy General Director), Finance, Head of the Internal Audit department (2000-2009), Manager of the Financial Monitoring, Strategy and Planning department (1999-2000) and Head of the Financial Analysis division (1997-1999). Mr Kulijanishvili received his undergraduate degree in Economics and Commerce from Tbilisi State University and received his MBA from Grenoble Graduate School of Business.

- **Vakhtang Bobokhidze**

  Deputy General Director, Deputy CEO, Information Technology, Data Analytics, Digital Channels

Mr Bobokhidze was appointed as Deputy General Director, Chief Information Officer of JSC Bank of Georgia in March 2018, prior to which he served as Head of IT since April 2016. Mr Bobokhidze joined the Bank in late 2005 as a Quality Control Manager through a progression of positions until he joined JSC Bank Republic in 2010. Mr Bobokhidze made his return to the Bank in December 2010 as IT Business Consultant and he currently holds the position of Deputy CEO, Information Technology, Data Analytics, Digital Channels. Mr Bobokhidze received his undergraduate and MBA degrees from Tbilisi State University.

- **Mikheil Gomarteli**

  Deputy General Director, Mass Retail and Micro Business Banking

Following the split of Retail Banking into two segments in February 2017 due to significant growth in the Retail Banking business, Mr Gomarteli assumed the role of Deputy General Director responsible for Emerging and Mass Retail Banking and Micro Business Banking of JSC Bank of Georgia. Prior to this, Mr Gomarteli had served as the sole Deputy General Director of Retail Banking since February 2009. He has been with the Bank since December 1997. During his over 25 years of service with the Bank, Mr Gomarteli has held various senior positions, including Co-Head of Retail Banking (March 2007-February 2009), Head of Business Development (March 2005-July 2005), Head of Strategy and Planning (2004-2005), Head of Branch Management and Sales Coordination (2003-2004), Head of Branch Management and Marketing (2002-2003) and Head of Banking Products and Marketing (2000-2002). Mr Gomarteli received his undergraduate degree in Economics from Tbilisi State University.

- **Eter (Etuna) Iremadze**

  Deputy General Director, Premium Business Banking (SOLO)

Ms Iremadze was appointed as Deputy General Director, Premium Business Banking of JSC Bank of Georgia in January 2021, prior to which she served as Head of Premium Business Banking since May 2019. Ms Iremadze has around 20 years of experience in financial services. She joined the Bank in 2006 and has held various senior positions, including Head of Blue Chip Corporate Banking Unit covering structured lending, M&As, significant buyouts in the country, as well as project financing. Ms Iremadze also served as Head of the Strategic Projects Department in Georgian Global Utilities (formerly part of BGEO Group plc), where she was working under the direct supervision of the CEO (2017-2019). Ms Iremadze received her undergraduate degree in Economics and Commerce from Tbilisi State University and received her MBA from Grenoble Graduate School of Business.

Zurab Kokosadze

Deputy General Director, Corporate Banking

Mr Kokosadze was appointed as Deputy General Director, Corporate Banking of JSC Bank of Georgia in January 2021, prior to which he served as Head of Corporate Banking under the direct supervision of General Director since May 2020. Mr Kokosadze has around 20 years of experience in financial services. He joined the Bank in 2003 as Junior Corporate Banker and since has held various senior positions, including Senior Corporate Banker (2006-2009), FMCG Sector Head (2009-2016), Deputy Head of Corporate Banking (2016-2017) and Head of Corporate Banking (2017-2020), under the supervision of Deputy General Director, Corporate Banking. Mr Kokosadze has been actively involved in shaping the Bank's Corporate Banking business platform since its launch. Mr Kokosadze received his undergraduate degree in business administration from Caucasus School of Business and his MBA degree from Grenoble Graduate School of Business.

Zurab Masurashvili

Head of SME Business Banking

Mr Masurashvili was appointed as Head of SME Business Banking of JSC Bank of Georgia in May 2019. Prior to this appointment, Mr Masurashvili has held several senior positions in the Bank since 2015, including Head of Express Business, Head of MSME Business and Head of Retail Business Banking. Mr Masurashvili has extensive experience in financial services. During 2002-2007, he held several positions in international organisations such as EBRD's Small Enterprise Lending Programme, the World Bank's Access to Rural Finance in Bangladesh and GTZ's Micro Finance and Reform of Rural Finance Sector. During 2007-2015, prior to joining the Bank, he served as a Deputy Chairman of the Board of Directors in JSC Privatbank. Mr Masurashvili received his undergraduate degree in Geology from Georgian Technical University.

Levan Gomshiashvili

Chief Marketing Officer

Mr Gomshiashvili was appointed as Chief Marketing Officer of JSC Bank of Georgia in May 2019. Mr Gomshiashvili has extensive experience in marketing. He started his career in Georgian Railway, covering advertising and project management. Before joining the Bank, Mr Gomshiashvili was the founder of HOLMES&WATSON, creative agency, where he acted as Account Manager for clients operating in banking, as well as other sectors. Mr Gomshiashvili is also the founder of Tbilisi School of Communication, an educational facility with an emphasis on ExEd. Mr Gomshiashvili received his MSc in Management from the University of Edinburgh.

Nutsa Gogilashvili

Head of Customer Experience and Human Capital Management

Ms Gogilashvili was appointed as Head of Customer Experience and Human Capital Management of JSC Bank of Georgia in August 2019. Ms Gogilashvili has ten years of experience in financial services, including various senior positions both in local and international organisations. She joined the Bank in May 2016 and has held various senior positions, including Head of Strategic Processes of Corporate and Investment Banking in 2016 and Head of Customer Experience Management since January 2017. Prior to joining the Bank, she served as Head of Strategic Planning and Budgeting of TBC Bank. Ms Gogilashvili had previously worked in London as analyst at JP Morgan covering several product control roles (2011-2014). Ms Gogilashvili received her MSc in Finance from Cass Business School in London and an undergraduate degree in Economics from Moscow State Institute of International Relations.

Ana Kostava

Chief Legal Officer

Ms Kostava was appointed as Chief Legal Officer of JSC Bank of Georgia in October 2021. Ms Kostava joined Bank of Georgia in April 2018 as Senior Group Lawyer (2018-2020) and prior to recent appointment served as Chief Legal Officer of the Bank under the direct supervision of the Deputy CEO, Chief Risk Officer since June 2020. Prior to joining the Bank she served as Associate at international law firm Dechert LLP (2015-2018). Ms Kostava also has experience of working as a lawyer at the World Trade Organization Appellate Body Secretariat (2014) and European Court of Human Rights (2012-2013), prior to which she worked as Chief Legal Officer at one of the projects of Partnership Fund (2012), and as Associate at the law firm LPA (Legal Partners Associated) LLC (2010-2012). Since 2015, Ms Kostava is Associate Lecturer at Free University of Tbilisi. Ms Kostava obtained her LLM from University of Cambridge and LLB from Caucasus University, Caucasus School of Law. She also holds Harvard Law School Executive Education Certificate of Leadership in Corporate Counsel.

David Chkonia

Director of International Business

Mr Chkonia was appointed as Senior Advisor of JSC Bank of Georgia in March 2021 and promoted to Director of International Business in March 2022. Prior to joining the Bank, he served as Deputy CEO and Chief Risk Officer at TBC Bank. Mr Chkonia previously also served as Director at BlackRock in London, advising financial institutions and regulators on topics related to risk management, balance sheet strategy and regulation. Prior to that, he served as Senior Vice President at PIMCO, responsible for the risk advisory practice. In 2009-2011, David worked at European Resolution Capital, helping European banks with NPL management and recovery strategies. In 2005, David joined Goldman Sachs in the EMEA Structured and Principal Finance team where he completed a number of innovative financing transactions in the infrastructure and real estate sectors and worked on restructuring assignments. Mr Chkonia started his career at the European Bank for Reconstruction and Development (EBRD), making debt and equity investments in Central and Eastern Europe. Mr Chkonia holds a BSc from San Jose State University and an MBA from The Wharton School at the University of Pennsylvania.

Responsibilities of the Management Board

The Management Board and the Management Team of the Bank represent an executive body that is responsible for day-to-day management of the Bank (except for the functions reserved to the GMS and the Supervisory Board) and, according to the Charter, shall consist of the General Director and not less than three Deputy General Directors. The Management Board of the Bank is accountable to the shareholders and the Supervisory Board, and its members are appointed and dismissed by the Supervisory Board. Any member of the Management Board shall have the right to request from any Supervisory Board member that a meeting of the Supervisory Board be called and he/she may address such meeting.

The Supervisory Board of the Bank approves the remuneration and other conditions of employment for each member of the Management Board of the Bank. Certain resolutions of the Management Board of the Bank are subject to prior approval of the Supervisory Board of the Bank.

The Management Board is led by the General Director, who together with the Supervisory Board, allocates responsibilities of the Management Board among its members. The responsibilities of the Management Board include:

- Running the Bank's day-to-day activities
- Reviewing the agenda items for the GMS and for the Supervisory Board meetings, obtaining the necessary information, preparing proposals and drafting resolutions
- Drafting and presenting to the Supervisory Board for approval the business plan for the following year (such business plan to include the budget, profit and loss forecast and the Bank's investments plan)
- Reviewing issues in relation to lending, settlement, financing, cash services, security, accounting and reporting of cash and valuables of the Bank and internal controls
- Making decisions regarding the operation of the Bank's branches and service centres, ensuring that the branch managers and heads of service centres fulfil their tasks and functions
- Reviewing the information provided by internal audit or external inspections, and the reports submitted by the branch managers and heads of service centres, and making appropriate decisions
- Ensuring the fulfilment of resolutions passed at the GMS and by the Supervisory Board
- Developing policies, by-laws and other regulatory documents, which are approved by the Supervisory Board, and ensuring compliance with such policies, by-laws and regulatory documents
- Deciding on the appointment, dismissal, training, and remuneration of employees
- Convening an extraordinary general meeting, if necessary
- Any other issues which may be assigned to the Management Board by the Supervisory Board and/or the GMS
- Fulfiling the responsibilities set forth by the Bank's charter and the applicable laws

The following activities fall within the authority of Supervisory Board and may be carried out only with the approval of the Supervisory Board:

- Acquisition and disposal of a stake in other companies if the amount of such stake/shares exceeds 50.0% of the total equity of such company or the volume of the transaction exceeds 2.5% of the Bank's equity value as of the end of the previous calendar month;
- Acquisition, transfer and encumbrance of real estate and related ownership rights, if such transaction falls outside the scope of routine economic activity of the Bank and the volume of such transaction exceeds 2.5% of the Bank's equity value as of the end of the previous calendar month;
- Establishment and liquidation of branches;
- Investments, the partial or total amount of which exceeds 2.5% of the Bank's equity value as of the end of the previous calendar month;
- Borrowing funds in excess of 2.5% of the Bank's equity value as of the end of the previous calendar month;
- Securing debt financing, if such financing falls outside the scope of routine economic activity;
- Launching a new type of banking activity or terminating or suspending the existing type of banking activity;
- Adopting general principles of business strategy and the business plan of the Bank and the development and approval of the annual budget and long-term liabilities;
- Determination of the remuneration and/or additional benefits for the Bank's top management (General Director, other members of the Management Board and any other top managers so selected by the Supervisory Board);

- Approval of an agreement or contract pursuant to which the expenditures of the Bank (payable by single or several tranches) exceeds 1.0% of the Bank's equity value as of the end of the previous calendar month;
- Determination and approval of internal policies and procedures for lending, investing, foreign exchange, assets and liabilities management, asset valuation, their classification and adequate provisioning;
- Determination and approval of the minimal and maximal interest rates to be used on credits and deposits;
- Redemption of the Bank's shares in cases envisaged by the applicable laws, including the redemption of treasury shares;
- Other activities that may be prescribed by applicable laws.

The Management Board is led by the General Director who is responsible for: acting independently on behalf of the Bank (subject to any required consents from the Supervisory Board); chairing meetings of the Management Board, supervising the implementation of the decisions of the Management Board, Supervisory Board and the GMS, assigning tasks to the Management Board members with the consent of the Supervisory Board and to other managers of the Bank and issuing relevant orders, instructions and other directives for these purposes; submitting for approval to the Supervisory Board, recommendations on the remuneration and bonuses of the Bank's employees; appointing and dismissing employees in accordance with the employee recruitment plan approved by the Management Board; carrying out any other activity required for attaining the goals of the Bank (except for those that fall within the competence of the GMS or Supervisory Board). The General Director is entitled to delegate his direct tasks to other Management Board members or the heads of relevant departments of the Bank as deemed appropriate.

4. Risk Management

The Bank identifies, evaluates, manages and monitors the risks the Bank faces through an integrated risk management framework and control framework supported by formal policies and procedures, clearly delegated authority levels and comprehensive reporting. The Bank’s Supervisory Board and the Management Board confirm that the Bank’s framework has been in place throughout the year under review and as of the date of approval of this Management Report, and that it is integrated into both our business planning and viability assessment processes.

Overview

The Bank’s Supervisory Board, supported by its Audit and Risk Committees and the Management Board, is ultimately responsible for the Bank’s risk management and internal controls. The Bank believes that a strong risk management culture is fundamental to an effective risk management framework, which encompasses its shared attitudes, values and standards that shape behaviours related to risk awareness and risk taking. The Bank is committed to creating an environment where there is openness and transparency in how the Bank make decisions and manage risks, and where business managers are accountable for the risk management and internal control processes associated with their activities. the Bank’s culture also seeks to ensure that risk management is proactive and forward-looking.

Our framework

The Supervisory Board's mandate includes determining the Bank's risk appetite and risk tolerance as well as monitoring risk exposures to ensure that the nature and extent of the main risks The Bank face are consistent with its overall goals and strategic objectives. The Supervisory Board is accountable for reviewing the effectiveness of the systems and processes of risk management and internal control, with the Audit and Risk Committees assisting in discharging this responsibility. At the Supervisory Board, Committee and Management Board levels, the Bank develops formal policies and procedures which define how risks are systematically identified, assessed, quantified, managed and monitored. Each business line engages in the risk management process by identifying the key risks applicable to its business. The principal risks and uncertainties faced by the Bank are identified through this bottom-up process.

On a day-to-day basis, the Bank's Management Board is responsible for the implementation of the Bank's risk management and internal control policies and procedures. In line with the Bank's risk culture, managers "own" the risks originating in their respective business processes. For each material risk identified at any level of the business, the risk is measured, mitigated (if practicable) and monitored in accordance with the Bank's policies and procedures. In regard to such risks, managers are required to report on identified issues and risk responses in a timely, consistent and systematic manner. The Management Board regularly reviews and challenges the output from the bottom-up process and assesses the effectiveness of the implementation of the risk management and internal control policies and procedures. The Bank's reporting process enables key risks to be escalated to the appropriate level of authority and provides assurance to the Committees and the Supervisory Board. Key developments affecting the Bank's principal risks and associated mitigating actions are reviewed quarterly (or more often if necessary on an ad hoc basis, outside of the regular reporting process) by the Audit and Risk Committees, as appropriate, and the Supervisory Board. The principal risks and uncertainties faced by the Bank are identified through the above processes.

Internal controls

The Supervisory Board is responsible for reviewing and approving the Bank's system of internal controls, and its adequacy and effectiveness. Controls are reviewed to ensure effective management of the risks the Bank faces. Certain matters – such as the approval of major capital expenditures, significant acquisitions or disposals and major contracts – are reserved exclusively for the Supervisory Board. For other matters, the Supervisory Board is often assisted by both the Audit and Risk Committees.

With respect to internal controls over financial reporting, the Bank's financial procedures include a range of system, transactional and management oversight controls. The Bank prepares detailed monthly management reports that include analyses of results along with comparisons, relevant strategic plans, budgets, forecasts and prior results. These are presented to, and reviewed by, the Management Board. Each quarter, the Bank's Deputy General Directors – Chief Financial Officer, and other members of the Finance team discuss financial reporting and associated internal controls with the Audit Committee, which reports significant findings to the Supervisory Board. The Audit Committee also reviews quarterly, half-year and full-year financial statements and corresponding results announcements and advises the Supervisory Board. The external and internal auditors attend each Audit Committee meeting, and the Audit Committee meets them regularly both with and without the presence of the Management Board.

The Bank's Audit and Risk Committees monitor internal controls over operational and compliance risks. The Bank's General Directors – Chief Risk Officer, Chief Operations Officer and Chief Financial Officer, Head of AML and Compliance, Head of Internal Audit and other Management Board members report to the Audit and Risk Committees on a quarterly basis. Any key issues identified are escalated to the Supervisory Board. The Supervisory Board also receives regular reports directly from the head of each risk function of the Bank. Principal risks and internal control issues are addressed in such reports.

The Bank's system of internal controls is also supported by our Whistleblowing Policy and a whistleblowing reporting tool, which allows all employees to report concerns anonymously. Responsibility for the Whistleblowing Policy resides with the Supervisory Board, and both the Supervisory Board and Audit Committee receive quarterly and annual reports on the operation of the policy and on any issues raised from the Head of AML and Compliance of the Bank.

Effectiveness review

Each year, the Bank reviews the effectiveness of its risk management processes and internal control systems, with the assistance of the Audit and Risk Committees. This review covers all material systems, including financial, operational and compliance controls. The latest review covered the financial year to 31 December 2021 and obtained assurance from the Management Board and Internal Audit. The Supervisory Board is able to conclude with reasonable assurance that the appropriate internal controls and risk management systems were maintained and operated effectively throughout 2021, and that these systems continued to operate effectively up to the date of approval of this Report. The review did not identify any significant weaknesses or failures in the systems. However the Bank continuously strives to improve its risk management framework and focuses on further mitigating its key risks, as they evolve.

Bank risk management

Management of risk is fundamental to the Bank and is an essential element of the Bank's operations. The main risks inherent to the Bank's operations are credit risk, liquidity risk, capital risk, market risk, regulatory and legal risks, financial crime risk, information security and data privacy risks, operational risk, human capital risk, and model risk. The following is a description of the Bank's risk management policies and procedures in respect of those risks. Business risks, such as changes in the environment, technology and industry, are monitored through the Bank's strategic planning process.

The Bank's risk management framework aims to continuously assess risk throughout the lifecycle of key operations and comprises the following steps:

- a top-down risk appetite framework, cascaded down through sets of operational limits;
- a bottom-up risk identification, assessment, and measurement through relevant KRIs;
- risk treatment – implementation of mitigation activities (where appropriate);
- risk monitoring and reporting – ongoing monitoring and control allowing timely adaptation to any significant changes in the underlying assumptions and/or conditions on which the risk assessments were based. Any identified issues are escalated as needed; and
- analysis of the effectiveness of the risk management system.

Enterprise risk management

Over the course of the year the Bank actively worked to amplify the enterprise risk management (ERM) function. This function supports senior management in maintaining an effective risk management framework. It allows management to take a holistic view, and sets up a routine for the risk management process by providing visibility of the relationships among the various risk types, a portfolio view of all significant risks, a risk profile and guiding principles for the treatment of risk. Key ERM role responsibilities are to:

- improve risk culture by embedding a risk mindset in the Bank's culture, which ensures that risk becomes everyone's business and is incorporated in day-to-day operations and the decision-making process;
- coordinate and guide the review of the Bank's Risk Appetite statement, linked to the Bank's strategy, business objectives, and allocation of financial resources;
- maintain and upgrade the risk management framework to ensure the consistency and adequacy of the Bank's risk management practices;
- improve multi-dimensional risk assessment processes at an enterprise-wide level;
- update and maintain capital adequacy and financial risk policies and procedures. Strengthen the monitoring process to ensure compliance of financial risk indicators with risk appetite and prudential limits; and
- report on the Bank's risk profile to enable decision-makers to proactively manage risks.

Risk management structure

In 2019, the Bank started to develop new Risk Management Framework and Risk Appetite Framework policies, which are based on the three lines of defence model and reflect the requirements of the Corporate Governance Code (based on Basel III) adopted by the National Bank of Georgia (NBG). The new framework and policies were fully implemented by the end of 2020. The three lines of defence model enhances the understanding of risk management and control by clarifying roles and responsibilities within the Bank's different risk management bodies and business units in order to increase the effective management of risk and control. The underlying premise of the new model is that through the oversight of the Bank's Management Board and the Supervisory Board, the following three lines of defence are identified (and ascribed relevant responsibilities) for the effective management of risk and control.

First line of defence

- The first line of defence comprises the relevant business/operational unit's front-line and mid-line managers, the Risk Owners, who have ownership of and manage relevant units of the Bank.
- The Risk Owners are accountable for initial identification, assessment, management, monitoring and reporting of risks with regards to products, activities, processes and systems under their management.
- The first line of defence is also accountable for: (i) participating in defining the Bank's risk appetite; (ii) integrating risk appetite and risk culture into daily activities; (iii) introducing controls and processes to effectively manage risks; (iv) introducing awareness-raising activities related to risk culture and (v) reflecting risk management roles and responsibilities in the Risk Owners' job descriptions (JD) and incentivising/rewarding expected risk management behaviours. During 2021, the Bank added KPIs such as cost of credit risk, mandatory vacations and mandatory training completion rates in relevant JDs.

Second line of defence

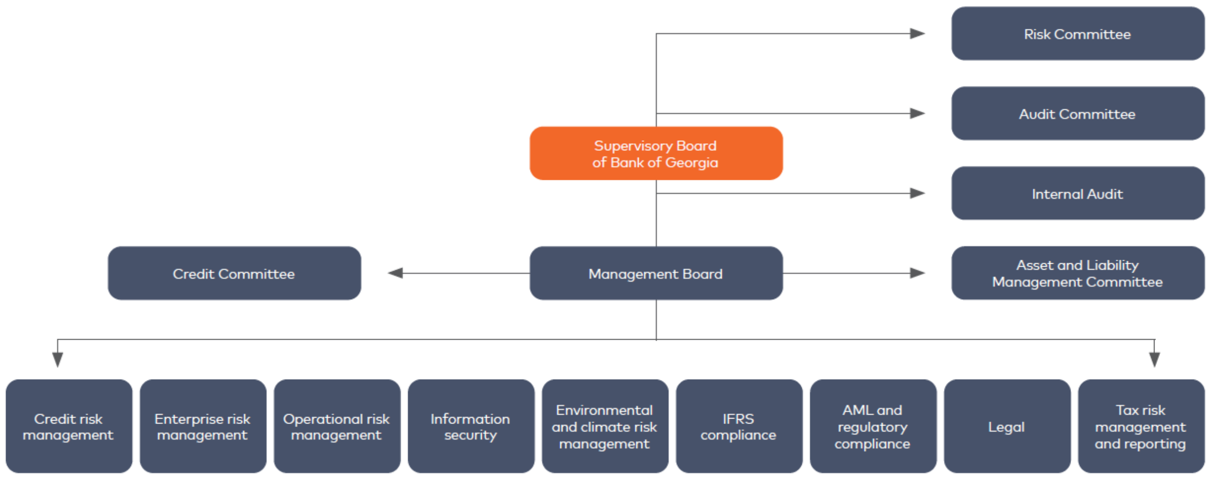
- The second line of defence provides an additional level of support to the first line of defence, with senior management who bring an additional level of expertise to the risk management process and provide further support to and monitoring of Risk Owners to ensure that risks and controls are properly managed.

- The second line of defence comprises the Bank's risk management function and compliance units, which are independent of the first line of defence and have the responsibility to monitor and challenge the Bank's risk-taking processes and assess risks and related matters independently of the relevant business lines and Risk Owners. More specifically, the second line of defence is in charge of developing and implementing the risk appetite framework, including setting the limits (together with the Supervisory Board), cascading these limits to various business units and monitoring compliance.
- The risk management function is represented by an organised structure under the Deputy General Director – Chief Risk Officer, comprising Retail Credit Risk Management, Corporate and Investment Credit Risk Management, MSME Credit Risk Management departments (together, the Credit Risk Management departments), Operational Risk Management department, Information Security department, Environment and Climate Risk Management department, ERM function (which incorporates Capital Adequacy & Financial Risk Management as well as Risk Culture and Governance Management processes). The Deputy General Director – Chief Risk Officer has a leading role in operating the second line of defence.
- The second line of defence for the Bank's financial crime risk management is undertaken by the AML and Compliance department, reporting to the Bank's Deputy General Director – Chief Operations Officer. The department is responsible for managing and monitoring the Bank's products and processes and ensuring compliance with applicable regulations. This function is shared and carried out on a daily basis by the Legal department and Chief Legal Officer.
- Managing the Bank's legal risk is the responsibility of the Chief Legal Officer, who reports to the Bank's General Director.
- Managing compliance risk in the field of financial reporting, as well as managing the Bank's tax risks, is the responsibility of the Bank's Finance function, under the Bank's Deputy General Director – Chief Financial Officer.
- The aforementioned structural units also participate in adherence to compliance requirements and in the organisation of the general control environment as part of the second line of defence.

Third line of defence

- The third line of defence is the responsibility of the Internal Audit department.
- The third line of defence provides assurance to the Supervisory Board that the efforts of the first and second lines of defences are consistent with the Supervisory Board's expectations regarding the Bank's risk profile.
- The third line of defence is independent of the first and second lines of defence and is responsible for assessing the consistency and effectiveness of the Bank's internal control systems, the effectiveness of the first and second lines of defence, and the overall risk management framework.
- The third line of defence is also responsible for the adequate and independent evaluation of risk appetite management processes, systems and reporting functions.

Risk management bodies of Bank of Georgia



Risk management bodies

The principal risk management bodies of the Bank are the Supervisory Board, Audit Committee, Risk Committee, Management Board, Credit Committee and Asset and Liability Management Committee (ALCO). The Supervisory Board, Audit Committee and Risk Committee perform similar roles as Bank of Georgia Group plc's Board of Directors, Audit Committee and Risk Committee, respectively, only at the Bank level.

Management Board. The Management Board has overall responsibility for the Bank's asset, liability and risk management activities, policies and procedures. In order to effectively implement the risk management system, the Management Board delegates individual risk management functions to each of the various decision-making and execution bodies within the Bank.

Internal Audit function. The Bank's Internal Audit function is an independent, objective assurance and consulting internal provider designed to add value and improve the Bank's operations through independent and objective assessment of the effectiveness and the adequacy of Bank-wide processes, controls, governance and risk management as the third line of defence. The Head of Internal Audit, also known as Chief Auditor, is appointed by the Bank's Supervisory Board and reports directly to the Bank's Audit Committee and administratively to the Chief Operations Officer. The Internal Audit Function evaluates the Bank's risk management, control and governance practices based on a systematic, disciplined, and risk-based approach. The Chief Auditor reports to the Audit Committee at least quarterly on significant risk exposures and control issues if any are identified through audit engagements.

Credit Committees. The Bank has five credit committees (together, the "Credit Committees"), each responsible for supervising and managing the Bank's credit risks in respect of Retail, SOLO and Wealth Management loans, as well as micro loans, SME loans, corporate loans and counterparty credit exposures. These committees are: the Retail Banking Credit Committee, the Micro loans Credit Committee, the SME loans Credit Committee, the Corporate Banking Credit Committee, and the Corporate Recovery Committee. Each Credit Committee comprises tiers of subcommittees and approves individual loan transactions.

The Credit Committee for Retail loans comprises three tiers of subcommittees (for risk management purposes, loans for Wealth Management and SOLO clients are classified as Retail loans), for micro loans one tier; for SME loans three tiers; for corporate loans three tiers and for corporate recovery one tier of subcommittees.

Retail loans of more than US$ 2 million are approved by the Head of Retail Credit Risk Management department and Deputy General Director – Retail Banking. Micro loans and SME loan applications of less than US$ 0.2 million and US$ 1.0 million respectively are approved by credit risk managers of the Micro, SME Credit Risk Management department. The SME loans of more than US$ 1.0 million are approved by the Head of Micro, SME Credit Risk Analysis unit.

Corporate loan exposures to single group borrowers over US$ 35.0 million require approval by the Supervisory Board. Engagement of the Bank's General Director is required if customer's/group's exposure increases by more than US$ 10.0 million and the Supervisory Board approval is needed.

The Corporate Recovery Committee is responsible for monitoring all of the Bank's exposures to loans that are managed by the Corporate Banking and Recovery department. The Corporate Banking and Recovery department reports to the Bank's Deputy General Director - Corporate Banking. The Committee is chaired by Deputy General Director – Chief Risk Officer, and consists of other three members: Deputy General Director – Corporate and Investment Banking, Head of Corporate and Investment Credit Risk Management department and Head of Corporate Banking and Recovery department.

Lower tier subcommittees meet on a daily basis, whereas higher tier ones meet as needed, typically one or two times a week. Each of the subcommittees of the Credit Committees makes its decisions by a majority vote of its members.

The other two committees managing the Bank's credit risk are:

The Financial and Governmental Counterparty Risk Management Committee (FGCRMC) manages, monitors and controls counterparty risk in relation to financial and governmental counterparties of the Bank. It comprises two tiers of subcommittees. The Committee consists of six members – the Bank's Deputy General Director – Chief Risk Officer, Deputy General Director – Chief Financial Officer, Deputy General Director – Corporate Banking, Enterprise Risk Management Lead, Head of Treasury and Head of Global Banking Business Function. A majority of votes is needed for the approval of individual counterparty limits or non-standard transactions. If the net exposure exceeds US$ 10.0 million, then the decision is deferred to the ALCO.

The Credit Assets Management Committee compromises three tiers of subcommittees and is chaired by one of the following: the Head of the Credit Assets Management department (the first level pertains to loans of up to GEL 500,000), the Bank's Deputy General Director – Chief Operations Officer (the second level pertains to the loans in the range of GEL 500,000 – 2,000,000) and the Bank's Deputy General Director – Chief Risk Officer (the third level pertains to loans above GEL 2,000,000). The Credit Assets Management department manages the Bank's exposures to problem loans and reports to the Bank's Deputy General Director – Chief Operations Officer.

ALCO. The ALCO is the core asset liability management (ALM) and risk management body that establishes policies and guidelines with respect to capital adequacy, market risks and respective limits, funding and liquidity risk and respective limits, interest rate and prepayment risks and respective limits, money market general terms and credit exposure limits. ALCO designs and implements respective risk management and stress testing models, regularly monitors compliance with pre-set risk limits, and approves treasury deals with non-standard terms. Specifically, ALCO:

- sets money-market credit exposure/lending limits;
- sets open currency position limits with respect to overnight and intra-day positions;
- establishes stop-loss limits for foreign currency operations and securities;
- monitors compliance with the established risk management models for foreign exchange risk, interest rate risk and funding and liquidity risk;

- sets ranges of interest rates for different maturities at which the Bank may place its liquid assets and attract funding; and
- reviews different stress tests and capital adequacy models prepared by the Finance function/the ALM unit and FGCRMC.

The ALCO is chaired by the Bank's General Director and meets on ad hoc basis, with decisions made by a majority vote of its members. ALCO members include the Bank's General Director, Deputy General Director – Chief Financial Officer, Deputy General Director – Chief Risk Officer, Deputy General Director – Corporate Banking, Deputy General Director – Retail Banking, the Head of the ALM unit and the Head of the Treasury department. The Head of the Finance function acts as a secretary of ALCO. Other Management Board members attend meetings as required. The ALCO reviews financial reports and indices including the Bank's limits/ratios, balance sheet, statement of operations, maturity gap, interest rate gap, currency gap, foreign exchange risk, interest rate risk and funding and liquidity risk reports, total cash flow analysis, customer cash flow analysis and concentration risk analysis, for the past periods as well as future projections and forecasts, other financial analysis and further growth projections on a monthly basis.

ALCO is the key governing body for capital adequacy management, as well as for respective risk identification and management. ALCO establishes limits and reviews actual performance over those limits for NBG Basel III capital adequacy regulation. The Finance function is in charge of regular monthly monitoring of, and reporting on, the NBG Basel III capital adequacy compliance with regulatory requirements as well as with ALCO policies. Capital adequacy management is an integral part of the Bank's monthly reporting, as well as the Bank's annual and semi-annual budget approval and budget review processes. The Finance function prepares the NBG Basel III capital adequacy regulatory reports, as well as their forecasts, budgets and different stress scenarios, while ALCO and the Management Board regularly review them, identify risks, issue recommendations and, if applicable, propose action plans.

Second line specialised risk management functions

In 2021, the Risk Management function underwent significant transformation to better align with the Bank's strategic direction. The Credit Risk Management function was split into three specific customer segments to better address and assess customer needs and specific products in each portfolio; and two new functions were created: (i) Environmental and Climate Risk Management, and (ii) Enterprise Risk Management. Both of these respond to the Bank's ESG strategic priorities (with specific focus on E and G), while the latter is also charged with the responsibility to enhance risk culture and risk management capability organisation-wide.

In addition, the Bank's risk management system includes Credit Risk Management, Operational Risk Management, Legal, AML and Compliance, Information and Cybersecurity, Tax Reporting and Tax Risks Management.

The Credit Risk Management departments manage credit risks with respect to particular borrowers and assess overall loan portfolio risks. They are responsible for ensuring compliance with the Bank's Credit Policies and management of the quality of its loan portfolio.

The Operational Risk Management department identifies and assesses operational risks within the Bank's processes and operations. It also detects critical risk areas or groups of operations with an increased risk level, and develops internal control procedures to address these risks, through (among other things) business-process redesign. The Head of Operational Risk Management, who reports to the Bank's Deputy General Director – Chief Risk Officer, is responsible for the oversight of the Bank's operational risks.

The Information Security department monitors and manages Bank of Georgia's cybersecurity and information systems. It drafts and maintains internal policies and procedures as well as an awareness programme on information security matters. It also carries out security operations and monitors data breaches.

The Bank's Legal function's principal purpose is to ensure that: (i) the Bank's business and/or structural units and subsidiaries receive due legal support; (ii) the Bank's activities conform to applicable legislation; (iii) possible losses from the materialisation of legal risks are minimised; and (iv) personal data is protected, governed, managed and utilised effectively in line with our strategy and regulation. The Legal department is responsible for the application and development of mechanisms for identifying legal risks in the Bank's activities in a timely manner; the investigation of the Bank's activities in order to identify any legal risks; the planning and implementation of all necessary actions for the elimination of identified legal risks; participation in legal proceedings on behalf of the Bank, where necessary; increasing the effectiveness of the legal structures of the Bank's transactions; and the systemisation/standardisation of the Bank's legal documentation with a view to optimising, and achieving easier, more automated and de-risked transacting processes in the Bank's daily activities.

The Bank's AML and Compliance function is responsible for the implementation of the Bank's AML and compliance programmes throughout the Bank and its subsidiaries.

The Bank's AML programme is aligned with the requirements of international bodies (FATF, Basel), directives of the European Parliament, sanctions programmes from the UN/EU/UK, and the U.S. Department of the Treasury; in addition the programme complies with the requirements of local legislations, NBG regulations and the Financial Monitoring Service. The programme addresses and covers:

- development of internal AML policies and controls, covering major aspects of the above-mentioned regulations;
- expansion of transaction monitoring in order to identify unusual behaviours of customers or sanctioned entities/persons;
- reporting to the relevant authorities;
- profiling customers based on the risk factor categories, taking into consideration money laundering/financing of terrorism (ML/FT) risks;
- providing AML training for all relevant employees.

The Bank has adopted a risk-based approach towards ML/FT risks, including a general anti-money laundering policy, ML/FT risk management policy, risk appetite statement, KYC (Know Your Customer) and customer acceptance policy, and financial sanctions compliance policy. The Bank's risk-based approach means that it applies enhanced due diligence towards higher ML/FT risks by determining high-risk categories of products, customers, services and jurisdictions. The Bank has in place a risk assessment tool for identifying high ML/FT risks. The Bank conducts an anti-financial crime, enterprise-wide business risk assessment that serves as the baseline for updating the Bank's risk appetite towards ML/FT risks and based on the outcome, it further defines appropriate measures to address identified issues.

The Bank has reporting obligations to the Financial Monitoring Service of Georgia under the local legislation. The reporting process is fully automated and supported by a special software application. Furthermore, the Bank has in place ML/FT risk management capabilities, including transaction monitoring solutions to identify and report suspicious transactions. The online solution allows fully automated monitoring of all transactions against sanctions list (OFAC, the EU, UK, the UN and other similar bodies, including the global news databases).

The Bank's compliance programme covers:

- the development of internal compliance policies and controls that define regulatory requirements across the Bank;
- the provision of compliance training for all relevant employees;
- the standardisation of regulatory change management process that ensures timely compliance with new legislations;
- a periodic assessment of the effectiveness of the internal control environment and reporting of the outcomes to relevant authorities.

The Group IFRS compliance unit is responsible for the management of IFRS Compliance risk in the financial reporting process. It provides practical advice and ensures IFRS compliance across the Bank.

The Tax Reporting and Tax Risks Management unit focuses on effective assessment and management of tax risks and the Bank's relationship with the tax authorities, provides practical advice and ensures tax compliance.

The Environmental and Climate Risk Management department manages and reports the Bank's climate-related risks, including implementation of a climate risk management system. It also assesses and mitigates environmental risks in lending activities.

The Enterprise Risk Management function includes:

- the Capital Adequacy and Financial Risk Management (CFRM) unit, which covers capital adequacy, counterparty credit risk, liquidity risk, interest rate risk and FX risk management. It establishes relevant policies and procedures, sets risk appetite, monitors compliance with these and periodically reports to the relevant governance bodies.
- the Risk Culture, Governance, Model Validation and Risk Reporting Department is charged with the responsibility to: (i) ensure Bank-wide common risk taxonomy and metrics are in place; (ii) aggregate and monitor the enterprise-wide Risk Profile and reporting; (iii) formalise and embed the Risk Appetite Statement management process; (iv) enhance organisational Risk Culture; (v) manage the Model Risk Validation process; and (vi) formalise and embed the emerging risk identification process.

All risk management policies and procedures owned by the above listed functions are approved by the Bank's Management Board and/or the Supervisory Board.

Risk measurement and reporting

The Bank applies a variety of risk metrics to measure its exposures, ranging from operational indicators to forward-looking/statistical model-based approaches and stress scenarios.

The Bank has established risk appetite limits for its principal risks, which are approved by the Supervisory Board. Monitoring and controlling of these risks are performed with reference to these limits. They reflect the business strategy and market environment in which the Bank operates and they set the boundaries for the level of risk the Bank is willing to take in pursuit of its strategic objectives. The Bank continuously monitors the landscape to ensure that any significant changes in the underlying assumptions and/or conditions are identified and adapted in a timely manner.

The Bank maintains a financial risk management reporting system which requires the Credit Risk Management departments, CFRM, Finance function and Treasury department to prepare certain reports on a daily and monthly basis. On a daily basis, each department must provide a statement of operations, balance sheet and treasury report (which includes the Bank's open foreign exchange positions, cash flows, limits and balances on correspondent accounts with other banks) and confirmation that there has been compliance with mandatory financial ratios. On a monthly basis, a report on the structural liquidity gap, a report on interest rate risk, and financial statements are produced, and these are summarised in a quarterly report to the Bank's Supervisory Board and to the Risk Committee containing analysis of the Bank's performance against its budget. Information compiled from all the businesses is examined and processed in order to analyse, control and identify emerging risks. This information is presented and explained to the Management Board and the head of each business division. The report includes aggregate credit exposure, liquidity ratios and risk profile changes. The Bank's Management Board assesses the appropriateness of the allowance for credit losses on a monthly basis. The Management Board and the Supervisory Board receive a comprehensive risk report once a quarter, which is designed to provide all the necessary information to assess and draw conclusions on the Bank's risk exposure.

Specifically tailored risk reports are prepared and distributed to all levels throughout the Bank in order to ensure that all business divisions have access to extensive, relevant and up-to-date information. A daily briefing is given to the Bank's Management Board on the utilisation of market limits, proprietary investments and liquidity.

Emerging risks

Information compiled from all the businesses is examined and processed in order to analyse, control and identify emerging risks. This information is presented and discussed with the Management Board and the head of each business division as appropriate. The Bank also considers the wider macroeconomic risks and escalate these to the Supervisory Board as appropriate in regular presentations.

The Bank recognises the challenges posed by climate change. The Bank has identified Climate Risk as an emerging risk. As such, the Bank is working to develop and integrate climate change-related risks into our credit risk framework and our business resilience assessments.

Management of Main Risks

Credit risk

Definition: Credit risk is the risk that the Bank will incur a financial loss because its customers fail to meet their contractual obligations. Credit risk arises mainly in the context of the Bank's lending activities.

Mitigation: The Bank has implemented Credit Policies, which outline credit risk control and monitoring procedures and the Bank's credit risk management systems. The Credit Policies are reviewed annually or more frequently if necessary.

Evaluation of customer creditworthiness: Prior to disbursing loans to customers, the Bank performs a rigorous assessment of customer's debt-paying ability. The Bank assesses relevant quantitative and qualitative measures (including PTI, LTV, debt to EBITDA and other ratios), including the limits defined by the NBG.

The Bank also reviews external credit rating scores when this information is available. If external ratings are not available, internal ratings are assigned. The Bank has developed internal scoring models for evaluating the creditworthiness of its Retail and MSME customers.

Loan portfolio quality monitoring: Retail, Micro and SME loans are subject to periodic reviews. The Bank monitors exposures to identify customers with signs of potential financial difficulty. The Bank initiated the development of internal behaviour scoring models for MSME customers to predict their debt-repaying ability.

For Corporate and Investment loans above US$ 5 million the Bank quarterly updates the financial information of borrowers and reviews significant non-financial changes. Exposures up to US$ 5 million are monitored semi-annually.

The Bank strictly adheres to customer exposure limits set by the NBG for Corporate Banking as well as to limits set internally, monitors the level of concentration in the loan portfolio and the financial performance of largest borrowers, and maintains a well-diversified loan book.

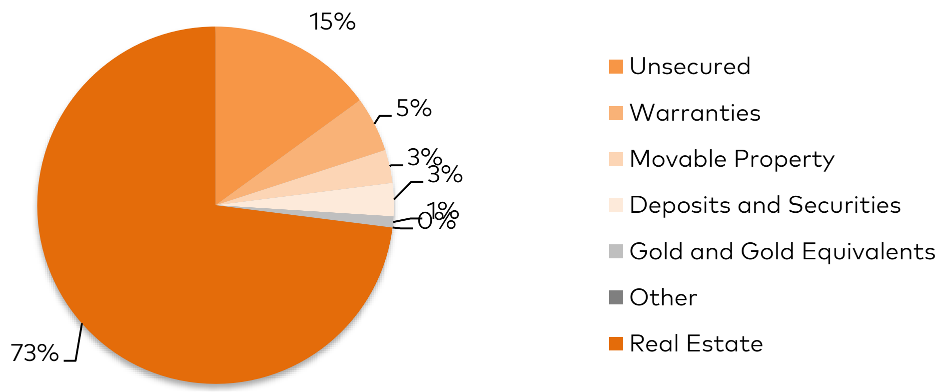
The Bank's Chief Risk Officer and the Credit Risk Management departments review the credit quality of the portfolio on a monthly basis.

The Bank quarterly updates the Supervisory Board on its exposures, loan portfolio quality, as well as provides information on its largest Corporate Banking borrowers.

Collateral valuation: The Bank mitigates its credit risk by obtaining collateral and using other security arrangements. The Bank monitors market value of collateral obtained during its review of the adequacy of the allowance for ECL. When evaluating collateral for provisioning purposes, the Bank discounts the market value of the assets to reflect the liquidation value of the collateral. An evaluation report of the proposed collateral is prepared by the Asset Evaluation department and submitted to the appropriate Credit Committee, together with the loan application and Credit Risk Manager's report. Mainly all collaterals are evaluated by the Asset Evaluation department and only in rare cases, defined by the NBG, some collaterals are evaluated by a reputable third-party asset appraisal company.

As at 31 December 2021, 85.4% of total gross loans to customers were collateralized as per NBG. The main forms of collateral in Corporate Banking and MSME segments are liens over real estate, property, plant and equipment, inventory, transportation equipment, corporate guarantees, and deposits and securities. The most common form of collateral in Retail Banking is a lien over residential property.

Below is presented the credit risk concentration per respective mitigation instruments, which shows that the Bank is well secured mostly by real estate, followed by warranties, movable property, , deposits and securities:



Effective 1 January 2018, loans up to US$ 1.0 million secured by real estate are subject to a write-off once overdue for more than 1,460 days. Unsecured loans and loans secured by collateral other than real estate are subject to a write-off once overdue for more than 150 days. Corporate loans and loans above US$ 1.0 million secured by real estate may be written off following an assessment by the Bank's Chief Risk Officer and the Credit Risk Management departments.

Other debt products: The Bank also makes available to its customers guarantees/letters of credit, which may require that the Bank make payments on their behalf. Such payments are collected from customers based on the terms of the guarantee/letter of credit. They expose the Bank to risks similar to those in case of loans, and those risks are mitigated with the same control processes and policies.

Response to the COVID-19 pandemic: To respond to the ongoing challenges and impact of the COVID-19 pandemic, the Bank continues to actively monitor the portfolio of impacted customers, specifically in the hotels, restaurants and catering (HORECA) sectors, and, depending on customer needs and requests, offers suitable loan modification options to help customers meet their credit obligations.

ECL measurement: The allowance for credit losses is based on the ECL associated with the probability of default in the next twelve months, unless there has been a significant increase in credit risk since loan origination, and in such case the allowance is based on the ECL over the life of the asset. The allowance for credit losses is based on forward-looking information, considering past events, current conditions and forecasts of future economic conditions.

The Bank establishes the ECL of financial assets on a collective basis, and for individually significant loans on an individual basis, when a financial asset or a group of financial assets is impaired. The Bank creates the ECL by reference to a particular borrower's financial condition, collateralisation level, the number of days the loan is overdue, changes in credit risk since loan origination, any forecasts for adverse changes in commercial, financial or economic conditions affecting the creditworthiness of the borrower, and other qualitative indicators, such as external market or general economic conditions. If, in a subsequent period, the amount of the ECL decreases, the previously recognised loss is reversed by an adjusted ECL account. The determination of ECL is based on an analysis of the assets at risk and reflects the amount which, in the judgement of the Bank's Management Board, is adequate to provide for expected losses considering forward-looking information.

Under the Bank's internal credit loss allowance methodology, which is based on IFRS requirements, the Bank categorises its loan portfolio into significant and non-significant loans. Significant loans are loans above US$ 1.0 million and non-significant loans are loans below US$ 1.0 million. The Credit Risk Management departments assess all defaulted significant loans individually. Non-defaulted significant loans are given a collective assessment rate. For provisioning purposes, all loans are divided into different groups (such as mortgage, consumer and micro loans).

In 2005, the Bank, jointly with certain other Georgian banks and with the CreditInfo Group hf, an international holding of credit information bureaus and a provider of credit information solutions, established JSC Credit Information Bureau CreditInfo Georgia (CIG) to serve as a centralised credit bureau in Georgia. Most Georgian banks have shared negative customer information since July 2006. Since 2009, they also share and contribute positive and negative customer credit information to CIG.

The table below shows internal and external grades used in ECL calculating.

Internal Rating Description*	Internal Rating Grades		External Rating Grades	
			Credit Bureau	Standard & Poor's
High grade				
	Aaa	1	A	AAA
	Aa1	2+	B	AA+
	Aa2	2	C1	AA
	Aa3	2-	C2	AA-
	A1	3+	C3	A+
	A2	3		A
	A3	3-		A-
	Baa1	4+		BBB+
	Baa2	4		BBB
	Baa3	4-		BBB-
Standard grade				
	Ba1	5+	D1	BB+
	Ba2	5	D2	BB
	Ba3	5-	D3	BB-
	B1	6+		B+
	B2	6		B
Low grade				
	B3	6-	E1	B-
	Caa1	7+	E2	CCC+
	Caa2	7	E3	CCC
	Caa3	7-		CCC-
	Ca			CC
				C

**Grades are not supposed to be linked to each other across the rating categories above.*

Liquidity risk

Definition: Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances.

Monitoring: Liquidity risk is managed through the ALCO-approved liquidity framework. Treasury manages liquidity on a daily basis. In order to manage liquidity risk, it performs daily monitoring of future expected cash flows on customers' and banking operations, which is a part of the assets/liabilities management process. The Finance direction/the ALM unit prepare and submit monthly reports to the ALCO. The ALCO monitors the proportion of maturing funds available to meet deposit withdrawals and the amounts of inter-bank and other borrowing facilities that should be in place to cover withdrawals at unexpected levels of demand.

Mitigation: The Bank manages its liquidity risk through the liquidity risk management framework, which models the ability of the Bank to meet its payment obligations under both normal conditions and crisis.

The Bank has developed a model based on the Basel III liquidity guidelines. It maintains a solid buffer on top of the Liquidity Coverage ratio (LCR) requirement of 100%, mandated by the NBG since September 2017. A strong LCR enhances the Bank's short-term resilience.

The Bank holds a comfortable buffer on top of the net stable funding ratio (NSFR) requirement of 100%, which came into effect on 1 September 2019. A solid buffer over NSFR provides stable funding sources over a longer time span. This approach is designed to ensure that the funding framework is sufficiently flexible to secure liquidity under a wide range of market conditions. Notably, both LCR and NSFR measures as implemented by the NBG are already more conservative compared with the minimum levels required under the Basel III framework. As at 31 December 2021, 2020 and 2019, the LCR was 124.0%, 138.6%, and 136.7%, respectively, while NSFR was 132.5%, 137.5% and 132.5%, at 31 December 2021, 2020 and 2019, respectively, comfortably above the NBG's minimum regulatory requirements.

The Bank maintains a diverse funding base comprising short-term sources of funding (including Retail Banking and Corporate Banking customer deposits, inter-bank borrowings and borrowings from the NBG) and longer-term sources of funding (including Retail Banking and Corporate Banking term deposits, borrowings from international credit institutions, and long-term debt securities). As at 31 December 2021, the Bank's 34%, 39%, and 27% of long-term funding sources were deposits, amounts owned to credit institutions, and debt securities, respectively.

Client deposits and notes are one of the key sources of funding. As at 31 December 2021, 2020, and 2019, 88.6%, 88.7%, and 90.1%, respectively, of client deposits and notes had contractual maturities of one year or less, of which 57.0%, 49.4% and 57.1%, respectively, were payable on demand. As of the same dates, the ratio of net loans to client deposits and notes was 112.5%, 97.8%, and 116.0%, respectively, and the ratio of net loans to client deposits and notes and DFIs was 98.7%, 88.1%, and 102.0%, respectively.

The Bank has strong support from International Financial Institutions. It attracted a number of new local and foreign currency long-term borrowings during 2020-2021 – more than US$ 200 million in total from the International Finance Corporation, the European Investment Bank, FMO – the Dutch entrepreneurial development bank in collaboration with other participating lenders, and the European Bank for Reconstruction and Development, part of which was drawn down during 2020 and 2021. As at 31 December 2021, the Bank had around GEL 960 million undrawn long-term facilities from DFIs with maturity of up to twelve years, as well as a strong pipeline to secure resources needed for the next 12 months.

In 2020 the NBG announced its readiness to revisit and reduce LCR requirements, as part of its updated supervisory plan for the Georgian banking sector, aimed at alleviating the negative financial and economic impacts created by COVID-19 in Georgia. On 1 May 2020, the NBG temporarily cancelled the 75% LCR requirement for local currency for a one-year period and restored it in May 2021. Furthermore, the NBG has also introduced the FX swap instruments and has already extended the eligibility criteria for repo-eligible securities.

Funding: In the Georgian marketplace, the majority of working capital loans are short-term and granted with the expectation of renewal at maturity. As such, the ultimate maturity of assets may be different from the analysis presented elsewhere. In addition, the maturity gap analysis does not reflect the historical stability of current accounts.

The Bank's principal sources of liquidity are deposits, borrowing from international credit institutions, inter-bank deposits, debt issuances, proceeds from sale of securities, and principal repayments on loans.

Market risk

Definition: Market risk is the risk of financial loss due to fluctuations in fair value of future cash flows of financial instruments on the back of changes in market variables. Market risk exposure arises from mismatches of maturity or currency between the assets and liabilities, all of which are exposed to market fluctuations.

Mitigation: The general principles of the Bank's market risk management policy are set by the ALCO. The Bank classifies exposures to market risk into either trading or non-trading positions. Trading and non-trading positions are managed and monitored using different sensitivity analyses.

Currency exchange rate: The Bank's currency risk is calculated as an aggregate of open positions and is controlled by setting a VAR calculation with respect to the Bank's currency basket. The Bank uses the historical simulation method based on 400-business-day statistical data. The ALCO sets open currency position limits with respect to both overnight and intra-day positions and stop-loss limits. Currently, the Bank's proprietary trading position is limited by the ALCO to a maximum of 10% of the Bank's total regulatory capital as defined by the NBG. In addition, open positions in all currencies except for Lari are limited to a maximum of 1% of the Bank's total regulatory capital as defined by NBG. The open currency position is also limited by the ALCO to an annual VAR limit of GEL 50 million with a 98.0% "tolerance threshold".

The ALCO limits are more conservative than the NBG requirements, which allow banks to keep open positions of up to 20.0% of regulatory capital. The Bank also applies sensitivity stress tests to its open currency positions to estimate any potential negative impact on its net assets and earnings.

Interest rate: The majority of the Bank's assets have floating interest rates and the majority of deposits have fixed interest rates. In order to minimise interest rate risk, the Bank monitors its interest rate (re-pricing) gap and maintains an interest rate margin (net interest income before impairment of interest earning assets divided by average interest earning assets) sufficient to cover operational expenses and risk premium. Within limits approved by the Bank's Supervisory Board, the ALCO approves ranges of interest rates for different maturities at which the Bank may place assets and attract liabilities. As per a regulatory requirement, the Bank assesses the impact of interest rate shock scenarios on EVE and net interest income (NII) and sets limits with respect to regulatory capital. The Bank's EVE sensitivity with respect to Tier 1 capital remains comfortably below the maximum regulatory requirement. As at 31 December 2021, the Bank's EVE ratio stood at 6.6%, below the maximum required limit of 15.0%.

Operational risk

Definition: Operational risk is the risk of financial and non-financial loss resulting from inadequate or failed internal processes, people and systems or from external events

Mitigation: To manage operational risk, the Bank has implemented policies and procedures and has established an operational risk framework for anticipating, mitigating, controlling and communicating operational risks and the overall effectiveness of the internal control environment across the Bank. Through effective alignment of roles and responsibilities related to operational risks among the three lines of defence, the Bank identifies, monitors, measures, reports on and manages risks and related controls. The Bank has implemented the risk and control self-assessment (RCSA) process through which operational risks and the effectiveness of controls are assessed and examined, providing reasonable assurance that all business objectives will be met.

Internal controls: The Bank designed internal controls that ensure the Bank has efficient and effective operations, safeguards its assets, produces reliable financial reports, and complies with applicable laws and regulations. The following elements of the internal control framework enable the Bank to mitigate operational risks:

- established clear authorities and processes for approval;
- close monitoring of key risk indicators and the alert system to ensure adherence to thresholds or limits;
- infrastructure security;
- appropriate employee recruitment, learning and development practices to maintain expertise;
- continuous processes to identify business lines or products that appear to under- or over-perform in comparison with reasonable expectations;
- regular verification and reconciliation of transactions and accounts; and

- vacation policy that ensures that employees are absent from their duties for a period of not less than ten working days.

Policies and standards: Operational risk management department develops and maintains framework and a comprehensive set of policies and standards. These policies and standards are reviewed and approved by the relevant governance bodies to ensure they are aligned with recognised industry standards, such as Basel and EBA, and are made available to all relevant employees through internal channels. The Operational Risk Management Committee is responsible for setting and overseeing qualitative and quantitative parameters of operational risk appetite and tolerance. The Bank's Management Board and the Risk Committee are also responsible for setting an overall risk appetite.

Segregation of duties: The existing risk and control frameworks require that the appropriate segregation of duties is in place, so that the conflicting duties that may result in the concealment of losses, errors or other inappropriate action are eliminated.

Business resilience and continuity: The Bank is exposed to disruptive events, which could be severe and affect our inability to fulfil some or all of our business obligations. Incidents that damage the Bank's assets, including information technology infrastructure, may result in significant financial losses for the Bank, as well as for the local industry. To ensure resilience against such risks, the Bank has established a business continuity plan that is appropriate for the nature, size and complexity of our operations. The plan takes into account different types of scenarios to which the Bank may be susceptible, including system and technology failures.

The Bank continuously performs business impact analysis, testing, training and awareness programmes, communication and crisis management programmes and develops recovery strategies. The Bank identifies and reassesses critical business operations, cyclically or as needed, key internal and external dependencies and appropriate resilience levels. The identified plausible disruptive scenarios are assessed for their financial, operational and reputational impact, and the resulting risk assessment is the foundation for recovery objectives and measures and ultimately a recovery plan.

Third-party relationships: The Bank's policy ensures that third-party relationship initiatives follow a defined process, including due diligence, risk evaluation and ongoing assurance. The following aspects support effective monitoring and management of third-party risk:

- Standards that define whether and how activities can be outsourced;
- Due diligence standards to select potential service providers; and processes for identifying, managing and monitoring the associated risks, including the financial condition of the service provider; and
- Sound contracting of outsourcing arrangements.

Awareness programmes: The Bank conducts awareness campaigns to enable its employees to identify existing and potential risks. The training is mandatory for all employees.

The Bank's Internal Audit function, on a risk-based approach, provides assurance on the adequacy and effectiveness of our risk management, internal controls and systems. Operational risks are reviewed quarterly by the Bank's Risk Committee.

Covid-19 pandemic risk

Definition: The COVID-19 pandemic risk is the risk of ongoing pandemic affecting lives and livelihoods in Georgia, resulting in further restrictions and negative impacts on the Bank's customers, employees, and on the overall business performance.

Mitigation: The Bank has introduced a number of resilience protocols and a comprehensive Business Continuity Plan (BCP) aimed to mitigate the pandemic negative impact on its business and the community. The Bank started to develop the BCP at the end of January 2020 when the news of the COVID-19 outbreak emerged to ensure that the Bank could promptly adapt its operations if such need arose, and ensure the health and safety of its employees and customers. The four main pillars of the Bank's BCP were: operational continuity, supporting the public health system and its communities, ensuring abundant liquidity and maintaining the strength of capital.

To better respond to uncertainties and maintain strong operational resilience during ongoing COVID-19 pandemic, the Bank also developed a recovery plan that includes pre-determined and deliberate actions to enable to deal with severe financial stress. The plan consists of capital adequacy, liquidity, profitability, macroeconomic and assets quality early warning indicators to ensure timely and effective identification of possible financial deterioration as a result of the materialisation of different risks.

The Bank continues to monitor the developments related to the COVID-19 pandemic and assess their impacts on its business. The Bank will continue to take necessary actions to proactively manage the evolving circumstances.

Emerging risk – climate change

Definition: Climate-related risk is the risk of financial loss and/or damage to the Bank's reputation as a result of accelerating transition to a lower-carbon economy as well as the materialisation of actual physical damage as a result of acute or chronic weather events due to the changing climate.

Mitigation: During 2021, the Bank started to develop a climate action strategy and prepared for the integration of climate-related risks into its risk management framework and business resilience assessments. The Bank has focused on mitigating climate-related risks by:

- raising climate awareness across the Bank and deepening its understanding of climate-related risks and opportunities, including identifying how transition and physical risks of climate change can drive credit, liquidity, market, capital, operational and reputational risks for the Bank over short- to long-term time horizons;
- conducting a preliminary qualitative portfolio-level assessment of corporate and MSME portfolios to understand hypothetical risks for different sectors;
- developing updates to our Environmental and Social Policy and credit risk management processes to address climate-related issues;
- monitoring Scope 1 and 2 GHG emissions and increasing the coverage of relevant Scope 3 emissions from the Bank's own operations; and
- identifying metrics and data needs for the assessment, management and disclosure of climate-related risks and opportunities.

Other initiatives to further embed climate risk and opportunity management into the Bank's operations include the establishment of Environmental and Social Impact Committee, comprising the Management Board members and senior managers of the Bank. The Committee will be responsible for monitoring and managing the Bank's climate, environmental and social risks and impacts, arising primarily as a result of its lending activities. The Committee will report to full Supervisory Board semi-annually. For more information on climate-related matters, please JSC BOG Management report.

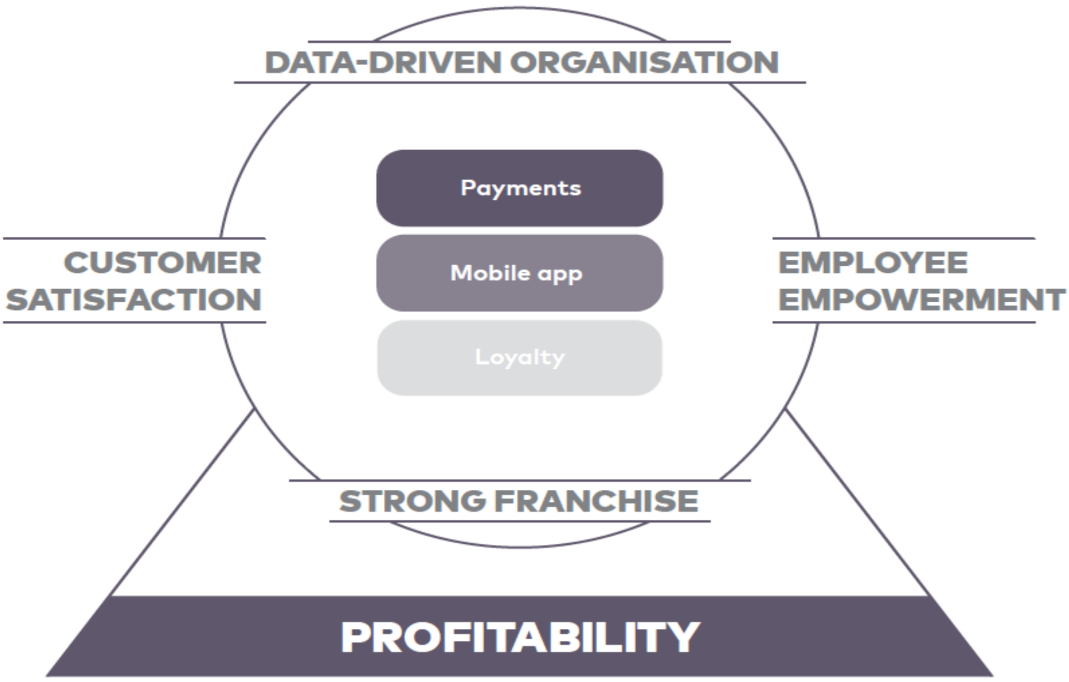
For more information about the Bank's Risk Management, please see JSC Bank of Georgia's Management Report 2021, available as of the date of this Report on JSC Bank of Georgia's official website – [www. bankofgeorgia.ge](www.bankofgeorgia.ge)

4.1. Strategy

The Bank comprises: (1) **Retail Banking** operations in Georgia principally provide consumer loans, mortgage loans, overdrafts, credit cards and other credit facilities, funds transfers and settlement services, and the handling of customers' deposits for both individuals and legal entities. Retail Banking targets mass retail, mass affluent and high-net-worth clients segments, together with small and medium-sized enterprises and micro businesses. (2) **Corporate Banking** comprises Corporate Banking operations in Georgia. Corporate Banking principally provides loans and other credit facilities, funds transfers and settlement services, trade finance services, documentary operations support and the handling of saving and term deposits for corporate and institutional customers.

Strategic focus

Bank of Georgia is a leader in the payments business, the financial mobile application, and the loyalty programme in Georgia. By continuously focusing on digitalisation and expanding technological and advanced data analytics capabilities across the organisation, the Bank aims to anticipate customer needs and offer more personalised solutions and seamless experiences to its customers. Employee empowerment, customer satisfaction, and data-driven decision-making, together with the strength of the banking franchise, are key enablers of the value creation. With all these strategic building blocks the Bank has laid the groundwork for the bank of the future, and the Bank is committed to delivering strong profitability sustainably and maximising shareholder value.



By harnessing strong customer relationships, continuing digital innovation and developing new products and solutions, the Bank aims to deliver on its medium-term strategy, which is based on at least 20% ROAE and c.10% growth of the loan book.

Retail Banking

Customer-centric and digital solutions-based multi-brand strategy

The Bank is a leading retail banking franchise in Georgia, providing diverse products and services to more than 1.6 million active customers through a popular financial mobile app on the market and one of the largest networks of 211 retail branches, 989 ATMs and 3,134 Express Pay (self-service) terminals as at 31 December 2021. The Retail Banking business (RB), a core area of our business, develops and implements a customer-centric and solutions-based multi-brand strategy, with a focus on digital solutions, reaching a broad spectrum of retail customers through three well-established and recognised business segments: **Mass Retail, Premium Banking, and MSME.**

Mass Retail

Our Mass Retail segment provides universal retail banking solutions to our emerging and mass retail customers through cost-efficient remote channels, such as our financial mobile app and internet banking platform, self-service terminals and technology-intensive retail branches.

The strength of our retail banking franchise is underpinned by superior customer experience, the popularity of our financial mobile app and the leading position in the payments business on the Georgian market.

A key metric that the Bank monitors is the Bank-wide NPS, measured by an independent external service provider. The Bank-wide NPS improved significantly by year-end, reaching the new historic high of 55%[3]. Based on independent research conducted in autumn 2021, the Bank continues to be "top-of-mind" bank and the most trusted financial institution across all age groups of the Georgian population. The Bank continually come out as the first-choice bank in Georgia, especially for Generation Z.

Opportunities for future growth

To unlock opportunities for future growth, the Bank focuss on two sub-segments in Mass Retail – youth and Georgian emigrants:

Youth

Our goal is to acquire new customers in the youth segment (ages up to 25) and keep them loyal for a long time. The Bank targets school and university students and offer them exclusive products and services through our sCool Card and Student Card. The number of active customers in this sub-segment increased significantly in 2021 – by 16.0%. According to an independent third-party research, the Bank is the main bank and "top-of-mind" for students in Georgia.

Georgian emigrants

The Bank see significant potential in this segment given the number of Georgians living abroad and the volume of remittances sent to Georgia. Through easy **digital onboarding and convenient tools,** the Bank aims to unlock the potential of this segment.

The Bank focuses on enabling Georgians living abroad to access banking products and services in Georgia. In 2021, the Bank added digital onboarding through the mobile app and the web and designed a dedicated section on our website – www.migrants.ge – with products and services tailored for Georgian emigrants. The Bank will continue to upgrade our digital channels and add new features specifically for Georgian emigrants.

[3] Based on an external research by IPM Georgia.

In 2021 remittances sent to Georgia were up 24.6%. More than a third of total remittances are received through Bank of Georgia, and the Bank had around 3 ppts gain in market share during the last two years.

In line with our overall digital strategy, the Bank focused on digitising the process of receiving remittances. The Bank saw a major improvement in the offloading rate over the past two years.

In the fourth quarter of 2021, 49% of all remittances received at Bank of Georgia went through digital channels.

In 2021, the share of remittance inflows from Russia and Ukraine to Bank of Georgia were 13.3% and 3.2%, respectively. Considering the small share of remittances coming from Ukraine, the Bank do not expect any significant impact on our business even in the case of major decrease in inflows. The Bank is monitoring the flows from Russia, and a substantial reduction in remittances from Russia may have an impact on the growth of received remittances, however, given the increasing share of other countries in total remittance inflows, the Bank expects the overall remittance inflows to continue growth in 2022.

Russia's share in total remittances to Georgia was down to below 20% in 2020-21 (compared with c.50% of total inflows during 2010-14 and c.30% during 2015-19) and further reduction is expected to be compensated by inflows from other countries (mostly from the EU, the U.S. and Israel).

Premium Banking business

Our Premium Banking business offers a unique experience on the Georgian financial market to mass affluent customers through the SOLO brand and to high-net-worth individuals through the Wealth Management private banking services.

Following structural changes in senior management, starting from the third quarter of 2021, the Bank reclassified the Wealth Management business from Corporate Banking (CB) to the Retail Banking segment, specifically to the Premium Banking business. The comparative periods have been restated accordingly.

Our Premium Banking business is a self-funded franchise. Gross loan and deposit portfolios demonstrated strong growth in 2021 and the segment delivered outstanding profitability during the year. By the size of loan and deposit portfolios, our Premium Banking business is ahead of the third largest bank in Georgia.

Our SOLO brand gives access to exclusive products and the finest concierge-style environment at our 11 specially designed SOLO lounges located across Georgia. SOLO is a unique banking concept in one space, combining privileged financial and advisory services and unlimited lifestyle experiences.

At SOLO lounges, personal bankers serve our clients and, in addition to providing banking solutions, offer luxury goods and other lifestyle experiences, such as exclusive events, concerts of world-famous artists, special travel tours, the SOLO boutique, exclusive benefits, and other hand-picked lifestyle products and services. This unique blend of banking and lifestyle offerings sustains the strong interest in the SOLO franchise.

Since 2015, after the SOLO rebranding, the Bank has seen a steady growth of our client base. As at 31 December 2021, SOLO served 70,151 active customers[4], up 18.6% y-o-y, clearly demonstrating the ongoing popularity of the franchise in our domestic market.

[4] Active customer – an individual who used any of the Bank's channels at least once, or performed at least one debit transaction, or was a payroll customer, or had at least one active credit product, or had any type of deposit with a balance above a certain threshold during the last three months.

Strategic focus

In 2019, to further strengthen SOLO's customer-centric model and deliver on our medium-term target of doubling the 2018 profit to c.GEL 112 million in three years' time (2018-2021), the Bank defined three key pillars – excellence in customer service, increased digitalisation, and tailor-made bundled offerings as part of our strategy. The Bank achieved its medium-term target as planned in 2021. This achievement was supported by major improvements in all key pillars:

Excellence in customer service	Increased digitalisation	Tailor-made bundled offerings
▪ New customer relationship model introduced in 2019, focusing on customer-centric approach maximisation, implemented in 2020 ▪ Significant improvement in SOLO's NPS	▪ Continued focus on offloading customer activity to digital channels ▪ Constantly enhancing customers' digital experiences	▪ Shift from reactive sales to data-driven proactive sales strategy in 2019-2020 – actively using data analytics tools to identify more targeted audiences with specific and common needs and offer them more needs-based products and services (investment loans, needs-based SOLO loyalty, interests-based lifestyle experiences, among others) ▪ Focus for 2022 – continue leveraging improved data analytics tools and collaborating with the world's leading customer relationships management company – Salesforce – to provide tailored-made bundled offerings

Going forward, the Bank aims to strengthen our key strategic pillars – **excellence in customer service, increased digitalisation and tailor-made bundled offerings** – to shift SOLO to the next level of development.

Wealth Management

Bank of Georgia has been active in the Wealth Management business since 2005. Serving 1,503 local and international active customers* from 78 countries as at 31 December 2021, compared with 1,422 active customers* at 31 December 2020, our Wealth Management (WM) business provides private banking services and offers investment products to high-net-worth individual customers and their families. The Bank has representative offices in London and Istanbul, and a subsidiary in Tel Aviv. With our superior service, and given the local economic stability, business-friendly environment and favourable tax regime in Georgia, the Bank is well-positioned to provide our customers with unique opportunities to invest in Georgia.

Despite the challenging market environment and our robust financial crime risk management programme, the Bank maintained good momentum in our assets under management, coupled with robust profitability. Our assets under management (AUM), comprising deposits and global certificates of deposit held by WM clients, reached GEL 1,503.5 million on 31 December 2021, down 6.7% y-o-y, primarily due to local currency appreciation in 2021.

Customer deposits or other assets under management (AUM) of the Wealth Management clients who are Russian residents stood at GEL 72 mln as at 2 May 2022, accounting for 4% in total WM AUM. In the light of the Russia-Ukraine war, the Bank is continuously monitoring new circumstances. The Bank's financial risk management programme is robust, and the applicable requirements of new sanctions regimes imposed on Russia have been swiftly incorporated into our systems, with the same zero tolerance approach towards violations of applicable sanctions requirements that the Bank had previously adopted. As sanctions regimes evolve, the Bank will adapt our operations in line with new requirements.

Main strategic objective is profitable growth through diversified WM offerings

The Bank wants to turn Georgia into a regional hub for private banking and attract clients from nearby countries to bank in Georgia. Bank of Georgia is a leading, highly trusted bank that delivers strong returns and constantly innovates to offer better customer experience. A stable business environment in Georgia, coupled with Bank of Georgia's reputation and expertise, makes us the perfect bank for affluent individuals to do business with.

Interest rates globally have been declining, and our cost of funding has been declining as well. Over time, the Bank decreased the yield that the Bank offers to its customers on deposit products, and, as a result, the Bank has seen a sustained shift from banking products towards investment products. The securities take-up rate among our Wealth Management customers increased from 13% in 2015 to around 38% in 2021. The Management expects this trend to continue.

The Bank focuses on diversifying our Wealth Management offerings in the following directions:

Financial products offerings

Diversifying our portfolio to include basic structured products:

- Structured products
- Asset management
- Third-party products

Advisory products offerings

Increase the share of investment products in our portfolio in collaboration with Galt & Taggart:

- Private investment opportunities
- Portfolio structuring

Lifestyle products offerings

Dedicated WM lifestyle team to accelerate tailored sales and marketing initiatives:

- WM exclusive offers
- Concierge service

Micro, small and medium-sized enterprise banking

Our MSME segment is dedicated to serving its customers and helping them achieve more of their potential by offering a wide range of financial services, combined with our flagship onboarding, support, and advisory programmes, and convenient digital channels.

The MSME segment has been impacted the most by the COVID-19 pandemic. Despite the challenges, the MSME segment demonstrated strong performance in 2021, supported by a significant economic recovery.

Key focus areas for development and initiatives implemented in 2021

Our approach towards the MSME segment rests on two pillars — **the client at the centre of everything** and **the data behind every decision** — and we keep this in mind when interacting with our customers and making decisions.

The Bank focuses on the following areas to unlock the full potential of our business:

Sales and service model transformation	Lending process transformation	Data strategy	Value-added services	Digital value proposition and convenient channels

Key medium-term objectives

DEC 21	Medium term
▪ NPS 77% ▪ 33.5% MSME market share in loans to customers ▪ ROAE 2021 – 22.4%	▪ Most preferred MSME bank with NPS of 80%+ ▪ MSME market share of 35%+ in loans to customers ▪ Keep 20%+ ROAE

Corporate Banking

Bank of Georgia is a leading provider of Corporate Banking solutions in Georgia. The Bank leverages best-in-class expertise in product design and 360° view of every client to execute profitable transactions and offer excellent experience to our customers. Given our scale, a portfolio of diverse banking products and services and deep industry and product-specific expertise, we are the universal bank of choice and top-of-mind advisor for Georgian corporates

Medium-term strategic objectives

The Bank built a strong corporate banking franchise, with solid profitability and operational excellence. The Bank is well-positioned to deliver 20%+ profitability in the medium term.

Strategic objective – ROAE – 20%+

Strong CB franchise	**Solid profitability**	**Operational excellence**

Financial Mobile App and Digital Channels

Digitalisation is core to our strategy and brand. The Bank actively invests in information technology and enhance our digital capabilities to offer excellent digital experiences to our customers. To provide relevant and up-to-date digital solutions, the Bank continuously analyses the latest trends and practices both locally and globally and leverage our agile delivery model to quickly turn new knowledge into the digital solutions our customers need.

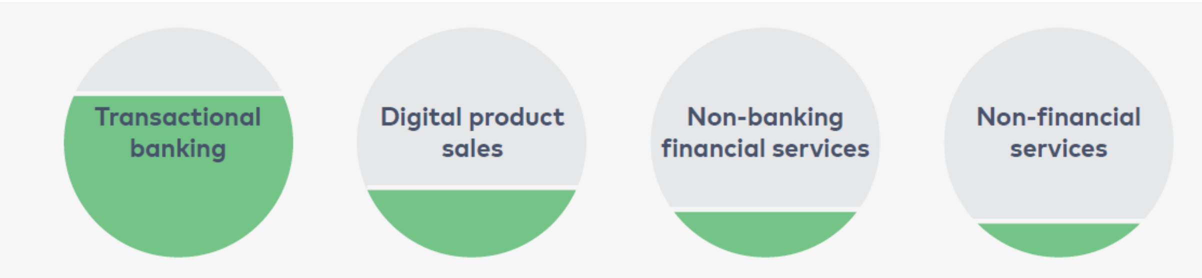
Retail digital channels

The Bank is the leader in retail digital channels. Our mBank is a highly popular financial mobile app in Georgia. the Bank develops digital products, upgrade digital channels' functionalities and continuously work on improving digital experiences for our customers to make sure that more people in Georgia become active users of our mobile app.

Future of mBank and iBank

The Management sees our mBank and iBank as all-in-one channels, covering customers' financial and non-financial needs[5]. Transactional banking is already well covered in digital channels, but there is still room to fully offload activity from self-service terminals to mBank and iBank. Increasing product offloading is one of the priorities, and the Management see significant upside in this area. The Bank aims to accelerate sales in digital channels and turn mBank into the main sales channel. The Management also sees major upside in adding non-banking financial services to our mobile application. The Bank took a big step in this direction towards the end of 2021 when the Bank launched retail brokerage in our application. The Bank is now working on adding insurance marketplace to the application. Non-financial lifestyle offers is another area that the Bank continues to explore and work on. In 2021, the Bank introduced lifestyle offerings in mBank to fulfil our customers' non-financial needs.

All-in-one app that covers customers' daily financial and non-financial needs



* *The level of transactions coverage that the Bank has in mBank.*

Business digital channels

Business internet banking platform – Business iBank – designed for our MSME and corporate customers, comes with plenty of handy features to make its use an intuitive and smooth experience. Since the release of a new fully-redesigned platform in 2020, the Bank has made further improvements to encourage more business customers to use this channel. As a result, the CSAT score of our Business iBank reached 72.9% by the end of 2021.

Payments Ecosystem

The Bank aims to promptly deliver solutions to the market that address the needs of merchants and individual customers. Payments is one of our main daily touch points with customers given that more than two million people interact daily with the Bank's channels, allowing us to accumulate a vast amount of data on customer behaviour – around 800,000 different types of information.

Our focus on customer satisfaction and data-driven decision-making, including personalised offers, are key enablers of our success. The payments business is a significant contributor to the growth of net fee and commission income. The payments business generated around 35.4% of the Bank's net fee and commission income in 2021.

[5] We provide joint lifestyle and other offers to our clients together with merchants and our business partners, where the financial service side offer is from the Bank, while a non-financial service/product is offered and provided by partner businesses/merchants.
*SCA – Strong Customer Authentication.

As the Bank develops the business, it is focusing on four aspects: innovation, accessibility, exclusivity, and loyalty. The Bank aims to be the type of organisation that can promptly bring new and innovative solutions to the market. In 2021, the Bank launched a new Android EFT POS terminal with additional capabilities as an alternative to a standard POS terminal, enabling merchants to install additional applications, including inventory management software, to better run their businesses. The Bank also improved Soft POS – a low-cost payments acceptance solution for smaller-scale businesses. The Bank launched a buy now, pay later payments product for online purchases, introduced P2P payments in Viber – one of the most popular messaging platforms, implemented online settlement and started developing an advanced merchant portal to support businesses with better analytics and business management tools. The Bank has the biggest presence in Georgia through our POS and self-service terminals. The Bank is an exclusive payments services provider in public transportation in four cities: Tbilisi, Batumi, Zugdidi and Rustavi. The Bank is also the sole provider of payments services for international companies, and, going forward, the Bank is focusing on increasing such partnerships. To further increase our presence on the market the Bank simplified merchant onboarding processes in 2021, enabling new merchants to onboard online with just a few steps and get access to our payments solutions. The Bank havs exclusive partnerships with four international payment systems (American Express, Diners Club, Discover, and JCB), in addition to our partnerships with Visa and Mastercard. In 2021, the Bank launched a new debit card – PLUS – together with American Express, their second debit card project worldwide and first in EMEA. This product enables us to transfer more benefits to cardholders and merchants on the back of lower transaction costs.

One of our competitive advantages is our loyalty programme, which the Bank leverages to boost engagement among our retail customers and merchants.

The payments business is one of the Bank's strategic directions where the Bank can unlock new opportunities as the Bank focuses on delivering innovative products and solutions and superior experiences to customers – individual clients as well as merchants – to drive the digital economy in Georgia.

Loyalty Programme

Our loyalty programme – PLUS – is a market-leading value proposition on the Georgian market, underpinning the strength of the Bank's retail franchise, and enabling us to increase customer engagement and overall transactional activity.

The loyalty programme offers customers different status levels based on their activity and reward points accumulated through payments and redeemed in exchange for partner companies' products or services, utility payments, public transport payments or mobile top-ups.

Customer Satisfaction

The Bank believes that the success and sustainability of our organisation depend on how happy our customers are with what they experience as they interact with Bank of Georgia.

Our ambition is to be a truly customer-centric organisation – the Bank designs every solution with a customer in mind and innovate based on customer feedback.

A key metric that the Bank monitors is the Bank-wide NPS, measured by an independent external service provider. During the past few years customer satisfaction has increased markedly, thanks, in part, to the systematic and rigorous customer experience management approach that the Bank implemented during the past two years.

The Bank-wide NPS again improved significantly by year-end, reaching a new historic high of 55%.

Collaboration with the world's leading customer relationship management (CRM) platform – Salesforce

The Bank started to collaborate with Salesforce in 2020 to enhance customer experiences across the Bank's digital channels and provide more tailored solutions and experiences to our customers. The multichannel functionalities of Salesforce facilitate the integration of all customer experiences throughout the entire journey within a single platform. Having a complete, 360- degree view of customers as they interact with the Bank allows us to better respond to changing customer needs and wants and to shape more positive and connected experiences across all key touch points.

Employee Empowerment

The success of our employees is key to the success and sustainability of our organisation. The Bank believes that customer experience starts with employee experience. The Bank is committed to being the employer of choice for top talent and creating equal opportunities and meaningful experiences for our employees based on our values and business principles.

Redesign of employee experiences	New talent development strategy	High-trust environment	Values-based organisation

The Bank implements programmes and processes in line with the Bank's values, business principles and strategic objectives, to support and engage our employees.

With the new talent development strategy, the Bank aims to build a strong talent pipeline, implement a variety of talent development programmes and cultivate feedback and learning culture across the organisation.

The Employee Experience Management team implements a systematic and rigorous approach for identifying employee needs and delivering solutions and interventions that improve employee experience at each stage of the employee journey with Bank of Georgia.

The Bank provides regular updates to our employees on the Bank's strategy and performance and discuss risks and opportunities through a coordinated, multichannel approach, including blogs and vlogs. The Bank encourages our people to speak up and share their ideas or concerns. The Bank make sure that employee voices are heard across the organisation through our communication channels as well as through the surveys that the Bank regularly monitor.

Measuring employee empowerment

To measure the effectiveness of employee empowerment initiatives and monitor their sustainability, the Bank closely track employee engagement and corporate culture via the Employee Engagement survey (Korn Ferry Engaged Performance™) and the Employee Net Promoter Score (eNPS).

Korn Ferry Engaged Performance™

Our Employee Engagement and Employee Enablement scores improved in 2021. According to Korn Ferry, our scores are above the banking industry benchmark and in line with the scores at high-performing organisations.

Employee Net Promoter Score (eNPS)

A key success metric and a key performance indicator Bank-wide is eNPS, which the Bank started to measure in 2019 and monitor regularly. It gives us accurate and deep insights on the current state of employee engagement, inclusion, and other issues related to employee experience. In two years, the Bank's eNPS improved from 46% to 61%, reaching an all-time high level by the end of 2021

Data-Driven Organisation

Bank of Georgia is a data-driven organisation, with a continued focus on increasing digitalisation and advanced data analytics capabilities, in order to offer more personalised solutions and seamless experiences to its customers to enable them to achieve more of their potential.

The Bank have a defined organisation-wide data strategy. Our data strategy defines how the Bank build data models and use data in different banking and beyond-banking processes, how the Bank delivers data models from process, infrastructure, and methodology perspectives, how the Bank measures our success in advanced data analytics and how the Bank ensures employee awareness and knowledge.

Data-driven insights and our ability to act on them are the main drivers of innovation and customer satisfaction. In addition to client wallet-size estimation, the Bank advanced predictive models to the next level, and now it has a client-churn management model, which enables to design the offerings with high-retention power, and the next-best-action and real-time marketing models in place.

The Bank has been using advanced analytics tools for several years and have incrementally improved our understanding of customer behaviour. With big data the Bank look to the future – the Bank develops predictive models that will enable us to offer our customers what they want and need in the exact moment.

As a data-driven organisation the Bank focuses on delivering innovative solutions and excellent digital experiences to our customers in real time. Currently the Bank uses more than 127 predictive models with a high Gini coefficient, an indicator of model quality. The Bank covers five key areas of our business: sales, channels, retention, underwriting, and segmentation.

For more information about the Bank's Strategy, please see JSC Bank of Georgia's Management Report 2021, available as of the date of this Report on JSC Bank of Georgia's official website – www.bankofgeorgia.ge.

5. Responsible Business

Sustainability at the heart of our business

The Bank believes in shared success, and our approach to sustainability stems from this belief – that the resilience and value of our business depend on the success of the communities where the Bank operates. To create shared opportunities, the Bank is committed to running our business sustainably – that is with the highest standards of corporate governance and robust risk management practices. This ensures that the Bank effectively mitigates the negative impacts it may have, directly or indirectly, on the economy, people and environment, and that the Bank creates opportunities that support and empower more people. Bank of Georgia is a leading organisation and financial institution in Georgia, and the Bank is committed to being a driving force for good and enabler of Georgia's sustainable development.

Evolving strategy

For many years Bank of Georgia has sought to maintain robust governance and risk management practices. With the key strategic priority areas, the Bank increasingly focused on the social aspects – on customers and employees. In 2020, the Bank linked our corporate strategy with the five UN Sustainable Development Goals 2030 (SDGs) which the Bank considers material for the Bank and where the Bank has, or can have, the greatest impact.

To evolve and formalise our ESG strategy, the Bank undertook our first formal ESG materiality assessment in 2021. As a result, the Bank identified material issues and defined commitments for each of them. In 2021 the Bank also enhanced understanding of climate change and related risks and opportunities, developed a climate action strategy, and started to prepare for the implementation of climate risk and opportunity management processes across Bank of Georgia in 2022. This is the first year where the Bank included climate-related disclosures consistent with the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations and Recommended Disclosures.

For more information about the Bank's environmental, social and corporate governance, please see JSC Bank of Georgia's Management Report 2021, available as of the date of this Report on JSC Bank of Georgia's official website – www. bankofgeorgia.ge.

6. Capital Requirements and Regulatory Capital

6.1. Capital Requirements

The current NBG capital regulation is based on Basel III guidelines of the Basel Committee of Banking Supervision ("BCBS"), with regulatory discretion applied by the NBG due to the specifics of the local banking industry. Below is the description of Pillar 1, Pillar 2 and Pillar 3 requirements applicable since the end of the transitional period, within the Basel III based NBG framework.

Pillar 1 requirements (including combined buffer requirements)

The December 2017 amendments to the regulation on capital adequacy requirements for commercial banks made Pillar 1 minimum requirements in Georgia compatible with the framework established by the BCBS. The amendments included:

- the separation of the 2.5% capital conservation buffer, which was previously merged with minimum capital requirements (Common Equity Tier 1 Capital, Tier 1 Capital and Total Regulatory Capital). Therefore, the updated minimum regulatory capital requirements are currently: 4.5% for Common Equity Tier 1 Capital, 6.0% for Tier 1 Capital and 8.0% for Total Regulatory Capital; and
- the introduction of a requirement that banks hold an additional 'combined buffer' through Common Equity Tier 1 Capital, consisting of the capital conservation, countercyclical and systemic buffers.

The capital conservation buffer was set at 2.5% of RWAs, while a 0% rate has been set for the countercyclical buffer. The countercyclical buffer can vary within the range of 0% to 2.5% and will be reviewed quarterly based on the prevailing financial and macroeconomic environment. In addition, the NBG designated three commercial banks in Georgia, including the Bank, as domestic systemically important banks ("DSIBs") for which individual systemic buffers have been introduced, which means that the DSIBs will be required to set aside more Common Equity Tier 1 Capital relative to RWAs, with the requirements being phased in from the end of 2018 to the end of 2021. In particular, the following systemic buffers and compliance timeframes have been set by the NBG in relation to the Bank: 1.0% for the period from 31 December 2018 to 31 December 2019, 1.5% for the period from 31 December 2019 to 31 December 2020, 2% for the period from 31 December 2020 to 31 December 2021, and 2.5% from 31 December 2021 onwards.

Pillar 2 requirements

In accordance with the Basel III framework, the NBG also introduced additional capital buffer requirements for commercial banks within Pillar 2, that are based on a supervisory review and assessment process and deal with bank-specific risks that are not sufficiently covered under Pillar 1, including an unhedged currency-induced credit risk buffer, a general risk assessment programme buffer ("**GRAPE**"), a credit portfolio concentration buffer, and a net stress-test buffer. The NBG has introduced credit portfolio, single client and sector concentration buffers, and the net stress test buffer. Capital buffers under Pillar 2 should be proportionately incorporated in capital requirements (Common Equity Tier 1 Capital of 4.5%, Tier 1 Capital of 6.0% and Total Regulatory Capital of 8.0%). Therefore, under the NBG regulation, 56% of the capital required under Pillar 2 should be held through Common Equity Tier 1 Capital, while 75% of the capital should be held through Tier 1 Capital and 100% of the capital should be held through Total Regulatory Capital.

At the end of March 2020, NBG introduced an updated supervisory plan for the Georgian banking sector, aimed at alleviating the negative financial and economic challenges created by the global COVID-19 pandemic in Georgia.

Following capital adequacy initiatives were introduced:

- Combined buffer - the conservation buffer requirement of 2.5% of risk-weighted assets has been reduced to 0%.
- Pillar 2 requirements:
  - Currency induced credit risk buffer (CICR) requirement reduced by two-thirds.
  - The phase-in of additional credit portfolio concentration risk buffer (HHI) and net GRAPE buffer requirements on Common Equity Tier 1 (CET1) and Tier 1 capital, planned at the end of March 2020, has been postponed indefinitely; however, the phase-in of additional HHI and GRAPE buffer requirements were postponed till end of March 2021 as subsequently instructed by the NBG.
  - The possibility of fully or partially releasing the remaining requirements of Pillar 2 buffers (HHI, CICR, net GRAPE), if necessary, remains open.
- During the period the banks are allowed to partially or fully use the Pillar 2 and conservation buffers, the banks are restricted to make capital distribution in any form.

NBG requested the Georgian banks to create general provisions under the local accounting basis in the first quarter of 2020, the accounting basis is that used for calculation of capital adequacy ratios. The specific quantum of the provision reflects the NBG's current expectation of estimated credit losses on the lending book of the banking system for the entire economic cycle, given current economic expectations. The NBG considers the banking system capital ratios to be sufficiently in excess of the expected minimum capital requirements, to be able to absorb this upfront general provision, whilst maintaining sufficiently comfortable buffers over the required minimum capital ratios.

Subsequently, the NBG has announced a released capital buffers rebuild plan and has updated the timeline for the phasein of additional Basel III capital requirements for the banking sector. As a result, considering the Bank's strong capital position, to ensure flexibility on capital distribution to shareholders, the Bank has confirmed to the NBG that it is no longer utilising, or expect to utilise, any of the Pillar 2 or conservation buffers that were waived in 2020.

As of 31 December 2020, the minimum capital requirements were:

- Common Equity Tier 1 Capital ratio of 7.4% (comprising core Common Equity Tier 1 Capital requirement of 4.5% and combined buffer of 2.0% (Pillar 1 requirements) and Pillar 2 requirements of 0.9%);
- Tier 1 Capital ratio of 9.2% (comprising core Tier 1 Capital requirement of 6.0% and combined buffer of 2.0% (Pillar 1 requirements) and Pillar 2 requirements of 1.2%); and
- Total Regulatory Capital ratio of 13.8% (comprising core Total Regulatory Capital requirement of 8.0% and combined buffer of 2.0% (Pillar 1 requirements) and Pillar 2 requirements of 3.8%).

As of 31 December 2021, the minimum capital requirements were:

- Common Equity Tier 1 Capital ratio of 11.5% (comprising core Common Equity Tier 1 Capital requirement of 4.5% and combined buffer of 5.0% (Pillar 1 requirements) and Pillar 2 requirements of 2.0%);
- Tier 1 Capital ratio of 13.6% (comprising core Tier 1 Capital requirement of 6.0% and combined buffer of 5.0% (Pillar 1 requirements) and Pillar 2 requirements of 2.6%); and
- Total Regulatory Capital ratio of 17.7% (comprising core Total Regulatory Capital requirement of 8.0% and combined buffer of 5.0% (Pillar 1 requirements) and Pillar 2 requirements of 4.7%).

Capital requirements that the Bank is subject to, in particular Pillar 2 requirements, are set by the NBG from time to time.

6.2. Regulatory Capital

Under the Pillar 1 Regulation, Tier 1 Capital is the going-concern capital which consists of instruments that have the capacity to unconditionally absorb losses as they arise, allowing the Bank to remain in business. The instruments allow for payments to be fully discretionary (non-payment is not an event of default) and for full principal loss absorption. Tier 2 Capital is the supplementary source of the capital base.

The table below shows the components of the Bank's Tier 1 and Tier 2 Capitals and respective capital adequacy ratios and requirements:

In GEL thousands	31 December 2021	31 December 2020
Qualifying common share capital	27,994	27,994
Share premium on qualifying common share capital	196,690	227,714
Accumulated other comprehensive income	(1,543)	57,287
Retained earnings	2,308,747	1,560,331
Common Equity Tier 1 Capital prior to regulatory adjustments	**2,531,888**	**1,873,326**
Revaluation reserves on assets	1,543	(57,287)
Intangible assets (Including Goodwill)	(138,896)	(129,913)
Investments in own shares	(3,820)	(2,238)
Investments in subsidiaries/affiliates (Commercial Organizations)	(5,320)	(9,878)
Deferred tax asset	-	(10,208)
Investments in the capital of banking, financial and insurance entities	(4,154)	(2,272)
Common Equity Tier 1 Capital: regulatory adjustments	**(150,648)**	**(211,796)**
Common Equity Tier 1 Capital	**2,381,240**	**1,661,530**
Additional Tier 1 capital	**309,760**	**327,660**
Tier 1 capital	**2,691,000**	**1,989,190**
Subordinated Debt	585,446	652,043
General Reserves	199,353	178,101
Tier 2 Capital prior to regulatory adjustments	**784,800**	**830,145**
Tier 2 Capital	**784,800**	**830,145**
Total Regulatory Capital	**3,475,800**	**2,819,335**
Risk Weighted Assets	**17,977,949**	**16,040,094**
Common Equity Tier 1 ratio	13.2%	10.4%
Tier 1 ratio	15.0%	12.4%
Total capital adequacy ratio	19.3%	17.6%
Common Equity Tier 1 ratio requirement	11.5%	7.4%
Tier 1 ratio requirement	13.6%	9.2%
Total capital adequacy ratio requirement	17.7%	13.8%

In May 2015, the Bank entered into a USD 90 million subordinated loan agreement with the International Finance Corporation ("**IFC**"). The loan facility, which includes USD 20 million participation from the European Fund for Southeast Europe ("**EFSE**"), has a maturity of ten years. The loan facility has been approved as the Bank's Tier 2 capital by the NBG under Basel II framework and has been grandfathered by the NBG until its maturity to serve as the Bank's Tier 2 capital in light of new Basel III framework. The loan contains certain information and financial covenants customary in a contract with a development financial institution, and the early repayment options in cases of customary events of default (except for insolvency and/or liquidation events per applicable regulations) are available only (i) after expiry of the five years of the term of the facility; and (ii) only after the NBG's prior approval towards such acceleration. In June 2021 the Bank repaid USD 20 million after obtaining approval NBG's approval.

In June 2019, the Bank and EFSE have entered into a USD 10 million subordinated loan agreement with a maturity of ten years. The subordinated loan facility qualifies for Tier 2 capital under the Basel III framework. In accordance with applicable Tier 2 rules, the loan provides for the possibilities of acceleration by the lender only in case of insolvency or liquidation events as defined in NBG regulations. The other possibilities of early repayment are each subject to the lender obtaining prior NBG approval to do so.

In September 2019, the Bank issued US$ 10.0 million subordinated promissory notes due September 2029, which were purchased by responsAbility Management Company S.A. and responsAbility SICAV (Lux). The subordinated promissory notes qualify as Tier 2 capital under the Basel III framework recently introduced in Georgia. In accordance with applicable Tier 2 rules, the notes provide for the possibilities of acceleration by the noteholders only in case of insolvency or liquidation events as defined in NBG regulations. The other possibilities of early repayment are each subject to the noteholders obtaining prior NBG approval to do so.

In December 2019, the Bank signed a ten-year USD 107 million subordinated syndicated loan agreement arranged by FMO - Dutch entrepreneurial development bank in collaboration with other participating lenders. The first tranche of the facility in the amount of USD 52 million has been drawn-down and included into the Bank's Tier 2 capital by approval of the National Bank of Georgia under the Basel III framework in December 2019, while the second tranche of the facility in the amount of USD 55 million was drew-down and included into the Bank's Tier 2 Capital in April 2020. In accordance with applicable Tier 2 rules, the facility provides for the possibilities of acceleration by the lenders only in case of insolvency or liquidation events as defined in NBG regulations. The other possibilities of early repayment include (i) failure of the facility or its portion to be qualified as Tier 2 Capital by NBG within 45 days of the relevant disbursement; and (ii) repayment with the NBG's specific prior approval in limited cases of illegality or change of control after expiry of 5 years of the term of the facility.

On 2 April 2020, the Bank drew-down the second tranche of the US$107 million subordinated syndicated loan facility signed in December 2019, in the amount of US$55 million. The Bank received the NBG's approval on classification of the facility as a Bank Tier 2 capital instrument under the Basel III regulation since April 2020 and will further improve the overall capitalisation of the Bank.

In March 2021 subordinated syndicated loan agreement arranged by FMO - Dutch entrepreneurial development bank in collaboration with other participating lenders was amended and the subordinated syndicated loan facility amount was increased to USD 127 million from USD 107 million. Additional USD 20 million was drawn-down on 30 March 2021. The Bank received the NBG's approval on classification of the facility as a Bank Tier 2 capital instrument under the Basel III regulation since April 2020 and has further improved the overall capitalisation of the Bank.

7. Remuneration

The Supervisory Board of the Bank approves the remuneration and other conditions of employment for each member of the Management Board of the Bank, while the remuneration rates of the Supervisory Board members are approved by the General Meeting of Shareholders.

Remuneration Committee

The Remuneration Committee was first established by the Supervisory Board in May 2006 and currently it consists of four independent members of the Supervisory Board. The Bank Remuneration Committee meets at least twice a year and reports to the Supervisory Board. The functions of the Remuneration Committee are discussed in 3.3 Section above.

As a Georgian Licenced Bank, the Bank is required to apply the remuneration principles as set out in the Order No 215/04 of the National bank of Georgia (the "**NBG**") approving the Corporate Governance Code for Commercial Banks (the "**CGC**"). These harmonize Georgian CGC with regulatory provisions of EU law, in particular Directive 2013/36/EU as amended and EBA Guidelines on Sound Remuneration Policies under 2013/36/EU, with purpose to encourage Management Board towards sustainability and long-term focus and to align their personal objectives with the Bank's long-term interests. Further, as a member of the group of Bank of Georgia Group PLC ("**BOGG PLC**"), shares of which are admitted to London Stock Exchange main market for trading, the Supervisory Board and Remuneration Committee have taken into consideration the requirements of UK Corporate Governance Code (the "**UK Code**")

Policies

The Bank has: Workforce Remuneration Policy, Directors' Remuneration Policy, Material Risk Takers Remuneration Policy and Supervisory Board Remuneration policy approved by the Supervisory Board of the Bank on the recommendation of the Remuneration Committee. The policies were adopted on 30 December 2021 and are effective from 1 January 2022.

The provisions contained in this remuneration policies are consistent with, and complementary to, the legal and regulatory requirements. They include, *inter alia*, forms of fixed and variable remuneration, if any, their combinations, ratios and limits, Key Performance Indicators/objectives, relation between the fulfilment of KPIs and volume of variable remuneration, schedules and periodicity of awards, adjustments prior to and after awarding variable remuneration as well as rules related to the payment of the relevant forms of remuneration. Each of the Policies are aligned around the main principles of remuneration**:**

- Promotion of the Bank's business strategy and long-term growth
- Promotion of the sound and effective risk management
- Clarity, Simplicity, and Transparency
- Alignment with shareholder experience

7.1. Supervisory Board Remuneration Policy

The table below sets out our Policy for the operation of Supervisory Board Members' fees and benefits at the Company. Each Supervisory Board Member also serves as Non-Executive Director of BOGG PLC. It is proposed that, if the Policy is approved, the Supervisory Board Member/ Non-Executive Director fees stated below will apply in each year that the Policy operates from the date of approval of the Policy.

The remuneration of supervisory board members shall be consistent with the level of contribution, taking into account factors such as effort and time spent and responsibilities of the supervisory board members. Their remuneration should not compromise their impartiality.

Remuneration of supervisory board members shall only include fixed compensation. Except for membership of the supervisory board, a board member may receive additional remuneration in cases when she/he is a chair/deputy chair of the board, member or a chair of board committees.

The difference between the highest annual remuneration (including additional remuneration) and the lowest annual remuneration of the board members shall not be more than 30% of the lowest. The deviations from this requirement are allowed only if and when specific waivers from NBG are obtained by the Supervisory Board.

Purpose and link to strategy	Operation	Opportunity
• To attract and retain high performing Supervisory Board Members with the requisite skills, knowledge, experience, independence and other attributes to add value to the Bank. • To reflect the responsibilities of time commitment dedicated by Supervisory Board Members.	• All fees are paid in cash on a quarterly basis. • Fees may be reviewed from time to time by the Board (but not necessarily changed), taking into account the time commitment, responsibilities and the technical skills required to make a valuable contribution to the Board, and by reference to comparators, benchmarking, results of the annual review and other guidance. The fees may also be amended and varied if there are genuinely unforeseen and exceptional circumstances which necessitate such review and in such circumstances any significant increase shall be the minimum reasonably required. The Board reserves the right to structure the Supervisory Board Members' fee differently in its absolute discretion. • Supervisory Board Members receive a base fee. Additional Committee fees are payable to compensate for time spent discharging Bank duties and Committee duties. • There is no remuneration in the form of deferred share salary or discretionary deferred shares, pension contributions, benefits or any variable or performance-linked remuneration or incentives. • Supervisory Board Members are reimbursed for reasonable business expenses, including travel and accommodation, which are incurred in the course of carrying out duties under their letters of appointment, on provision of valid receipts.	• The maximum aggregate BOGG PLC fees for all Non-Executive Directors which may be paid under BOGG PLC's Articles of Association is GBP 750,000. • A specific maximum has not been set for the individual base cash fee. • The Senior Independent Supervisory Board Member receives a higher base fee which reflects the extra time commitment and responsibility. • The Chairman receives a fee which reflects the extra time commitment and responsibility. The Chairman does not receive Committee fees. • The fees paid to each Supervisory Board Member will be disclosed in the relevant reporting year's Annual Report of BOGG PLC and Pillar 3 annual report of the Bank.

Pension Contributions

The Bank is required to comply with pension requirements set by the Georgian laws, which may change from time to time. Pension provision is the same for all employees in the Bank in Georgia. In line with current Georgian legislation, Director and the Bank each contribute 2% of total remuneration from the Bank, and the Georgian Government may contribute a further small amount (0-2% depending on income levels). Pension contributions will only increase above this level if mandated by Georgian legislation or if mandated by any other applicable legislation.

Term of contracts and notice periods

Each Supervisory Board member is appointed for 4 years, with the possibility for re-appointment. At the BOGG PLC Board level, Each Non-Executive Director is required to submit himself or herself for annual re-election at the AGM. The letters of appointment for Non-Executive Directors provide for a one-month notice period although the Bank may terminate the appointment with immediate effect without notice or pay in lieu of notice if the Supervisory Board Member/Non-Executive Director has committed any serious breach or non-observance of his or her obligations to the Bank, is guilty of fraud or dishonesty, brings the Company or him/herself into disrepute or is disqualified as acting as an Supervisory Board Member/ Non-Executive Director, among other circumstances. Upon termination, the only remuneration a Supervisory Board Member/ Non-Executive Director is entitled to is accrued fees as at the date of termination together with reimbursement of properly incurred expenses incurred prior to the termination date.

Business expenses

Directors may be reimbursed for reasonable business expenses incurred in the course of carrying out duties under their service contract, on provision of valid receipts.

7.2. Directors' Remuneration Policy

This Policy shall enter into force and be applicable as of 1 January 2022, however, application to the General Director of the Bank is subject to approval of the BOGG PLC's updated Directors Remuneration Policy by Shareholders' Annual General Meeting in 2022.[6]

Fixed Remuneration

The fixed remuneration is based on predetermined criteria and is not performance-related. The fixed remuneration shall be sufficiently high to enable the Bank to pay variable remuneration in a flexible way, including non-payment of the variable component of the remuneration.

The amount of the Fixed Remuneration is based on the relevant professional training and experience and is commensurate with the individual Management Board member's duties and responsibilities, and the remuneration customary for the specific function.

Apart from reflecting the role and required duties, skills, experience and individual contribution to the Bank of the Management Board, fixed remuneration is to be structured in such a way that:

1. It duly reflects the Company's commitment to closely align Directors' and shareholders' interests to promote long-term value creation and share price growth;
2. It is competitive and in line with the market, and that the Company is in a position to recruit and retain high-calibre Management Board members.

The Fixed Remuneration includes, in particular:

1. The Base Salary;
2. The Annual Salary Paid in Shares; and
3. Any additional and fringe Benefits.

The level of the Base Salary and Annual Salary Paid in Shares are set in the Directors' service agreements, and will be no more than the Remuneration Committee considers reasonable based on Director's duties, skills and experience. The Remuneration Committee has the discretion to change the split of the Fixed Remuneration between the Base Salary and the Annual Salary Paid in Shares.

[6] Note that the 2021 bonus for both, Management Board and Director General, which was awarded in Feb/March 2022, will be under the old Policy. As for the Annual Salary Paid in Shares for the General Director for 2022, it will be granted under the new Policy as soon as the BOGG PLC's new Policy is approved (so in May 2022 rather than Jan 2022).

The Supervisory board will review the amount of Fixed Remuneration annually, in order to align the remuneration practices throughout the Bank, between the Management Board, MRTs (Material Risk Takers), workforce, and to remain competitive on the market with the remuneration practices and may increase it as appropriate.

The Base Salary

The level of the Base Salary for Directors is fixed in their respective service agreements. The level of salary is reviewed by the Remuneration Committee when a service agreement is up for renewal or if there is a significant change in circumstances and the Directors and Remuneration Committee agree to consequent changes in their agreements, for example the implementation of a new remuneration policy, or in order to align the remuneration practices throughout the Bank, between the Management Board, MRTs (Material Risk Takers), workforce, and to remain competitive on the market with the remuneration practices and may increase it as appropriate. The Base Salary is paid monthly, per the terms agreed in the respective service agreement.

Annual Salary Paid in Shares

The level of Annual Salary Paid in Shares for Directors is expressed and fixed in monetary terms in their respective service agreements. The level of salary is reviewed by the Remuneration Committee when a service agreement is up for renewal or if there is a significant change in circumstances and the Directors and Remuneration Committee agree to consequent changes in their agreements.

The Annual Salary Paid in Shares is paid by award of in the form of nil-cost options to shares of BOGG PLC, the number of which is determined by dividing the monetary amount of the Annual Salary Paid in Shares set in the service agreement, by the average price of the BOGG PLC shares at the market closes on London Stock Exchange of the five business days prior to 25th December immediately preceding date of the award, which shall be on the first business day of January each year. For example, the price of the shares for the Annual Salary Paid in Shares for the year 2022 shall be the average price of BOGG PLC shares on London Stock Exchange of December 20th through 24th 2021

The nil-cost options are awarded annually in respect of the work year, and are usually expected to be awarded towards the beginning of the work year. The Annual Salary paid in shares is also subject to pro rata lapse in the event an incomplete year is worked.

The nil-cost options awarded as Annual Salary Paid in Shares in respect of a work year will vest on 1 January of the year immediately following the award year, and will be subject to a retention/ holding period of 4 more years, as per table below:

	Work Year	**Grant Point**	**2nd Year**	**3rd Year**	**4th Year**	**5th Year**	**6th Year**
Example year	2022	Jan-22	Jan-23	Jan-24	Jan-25	Jan-26	Jan-27
Vesting of Annual Salary Paid Shares		Grant	100%				
Retention of Annual Salary Paid in Shares				40% released from Holding	20% released from Holding	20% released from Holding	20% released from Holding

Upon vesting, the Directors also receive cash payments equal to the dividends paid on the underlying shares between the date the award was made and the vesting date.

The Annual Salary Paid in Shares is fixed salary, therefore, it is not subject to any performance targets or measures, neither it is subject to discretion of the Remuneration Committee or Supervisory Board, or any malus or clawback provisions, apart from natural pro-rata lapse in case of work for an incomplete year. The fact that the Annual Salary Paid in Shares is subject to holding requirements and therefore, it may increase or decline in value depending on the Bank performance over the five-year total vesting and holding period, is aligning the Directors' interests directly and naturally with those of shareholders, however, not subjecting the Directors to any discretion of the Supervisory Board or Remuneration Committee in that regard, or to any performance qualifiers.

Additional and Fringe benefits

The fixed remuneration may also include additional or fringe benefits, which are primarily non-cash. Non-cash benefits are in line with Georgian market practice and are designed to be sufficient to attract and retain a high-calibre talent. Benefits include: life insurance; health insurance; incapacity/disability insurance; directors' and officers' liability insurance; company car and driver; mobile phone costs. Other benefits, e.g. relocation compensation, may be provided from time to time if considered reasonable and appropriate. There is no prescribed maximum on the value of benefits payable to Directors. The maximum amount payable depends on the cost of providing such benefits to an employee in the location at which the Director is based.

Variable Remuneration

The Annual Bonus, in the form of the Variable Remuneration as described in this Policy may be granted to a Directors, in respect of the worked year, in the context of overall Bank performance, to motivate and reward Directors in relation to their contribution to the achievement of the KPIs set for them by the Remuneration Committee towards the beginning of the year. The Variable Remuneration takes the form of performance-based remuneration solely in the form of deferred shares (no cash), and by such structure, closely aligns the interests of Directors with shareholders, avoids inappropriate risk taking for short-term gain and encourages long-term commitment to the Bank.

There is no contractual right to the Variable Remuneration and the Remuneration Committee reserves the right to award no discretionary deferred share remuneration if the Bank's performance is unsatisfactory.

Pre-conditions for the Remuneration Committee to consider the award of Discretionary Share award to the Management Board in any given year are the following:

- No active prohibition on the granting or payment of variable remuneration by the relevant regulator;
- The legally required Capital Adequacy Ratios (CET1, Tier1, Total) are achieved and all relevant capital and buffer requirements that are necessary for regulatory purposes are met; and
- The granting and payment of variable remuneration will not result in breach of such requirements.

Performance Criteria for award of Variable Remuneration

Provided that the pre-conditions described above are met, the Remuneration Committee will make the determination on number of shares to be awarded annually as the Variable Remuneration in respect of the Directors and will consider the defined maximum opportunity, the Bank's performance and the individual's KPIs when making a determination.

Performance measures are chosen to reflect strategic priorities for the Bank and will be chosen by the Remuneration Committee annually towards the beginning of the performance year. The aggregate pool of shares available each year for awards of discretionary deferred share compensation for the Directors is determined annually by the Remuneration Committee in its absolute discretion, based on a number of factors including:

- financial results;
- strategic objectives; and
- people and culture objectives.

The Remuneration Committee will normally determine the number of shares to be awarded annually based on:

1. Performance of the Management Board and the Bank as a whole ("**Shared KPIs**");
2. The individual Directors' achievement of their KPIs set for the work year ("**Individual KPIs**");
3. Key business objectives of the relevant business sector/organisational unit for which the Management Board member is responsible("**KBOs**");

Each of the above normally includes both financial and non-financial metrics, which are chosen in line with (i) the bank's strategy, (ii) with a view of alignment with shareholder interests; and (iii) on the basis of the actual role of the relevant Management Board member's oversight/business functions.

Variable Remuneration of the Directors who are responsible for the control functions, shall not be based on financial results of the business line they oversee or monitor.

If appropriate, where a strategic change or change in business circumstances so requires, Supervisory Board and/or Remuneration Committee may alter the model of determination of the weighed performance of a Director or Management Board, introduce/change weighing levels attributed to different components, or adopt alternative measures to determine performance altogether.

Determination of Shared KPIs

BOGG PLC discloses in its annual report the Group's Annual KPIs, which are the main indicators per which the Supervisory Board measures the success of the Bank as well. The KPIs are closely aligned with the Bank's medium-term strategy and are drawn up with the purpose to ensure that the Bank delivers on its key strategic targets.

2022 KPIs include:

- Return on Average Equity (ROAE)
- Cost to Income ratio
- Cost of Risk ratio
- Profit before tax (PBT)
- NPS
- eNPS
- Developing ESG, in line with the Group's five championed Sustainable Development Goals (SDGs) and with market best practice
- Personal Key Business Objectives.

The KPIs may be subject to modification to further align them with group strategy, and the thresholds and targets of KPIs are normally set by the BOGG PLC board.

Supervisory Board leans on the BOGG Group's Annual KPIs in determining the Shared KPIs for Management Board Members, and sets them each year, with particular focus on alignment with strategic objectives of the Group and shareholder interests.

Determination of Individual KPIs

The Individual KPIs are determined for each individual Management Board member towards the beginning of the year, taking into account their role and attached duties and responsibilities. When determining the individual criteria, Supervisory Board/Remuneration Committee will take into account that performance criteria should:

- be derived from the business and risk strategy, objectives, values and long-term interests of the Company;
- meet regulatory requirements, especially regarding risk orientation;
- contain both financial and non-financial objectives, in an appropriate proportion, provided that Variable Remuneration of the Directors who are responsible for the control functions, shall not be based on financial results of the business line they oversee or monitor;
- prevent inappropriate short-term success orientation;
- be ambitious enough to ensure due contribution to achievement of strategic objectives;
- be formulated in clear and comprehensible terms;
- contain clear baseline and target levels and have a relative weighting.

When determining the individual performance criteria for the Chief Risk Officer and other Directors who oversee/carry control functions, appropriate consideration should be given to his or her control function, and it must be ensured in accordance with regulatory requirements that his or her objectivity and independence are not negatively affected by the individual setting of objectives.

KBOs

The KBOs are determined for each individual Management Board member as primary objectives the businesses/projects within their oversight/ responsibility need to achieve/complete during the year. They may relate to the achievement of strategic objectives (such as the implementation of strategic projects, introduction of measures to increase efficiency and/or optimization tools etc.), designation/implementation of various policies, implementation of compliance mechanisms, employee training/professional development, or Management Board members own professional development. The achievement of KBOs is determined on the basis of the actual final results of relevant project completion, and project completions status, which shall at least be assessed by the Supervisory Board/Remuneration Committee as "meeting the expectations".

Supervisory Board/Remuneration Committee may guide themselves in their exercise of such discretion with the project completion assessment data, where available, or the assessment of General Director, when other Management Board member's KBO achievement level is being determined.

Maximum opportunity of Variable Remuneration

The maximum opportunity that a Director may be awarded as Variable Remuneration for a given year is equivalent to 100% of the Director's Fixed Remuneration (Base Salary + Annual Salary Paid in Shares) during that year.

Supervisory Board and Remuneration Committee may, through the reference of the matter to BOGG PLC board, submit the proposal to the shareholders of BOGG PLC, to establish a ratio higher than the maximum annual Variable Remuneration opportunity, provided that annual Variable Remuneration does not exceed 200% of annual Fixed Remuneration.

The number of shares per the maximum bonus opportunity is calculated as follows: the amount of Fixed Remuneration (amounts of the Base Salary and the Annual Salary Paid in Shares) is translated into a number of shares using the most recent closing price at the time and date of the Remuneration Committee meeting at which the Discretionary Share Award is determined.

Determination of the amount of a Director's Variable Remuneration

Performance-based remuneration is awarded annually entirely in the form of nil-cost options over shares which are subject to vesting and holding for 5 years. The Bank does not award cash bonuses to Directors.

The Remuneration Committee retains discretion to apply adjustments to the amount of Variable Remuneration thus determined, in case it considers so necessary/advisable in light with market conditions, Bank's financial interests, or other strategic interests.

Award and Deferral of Variable Remuneration

Any Variable Remuneration will normally be granted following the end of the work year, although the Remuneration Committee retains the discretion to determine the timing of the awards.

The vesting (deferral) and holding (retention) Schedule of any Discretionary Share award shall be the following:

	Work Year	Award Point (year 0)	2nd Year (year 1)	3rd Year (year 2)	4th Year (year 3)	5th Year (year 4)	6th Year (year 5)	7th Year (year 6)	8th Year (year 7)
Example year	2022	Mar-23	Jan-24	Jan-25	Jan-26	Jan-27	Jan-28	Jan-29	Jan-30
Vesting of Discretionary Share Award		40% vest immediately subject to 2 year holding		15% vest subject to 2 year holding	15% vest subject to 2 year holding	15% vest subject to 2 year holding	15% vest subject to 2 year holding		
Holding of Discretionary Share Award	-			40% released from holding		15% released from holding	15% released from holding	15% release d from holding	15% released from holding

Upon vesting the Directors also receive cash payments equal to the dividends paid on the underlying shares between the date the award was made and the vesting date.

Ex post Risk Adjustments: Malus and Clawback

The Remuneration Committee conducts annual review of the sustainability of Management Board remuneration policy, and the assessment of Management Board Members' performance, during which, the Remuneration Committee may:

- If necessary, reduce or eliminate any outstanding (unvested) Variable Remuneration tranches ("**malus**");
- Reclaim Variable Remuneration components already paid out (vested) if certain conditions are met ("**clawback**").

Discretionary Share Awards may become subject to malus and/or clawback in the following circumstances:

- Variable Remuneration recipient no longer complies with the standards established by the Regulation on Commercial Bank Managers Fit & Proper Criteria approved by the Decree No. 50/04 of the Governor of the National Bank of Georgia of June 17, 2014;
- Misconduct in the performance or substantial failure to perform duties by the Directors, or material breach of applicable regulations and/or the Bank's internal policies;
- Significant financial losses, or serious damage to the reputation of the Bank caused by misconduct or gross negligence (including inaction) of the Directors; In case of clawback arrangements such downturn has to be caused by participation of the remuneration recipient;

- Significant failures/problems in terms of risk management in the bank/structural unit in which a recipient of remuneration works. In case of clawback arrangements such failures/problems have to be caused by the remuneration recipient;
- Downturn in financial performance (e.g. specific business indicators) of the structural unit. In case of clawback arrangements such downturn has to be caused by participation of the remuneration recipient;
- Material misstatement or material errors in the financial statements that relate to the area of responsibility of the Directors or can be attributed to action or inaction of the Directors' performance of their duties;
- Deliberately misleading the Bank in relation to financial performance on the basis of which the Variable Remuneration was issued;
- Significant increases in the bank's/structural unit's economic/regulatory capital requirements. In case of clawback arrangements such failures/problems have to be caused by participation of the remuneration recipient;
- Misconduct that contributed to the imposition of material regulatory or other similar sanctions; and
- Payments based on erroneous or misleading data, for which malus and clawback apply to Discretionary Share Awards for the year in question.

Clawback arrangements apply for up to two years from vesting.

Pension Contributions

The Bank is required to comply with pension requirements set by the Georgian laws, which may change from time to time. Pension provision is the same for all employees in the Bank in Georgia. In line with current Georgian legislation, Director and the Bank each contribute 2% of total remuneration from the Bank, and the Georgian Government may contribute a further small amount (0-2% depending on income levels). Pension contributions will only increase above this level if mandated by Georgian legislation or if mandated by any other applicable legislation.

Discretion of the Remuneration Committee

The Remuneration Committee retains a substantial degree of discretion in relation to discretionary share remuneration. This includes:

- The determination of the award, if any;
- Selection of KPIs, which may vary from year to year in order to align with strategy and financial objectives;
- Any adjustments required to the Directors' KPIs during the work year when, for example, there has been a change in strategy or business circumstances which results in one or more KPIs becoming an inaccurate gauge of performance; and
- The discretion to override any formulaic outcomes when it considers it reasonable in the circumstances to do so prior to or upon vesting of discretionary deferred shares.

For the avoidance of doubt, the Bank shall not make an award (or shall reduce the amount of the award accordingly) to the extent that such award would cause a breach of the NBG's capital adequacy requirements and other regulatory ratios.

The Remuneration Committee has discretion to vary the vesting schedule of deferred share salary and discretionary deferred shares, if necessary, for example in the event of a statutory conflict of interest.

Equity compensation trust

The BOGG PLC group operates two employee benefit trusts, one for senior executives, and the other for employees below the executive level, which hold ordinary shares on trust for the benefit of employees and former employees of the Bank, and their dependents, and which is used in conjunction with the Bank's employee share schemes.

Business expenses

Directors may be reimbursed for reasonable business expenses incurred in the course of carrying out duties under their service contract, on provision of valid receipts.

7.3. Workforce Remuneration Policy

The Policy is approved by the Supervisory Board of the Bank on the recommendation of the Remuneration Committee and applies to personnel of the Bank hired under employment contracts, other than those qualified as Material Risk Takers in accordance with JSC BOG Material Risk Takers Remuneration Policy. The Policy is subject to regular internal reviews and respective updates as required, which are to be approved by the Remuneration Committee of Supervisory Board at each such instance.

The Company's remuneration system is structured in the following categories:

- Fixed base remuneration which applies to all applicable personnel;
- Standard variable remuneration which applies to all personnel;
- Remuneration of Control Functions: internal audit, risk management and compliance.

Fixed base remuneration consists of cash salary and benefits to ensure that the Company attracts and retains talented and high-performing individuals.

Standard Variable Remuneration

The type and frequency of standard variable remuneration varies by positions and the Bank maintains full discretion as to the decision of awarding/granting any such standard variable remuneration on case by case basis according to employee's performance.

Short term incentives

The purpose of short term incentives is to motivate the workforce on attaining results in both the short and medium term, to contribute to the successful execution of the strategic plan. Short term incentives may be in the form of cash bonus or shares. The calculation, frequency and proportion of bonus distribution varies by positions. The Company uses quantitative and qualitative measures in such determination. Payment/granting frequency varies and it can be monthly, quarterly, semi-annual, annual and one-off. The bonus is distributed in proportions: 67% without deferral and 33% with deferral or 75% without deferral and 25% with deferral, in three equal installments over three years or 100% without deferral. Deferral of bonus takes the form of savings account with the Bank or asset management/brokerage account with a broker, usually for a period of one year. Short term incentive is subject to adjustment and/or cancellation as described in clause 2.8 above. A Pay-for-performance structure is applicable for individuals in sales/client service positions who are remunerated on the basis of pre-defined quantitative and qualitative measures.

Long term incentives

The purpose of long term incentives is to motivate the workforce to achieve longer-term strategic objectives and to align performance with shareholder interests. The Company operates employee stock ownership plan (ESOP), via employee benefit trust, with vesting periods of three-years (unless shorter vesting period/accelerated vesting is decided by General Director/respective Deputy General Director) and the vesting condition of continuous employment with the Bank and subject to adjustment and/or cancellation terms.

Malus and clawback arrangements for reduction/reversal variable remuneration apply in the following circumstances:

a. misconduct in the performance or substantial failure to perform duties by the employee, or material breach of applicable regulations and/or policies;
b. significant financial losses, serious failure of risk management or serious damage to the reputation of the Bank caused by misconduct or gross negligence (including inaction) of the employee;
c. material misstatement or material errors in the financial statements that relate to the area of responsibility of the employee or can be attributed to action or inaction of the employee's performance of their duties;
d. deliberately misleading the Bank in relation to financial performance;
e. failure to continue to meet the applicable fitness and properness criteria;
f. material increase with respect to the required regulatory capital of the Bank that can be attributed to the action or inaction of the employee;
g. misconduct that contributed to the imposition of material regulatory or other similar sanctions; and
h. payments based on erroneous or misleading data, for which malus and clawback apply to deferred variable remuneration awarded for the year in question.

Principles of Remuneration for Control Functions within the Bank

a. The employees engaged in Control Functions are compensated in accordance with the achievement of the objectives linked to their functions, independently of the performance of the business areas that they control.
b. Remuneration of the head of Internal Audit (if their remuneration is not regulated by the JSC Bank of Georgia Material Risk Takers Remuneration Policy and internal audit personnel is defined by the Audit and Corporate Governance Committee to guarantee the independence of internal audit function and provide compensation system, allowing attraction of human resources with adequate skills, corresponding to the Bank's scale and complexity.
c. The methods used for determining the variable remuneration of Control Functions should not compromise staff's objectivity and independence.

Pension

All employees are eligible to participate in state pension scheme. The Bank makes pension payments in accordance with the terms and conditions defined by Georgian legislation.

7.4. Material Risk Takers Remuneration Policy

Material risk taker - a Bank employee defined according to the quantitative and qualitative criteria developed by the Bank based on the instructions for identifying material risk takers developed by NBG, whose professional activities have a significant impact on the bank's risk profile. Material risk takers should include at least:

- All direct reports of the General Director;

- An employee who has managerial responsibilities over the Bank's control functions or significant business unit;
- An employee whose total annual remuneration in the previous year exceeds GEL 500,000 and at the same time, he/she is involved in the significant business unit of the Bank and has a significant impact on the risk profile of that business unit.

The List of MRTs shall be kept and updated (in accordance with NBG Instructions) as applicable by the Bank's HR & Compliance functions.

The Policy ensures that conflicts of interest related to remuneration can be largely avoided. The remuneration of control function MRTs, including performance-based components, do not create a risk to independence of such MRTs. If a potential conflict of interest situation should nevertheless arise, it must be resolved in line with legal and regulatory requirements, which provide for an obligation on the part of the MRTs and the Supervisory Board to disclose potential conflicts of interest, and refrain from participation in any matter where such conflict shall arise. Further, the Supervisory Board may designate appropriate measures to avoid, resolve and mitigate conflicts of interest once disclosed.

During the term of the MRT's employment, the MRT's remuneration shall consist of:

- **Fixed component** of remuneration, which shall be fixed in monetary terms and **may** consist of:
    - Cash Salary, fixed in monetary terms at the date of contract, to be paid monthly (the "**Base Salary**");
    - Salary, fixed in monetary terms, to be paid by award of the number of shares equivalent to the fixed monetary value as at the date of the award, which shall be at the beginning of each year, or the date of the start of the relevant MRT's contract if such is later during the year. Such award shall vest on the 1 January of the year following the award and shall be subject to holding (the "**Annual Salary paid in Shares**"); and
    - Any additional fringe benefits;
      (the "**Fixed Remuneration**") and
- **Variable component** of remuneration, which shall be performance based and fully discretionary and **may** consist of:
    - Cash bonus, which can be no more than 50% of total Variable Remuneration of the MRT and shall be subject to deferral as per schedule below (the "**Cash Bonus**");
    - Award of ordinary shares of BOGG PLC, normally made after the completion of BOGG PLC's annual audit, and subject to at least 3-year vesting schedule as described below (the "**Performance Based Share Award**" or the "**Discretionary Share Award**")
      (the "**Variable Remuneration**").
- **Pension contributions -** in accordance with applicable Georgian legislation.

The Base Salary

The level of the Base Salary for MRTs is fixed in their respective service agreements. The level of salary is reviewed when a service agreement is up for renewal or if there is a significant change in circumstances and the MRTs and the Bank agree to consequent changes in their agreements. The Base Salary is paid monthly, per the terms agreed in the respective service agreement.

Annual Salary Paid in Shares

The level of Annual Salary Paid in Shares, <u>if applicable</u>, for MRTs is expressed and fixed in monetary terms in their respective service agreements. The level of salary is reviewed by the Remuneration Committee when a service agreement is up for renewal or if there is a significant change in circumstances and the MRTs and Remuneration Committee agree to consequent changes in their agreements, for example the implementation of a new remuneration policy.

The Annual Salary Paid in Shares is paid by award of in the form of nil-cost options to shares of BOGG PLC, the number of which is determined by dividing the monetary amount of the Annual Salary Paid in Shares set in the service agreement, by the average price of the BOGG PLC shares at the market closes on London Stock Exchange of the five business days prior to 25th December immediately preceding date of the award, which shall be on the first business day of January each year. For example, the price of the shares for the Annual Salary Paid in Shares for the year 2022 shall be the average price of BOGG PLC shares on London Stock Exchange of December 20th through 24th 2021.

The nil-cost options are awarded annually in respect of the work year, and are usually expected to be awarded towards the beginning of the work year. The Annual Salary paid in shares is also subject to pro rata lapse in the event an incomplete year is worked.

The nil-cost options awarded as Annual Salary Paid in Shares in respect of a work year will vest on 1 January of the year immediately following the award year, and will be subject to a retention/ holding period of 3 more years, as per table below:

	Work Year	Grant Point	2nd Year	3rd Year	4th Year	5th Year
Example year	2022	Jan-22	Jan-23	Jan-24	Jan-25	Jan-26
Vesting of Annual Salary Paid Shares		Grant	100%			
Retention of Annual Salary Paid in Shares				1/3 released from Holding	1/3 released from Holding	1/3 released from Holding

Upon vesting the MRTs also receive cash payments equal to the dividends paid on the underlying shares between the date the award was made and the vesting date.
The MRTs are obliged to adhere to the requirements of holding period, implying that they are not allowed to sell or otherwise dispose of the shares vested as Annual Salary Paid in cash, unless such shares are released from holding obligation in accordance with this Policy and the MRT's service agreement.

The Annual Salary Paid in Shares is fixed salary, therefore, it is not subject to any performance targets or measures, neither it is subject to discretion of the Remuneration Committee or Supervisory Board, or any malus or clawback provisions, apart from natural pro-rata lapse in case of work for an incomplete year. The fact that the Annual Salary Paid in Shares is subject to holding requirements and therefore, it may increase or decline in value depending on the Bank performance over the five-year total vesting and holding period, is aligning the MRTs' interests directly and naturally with those of shareholders, however, not subjecting the MRTs to any discretion of the Supervisory Board or Remuneration Committee in that regard, or to any performance qualifiers.

Additional and Fringe benefits

The fixed remuneration may also include additional or fringe benefits, which are primarily non-cash. Non-cash benefits are in line with Georgian market practice and are designed to be sufficient to attract and retain high-calibre talent. Benefits include: life insurance; health insurance; incapacity/ disability insurance; mobile phone costs. Other benefits, e.g. relocation compensation, may be provided from time to time if considered reasonable and appropriate. There is no prescribed maximum on the value of benefits payable to MRTs. The maximum amount payable depends on the cost of providing such benefits to an employee in the location at which the MRT is based.

Variable Remuneration

Annual Bonus, in the form of the Variable Remuneration as described in this Policy may be granted to a MRT, in respect of the worked year, in the context of overall Bank performance, to motivate and reward MRTs in relation to their contribution to the achievement of the KPIs set for them by the Remuneration Committee, Management Board, or relevant Director who is the direct supervisor or MRT, or the unit MRT works for, towards the beginning of the year.

There is no contractual right to Variable Remuneration and the Remuneration Committee reserves the right to award no discretionary deferred share remuneration if the Bank's performance is unsatisfactory.

Pre-conditions for the Remuneration Committee to consider the award of the Variable Remuneration to the MRTs in any given year are the following:

- No active prohibition on the granting or payment of variable remuneration by the relevant regulator;
- The legally required Capital Adequacy Ratios (CET1, Tier1, Total) are achieved and all relevant capital and buffer requirements that are necessary for regulatory purposes are met; and
- The granting and payment of variable remuneration will not result in breach of such requirements.

Performance Criteria for award of Variable Remuneration

Provided that the pre-conditions described above are met, the Remuneration Committee will make the determination on number of shares to be awarded annually as Variable Remuneration in respect of the MRTs and will consider the defined maximum opportunity (see below), the Bank's performance and the individual's KPIs when making a determination.

Performance measures are chosen to reflect strategic priorities for the Bank and will be chosen by the Remuneration Committee, Management Board, or the relevant Director to whom the MRT reports to annually towards the beginning of the performance year. The aggregate pool of shares available each year for awards of discretionary deferred share compensation for the MRTs is determined annually by the Remuneration Committee in its absolute discretion, based on a number of factors including:

- financial results;
- strategic objectives; and
- people and culture objectives.

The Remuneration Committee will normally determine the Amount of Variable Remuneration to be awarded annually based on:

1. Performance of the MRTs and their business/organisation unit and/or Bank as a whole ("**Shared KPIs**");
2. The individual MRTs' achievement of their KPIs set for the work year ("**Individual KPIs**");
3. Key business objectives of the relevant business sector/organisational unit for which the MRT is responsible ("**KBOs**");

Each of the above normally includes both financial and non-financial metrics, which are chosen in line with (i) the bank's strategy, (ii) with a view of alignment with shareholder interests; and (iii) on the basis of the actual role of the relevant MRTs' oversight/business functions.

Variable Remuneration of the MRTs who are responsible for the control functions, shall not be based on financial results of the business line they oversee or monitor.

If appropriate, where a strategic change or change in business circumstances has made one or more of the KPIs an inaccurate gauge of the MRTs' performance, the Remuneration Committee, the Management Board, or the relevant Director to whom the MRT reports to may decide to base its assessment on alternative measures.

Determination of Shared KPIs

BOGG PLC discloses in its annual report the BOGG Group's Annual KPIs, which are the main indicators per which the Supervisory Board measures the success of the Bank as well. The KPIs are closely aligned with the Bank's medium-term strategy and are drawn up with the purpose to ensure that the Bank delivers on its key strategic targets.

2022 KPIs include:

- Return on Average Equity (ROAE)
- Cost to Income ratio
- Cost of Risk ratio
- Profit before tax (PBT)
- NPS
- eNPS
- Developing ESG, in line with the Group's five championed Sustainable Development Goals (SDGs) and with market best practice
- Personal Key Business Objectives.

The KPIs may be subject to modification to further align them with the BOGG Group strategy annually, and the thresholds and targets of KPIs are normally set by the BOGG PLC board.

Supervisory Board, Management Board, or the relevant Director to whom the MRT reports to would refer to the Group's Annual KPIs in determining the Shared KPIs for MRTs Members, and set them each year, with particular focus on alignment with strategic objectives of the Group and shareholder interests.

Determination of Individual KPIs

The Individual KPIs are determined for each individual MRT towards the beginning of the year, taking into account their role and attached duties and responsibilities. When determining the individual criteria, Supervisory Board/Remuneration Committee, Management Board, or the relevant Director to whom the MRT reports to will take into account that performance criteria should:

- be derived from the business and risk strategy, objectives, values and long-term interests of the Company;
- meet regulatory requirements, especially regarding risk orientation;
- contain both financial and non-financial objectives, in an appropriate proportion, provided that Variable Remuneration of the MRTs who are responsible for the control functions, shall not be based on financial results of the business line they oversee or monitor;
- prevent inappropriate short-term success orientation;
- be ambitious enough to ensure due contribution to achievement of strategic objectives;
- be formulated in clear and comprehensible terms;
- Contain clear baseline and target levels and have a relative weighting.

When determining the individual performance criteria for the Risks function MRTs and other MRTs who oversee/carry control functions, appropriate consideration should be given to his or her control function, and it must be ensured in accordance with regulatory requirements that his or her objectivity and independence are not negatively affected by the individual setting of objectives.

KBOs

The KBOs are determined for each individual MRT as primary objectives the businesses/projects within their oversight/ responsibility need to achieve/complete during the year. They may relate to the achievement of strategic objectives (such as the implementation of strategic projects, introduction of measures to increase efficiency and/or optimization tools etc.), designation/implementation of various policies, implementation of compliance mechanisms, employee training/professional development, or MRTs members own professional development. The achievement of KBOs is determined on the basis of the actual final results of relevant project completion, and project completions status, which shall at least be assessed by the Supervisory Board/Remuneration Committee, Management Board, or the relevant Director to whom the MRT reports to as "meeting the expectations".

Maximum opportunity of Variable Remuneration

The maximum opportunity that a MRT may be awarded as the Variable Remuneration for a given year is equivalent to 100% of the MRT's Fixed Remuneration (the Base Salary +, if applicable, the Annual Salary Paid in Shares) during that year.

Supervisory Board and Remuneration Committee may, through the reference of the matter to BOGG PLC board, submit the proposal to the shareholders of BOGG PLC, to establish a ratio higher than the maximum annual Variable Remuneration opportunity, provided that annual Variable Remuneration does not exceed 200% of annual Fixed Remuneration.

In addition to the above, if Remuneration Committee/Supervisory Board decides that the Variable Remuneration of a MRT shall be in the form of both Cash Bonus and Discretionary Share Awards, the Cash Bonus shall not be more than 50% of the total amount of Variable Remuneration to be granted.

Determination of the amount of a MRT's Variable Remuneration

Performance-based remuneration may be awarded annually, as Cash Bonus and/or Discretionary Share Awards which are subject to vesting and holding for at least 3years.

The Remuneration Committee retains the discretion to apply adjustments to the amount of Variable Remuneration thus determined, in case it considers so necessary/advisable in light with market conditions, Bank's financial interests, or other strategic interests.

Award and Deferral of Variable Remuneration

Any Variable Remuneration will normally be granted following the end of the work year, although the Remuneration Committee retains the discretion to determine the timing of the awards.

If, the Variable Remuneration is granted in the form of Cash Bonus (which shall not be more than 50% of the total amount of Variable remuneration), the following vesting schedule shall apply to the Cash Bonus:

	Work Year	**Grant Point (year 0)**	**2nd Year (year 1)**	**3rd Year (year 2)**	**4th Year (year 3)**
Example year	2022	Mar-23	Jan-24	Jan-25	Jan-26
Vesting of Cash Bonus		40% vests immediately	20% vests	20% vests	20% vest

The vesting (deferral) and holding (retention) Schedule of any Discretionary Share Award shall be the following:

	Work Year	Grant Point (year 0)	2nd Year (year 1)	3rd Year (year 2)	4th Year (year 3)
Example year	2022	Mar-23	Jan-24	Jan-25	Jan-26
Vesting of Discretionary Share Award		Granted	1/3 vest	1/3 vest	1/3 vest

Upon vesting the MRTs also receive cash payments equal to the dividends paid on the underlying shares between the date the award was made and the vesting date.

MRTs are not authorized to apply any insurance related to the Variable Remuneration Awards and respective obligations and personal hedging strategies for the purpose of risk reduction. Prohibition of hedging and insurance shall apply to the deferred as well as retained Variable Remuneration.

The Remuneration Committee has discretion to vary the vesting schedule of Variable Remuneration, if necessary, for example in the event of a statutory conflict of interest.

Ex post Risk Adjustments: Malus and Clawback

The Remuneration Committee conducts annual review of the sustainability of MRTs remuneration policy, and the assessment of MRTs'performance, during which, the Remuneration Committee may, at referral of General Director, Management board, or relevant Director to whom the relevant MRT reports to:

- If necessary, reduce or eliminate any outstanding (unvested) Variable Remuneration tranches ("malus")
- Reclaim Variable Remuneration components already paid out (vested) if certain conditions are met ("**clawback**").

Variable Remuneration may become subject to malus and/or clawback in the following circumstances:

- Variable Remuneration recipient no longer complies with the standards established by the Regulation on Commercial Bank Managers Fit & Proper Criteria approved by the Decree No. 50/04 of the Governor of the National Bank of Georgia of June 17, 2014;
- Misconduct in the performance or substantial failure to perform duties by the MRTs, or material breach of applicable regulations and/or the Bank's internal policies;
- Significant financial losses, or serious damage to the reputation of the Bank caused by misconduct or gross negligence (including inaction) of the MRTs; In case of clawback arrangements such downturn has to be caused by participation of the remuneration recipient;
- Significant failures/problems in terms of risk management in the bank/structural unit in which a recipient of remuneration works. In case of clawback arrangements such failures/problems have to be caused by the remuneration recipient;
- Downturn in financial performance (e.g. specific business indicators) of the structural unit. In case of clawback arrangements such downturn has to be caused by participation of the remuneration recipient;
- Material misstatement or material errors in the financial statements that relate to the area of responsibility of the MRTs or can be attributed to action or inaction of the MRTs' performance of their duties;
- Deliberately misleading the Bank in relation to financial performance on the basis of which the Variable Remuneration was issued;

- Significant increases in the bank's/structural unit's economic/regulatory capital requirements. In case of clawback arrangements such failures/problems have to be caused by participation of the remuneration recipient;
- Misconduct that contributed to the imposition of material regulatory or other similar sanctions; and
- Payments based on erroneous or misleading data, for which malus and clawback apply to Variable Remuneration for the year in question.

Clawback arrangements apply for up to two years from vesting.

Pension Contributions

The Bank is required to comply with pension requirements set by the Georgian laws, which may change from time to time. Pension provision is the same for all employees in the Bank in Georgia. In line with current Georgian legislation, MRT and the Bank each contribute 2% of total remuneration from the Bank, and the Georgian Government may contribute a further small amount (0-2% depending on income levels). Pension contributions will only increase above this level if mandated by Georgian legislation or if mandated by any other applicable legislation.

Discretion of the Remuneration Committee

The Remuneration Committee retains a substantial degree of discretion in relation to Variable Remuneration. This includes:

- The determination of the award, if any;
- Selection of KPIs, which may vary from year to year in order to align with strategy and financial objectives;
- Any adjustments required to the MRTs' KPIs during the work year when, for example, there has been a change in strategy or business circumstances which results in one or more KPIs becoming an inaccurate gauge of performance; and
- The discretion to override any formulaic outcomes when it considers it reasonable in the circumstances to do so prior to or upon vesting of discretionary deferred shares.

For the avoidance of doubt the Bank shall not award (or shall reduce the amount of the award accordingly) to the extent that such award would cause a breach of the NBG's capital adequacy requirements and other regulatory ratios.

The Remuneration Committee has discretion to vary the vesting schedule of deferred share salary and discretionary deferred shares, if necessary, for example in the event of a statutory conflict of interest.

Equity compensation trust

The BOGG PLC group operates two employee benefit trusts, one for senior executives, and the other for employees below the executive level, which hold ordinary shares on trust for the benefit of employees and former employees of the Bank, and their dependents, and which is used in conjunction with the Bank's employee share schemes.

Business expenses

MRTs may be reimbursed for reasonable business expenses incurred in the course of carrying out duties under their service contract, on provision of valid receipts.

There were 3 employees, excluding the Management and Supervisory board, whose remuneration for the 2021 fiscal year exceeded GEL 1 million.

References

The Bank	JSC Bank of Georgia
The Directors	Members of the Management Board
The "Report"	Pillar 3 Annual Report 2021
CFO or Chief Finance Officer	Chief Finance Officer of the Bank
CRO or Chief Risk Officer	Chief Risk Officer of the Bank
The "Charter"	Bank's charter
CRR	Article in REGULATION (EU) No 575/2013 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 26 June 2013 on prudential requirements for credit institutions and investment firms
GMS	General Meeting of Shareholders
IFRS	International Financial Reporting Standards
Management Board/Executive Management	Management Board of the Bank
Supervisory Board	Supervisory Board of the Bank