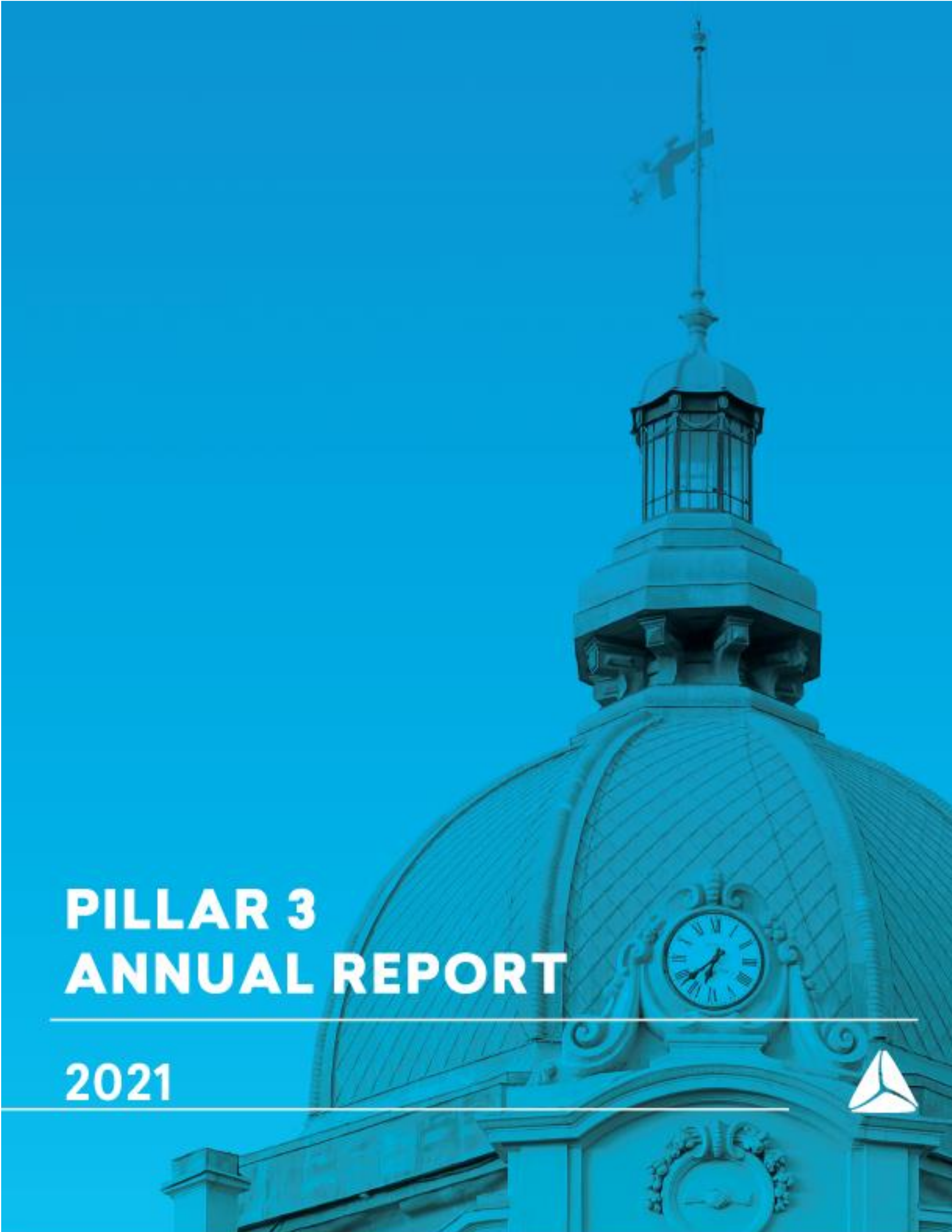


PILLAR 3 ANNUAL REPORT

2021

TABLE OF CONTENTS

1. Summary

According to the Order 92/04 of the President of the National Bank of Georgia "Rule for Disclosure of Information by Commercial Banks within the Framework of Pillar 3", commercial banks are obligated to disclose the qualitative and quantitative information related to their risk profile and risk appetite, corporate governance and remuneration policy on an annual basis.

This Pillar 3 Annual Report (hereafter "the Report") is prepared in Georgian and English languages and is available on the web pages of TBC Bank and the National Bank of Georgia.

2. JSC TBC Bank's Management Statement

The Management is required to prepare the financial statements of TBC Bank JSC (hereafter the "Bank") for each financial year in accordance with the International Financial Reporting Standards (the "IFRS"). The annual financial statements present fairly the financial position and performance of the Bank for that period. The Management must not approve the financial statements, unless they are satisfied that they give a true and fair view of the financial statements of the Bank for that period.

The Management consider, that in preparing the financial statements they have used appropriate accounting policies, supported by reasonable judgments and estimates, and that all accounting standards which they consider to be applicable have been followed. The Management also believes, that the financial statements have been prepared on going concern basis.

In addition, the Management is required to prepare report in line with all the requirements of "Rule for Disclosure of Information by Commercial Banks within the Framework of Pillar 3" (Hereafter the "Report") approved by the Order #92/04 of the President of the National Bank of Georgia, on 22 June, 2017. The Report is prepared in full compliance with the internal processes and controls agreed with the Supervisory Board of JSC TBC Bank. The rule does not require the Report to be audited by external auditor as a result the information given in the report is unaudited.

The Report was approved by the Supervisory Board on 28 April 2022 and signed on its behalf by:

Giorgi Megrelishvili	Nino Masurashvili
Chief Financial Officer	Chief Risk Officer

3. Background and Group Structure

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

As at 31 December 2021, the Bank had 147 branches within Georgia (2020:149; 2019:148)

TBC Bank Group PLC ("TBCG" or the "Company") is a public limited liability company, incorporated in the United Kingdom. TBCG held 99.88% of the share capital of JSC TBC Bank Group as at 31 December 2021 (2020: 99.88%, 2019: 99.88%), thus representing the Bank's ultimate parent company. TBC Bank Group PLC's registered legal address is Highdown House, Yeoman Way, Worthing, West Sussex, United Kingdom, BN99 3HH. Registered number of TBC Group PLC is 10029943.

The following shareholders directly owned more than 5% of the total outstanding shares of the Group. Other shareholders individually owned less than 5% of the outstanding shares. As of 31 December 2021, 2020, and 2019 the Group had no ultimate controlling party.

Shareholders	**% of ownership interest held as of 31 December**		
	2021	**2020**	**2019**
TBC Bank Group PLC	99.88%	99.88%	99.88%
Other	0.12%	0.12%	0.12%
Total	**100.00%**	**100.00%**	**100.00%**

As of 31 December 2021, 31 December 2020 and 31 December 2019, the shareholder structure by beneficiary ownership interest was as follows:

	Ownership interest % as of 31 December		
Shareholders	**2021**	**2020**	**2019**
Institutional and retail investors	74.31%	74.79%	68.70%
International Financial Institutions	7.84%	7.84%	8.04%
Founders*	14.61%	14.64%	16.26%
Other shareholders**	3.24%	2.73%	7.00%
Total	**100.00%**	**100.00%**	**100.00%**

* Founders include direct and indirect ownerships of Mamuka Khazaradze, Badri Japaridze.

** Other includes individual as well as corporate shareholders.

TBC Bank JSC is a parent company for the following subsidiaries (hereafter the "Group"):

	Proportion of voting rights and ordinary share capital held as of 31 December					
Subsidiary name	**2021**	**2020**	**2019**	**Principal place of business or incorporation**	**Year of incorporation**	**Principal activities**
JSC TBC Bank	99.88%	99.88%	99.88%	Tbilisi, Georgia	1992	Banking
United Financial Corporation JSC	99.53%	99.53%	99.53%	Tbilisi, Georgia	1997	Card processing
TBC Capital LLC	100.00%	100.00%	100.00%	Tbilisi, Georgia	1999	Brokerage
TBC Leasing JSC	100.00%	100.00%	100.00%	Tbilisi, Georgia	2003	Leasing
TBC Kredit LLC	100.00%	100.00%	100.00%	Baku, Azerbaijan	1999	Non-banking credit institution
TBC Pay LLC	100.00%	100.00%	100.00%	Tbilisi, Georgia	2009	Processing
TBC Invest LLC	100.00%	100.00%	100.00%	Ramat Gan,Israel	2011	PR and marketing
Index LLC	100.00%	100.00%	100.00%	Tbilisi, Georgia	2011	Real estate management
TBC Capital Asset Management LLC	100.00%	N/A	N/A	Tbilisi, Georgia	2021	Asset management

The Group has investments in the following associates:

	Proportion of voting rights and ordinary share capital held as of 31 December					
Associate name	**2021**	**2020**	**2019**	**Principal place of business or incorporation**	**Year of incorporation**	**Principal activities**
Credit Info Georgia JSC	21.08%	21.08%	21.08%	Tbilisi, Georgia	2005	Financial intermediation
Tbilisi Stock Exchange JSC	28.87%	28.87%	28.87%	Tbilisi, Georgia	2019	Finance, service
Georgian Central Securities Depository JSC	22.87%	22.87%	27.70%	Tbilisi, Georgia	2019	Finance, service
Georgian Stock Exchange JSC[1]	17.33%	17.33%	17.33%	Tbilisi, Georgia	2019	Finance, service
Kavkasreestri JSC[1]	10.03%	10.03%	10.03%	Tbilisi, Georgia	2019	Finance, service

The country of registration or incorporation is also the principal area of operation of each of the above subsidiaries.

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

[1] The Group has a significant influence on Georgian Stock Exchange JSC and Kavkasreestri JSC held as an investment in associates.

	Proportion of voting rights and ordinary share capital held as of 31 December					
Company name	**2021**	**2020**	**2019**	**Principal place of business or incorporation**	**Year of incorporation**	**Principal activities**
TBC Invest International Ltd[2]	100.00%	100.00%	100.00%	Tbilisi, Georgia	2016	Investment Vehicle
University Development Fund[2]	33.33%	33.33%	33.33%	Tbilisi, Georgia	2007	Education
Natural Products of Georgia LLC[2]	25.00%	25.00%	25.00%	Tbilisi, Georgia	2001	Trade, Service
TBC Trade LLC	100.00%	100.00%	100.00%	Tbilisi, Georgia	2008	Trade, Service
Georgia Large Cap Diversified Credit Portfolio JSC	100.00%	N/A	N/A	Tbilisi, Georgia	2021	Asset Management

4. Corporate Governance

According to the Rule N 92.04 of the President of National Bank of Georgia on principles of disclosure of information, in the framework of Pillar 3 by the commercial bank (hereinafter – the "Rule"), in existence of holding governance structure, the Banks should disclose the information about the board of the holding and it's relevant committees, together with the process of decision-making in relation to the Bank itself.[3]

Therefore, since TBC Bank Group PLC (hereinafter "the Company") is the parent company of the JSC TBC Bank (hereinafter "TBC Bank" or "the Bank"), the following chapter comprises the information about the Company.

4.1 Board of Directors of the Company

The governing body of the Company is the Board of Directors. At the same time, the main subsidiary of the Company – JSC TBC Bank is also governed by the Supervisory Board of the Bank. Therefore, there are two supervisory bodies within the Group, however the competences of the Board of Directors, the Supervisory Board and their respective committees are effectively balanced which ensures that their functions are divided accordingly, whether these relate to the matters of the Company, or of the Bank.

The Supervisory Board of the Bank and the Board of Directors of the Company have the same composition in terms of non-executive membership. Eight independent non-executive members Arne Berggren – the Chairman, Tsira Kemularia (Senior Independent Non-Executive Member - SID), Maria Luisa Cicognani, Per Anders Fasth, Eran Klein, Thymios P. Kyriakopoulos, Nino Suknidze and Rajeev Sawhney form the Supervisory Board and the Board of Directors. In addition, Company's board of directors comprise executive member, Vakhtang Butskhrikidze.

All non-executive members of the Supervisory Board are considered independent in line with the criteria laid down by the Georgian Corporate Governance Code and UK Corporate Governance Code.

In accordance of the UK Corporate Governance Code, each member of the Board of Directors should immediately inform the Board of Directors about any event, which might affect his or her independence.

The competence of the Board of Directors, together with other important matters, also includes development of Company's strategy, long-term goals, risk appetite, and annual budget, as well as assessing changes in the Group's capital, share buy-backs, important acquisitions and mergers. The document, which provides information on the skills, experience and competencies of the Board of Directors, can be found on the website of the Company, at the following link: https://tbcbankgroup.com/about-us/leadership/board-of-directors/. The matters reserved for the Board

2 Dormant

3 Article 6, subsection "c" of the Rule

can be found at the following link https://tbcbankgroup.com/media/1301/41_-schedule-of-reserved-matters-2.pdf.

Composition of the Board of Directors of the Company

Changes to the Board in 2021

TBC Bank's Supervisory Board composition has been wholly refreshed during 2021. New composition ensures that the Supervisory Board is diverse, well rounded and effective. As reported in the Annual Report for 2020, Nikoloz Enukidze, Nicholas Haag and Eric Rajendra stepped down from their Supervisory Board and Board of Directors of TBC Bank Group PLC Board (together the "Board") roles in May 2021. Additionally, after just over a year of service on the Board, Abhijit Akerkar stepped down from his Board roles in September 2021 to purse a new executive leadership role with a global financial institution. Robust succession planning for the Board and its committees is a central aspect of TBC's corporate governance framework. The Board refreshed its membership during 2021 by recruiting five new members. In April 2021, TBC appointed Per Anders Fasth, Thymios Kyriakopoulos and Eran Klein to the Board as independent, non-executive members. In November 2021, two more independent non-executive members, Venera (Nino) Suknidze and Rajeev Sawhney, joined the Board. The latest appointments have also allowed TBC to achieve the target set by the Hampton-Alexander Review of 33% female representation on the Board. Furthermore, TBC continues to comply with the Parker Review requirement of having at least one BAME (black, Asian and minority ethnic) member on the Board. With the new team in place, TBC is also able to renew both the structure and the memberships of the Board´s committees.

These changes allowed TBC to strengthen the Board with best practice knowledge, skills, and experience in areas, that are strategically important to the continued success of the Bank, such as risk management, legal and compliance, information security expertise, international banking, and technology and data. With the new team, the Board formed two important committees – the Technology and Data Committee and the ESG and Ethics Committee - that will provide support to oversee of strategically important areas for the Bank.

Supervisory Board Member Biographies

ARNE BERGGREN
Chairman

Joined the Bank in August 2019; appointed as Chairman on 1 March 2021

Experience

- *Experience in international financial institutions and advising governments*
- *Board membership and committee chairmanship experience in other UK-listed banks*
- *Experience in investment banking activities and in leading bank restructurings*
- *Deep understanding of strategic planning and implementation*

Arne has worked in the financial services industry for over 25 years. He has held a number of senior leadership and advisory roles at prominent financial institutions including the IMF, World Bank, Swedbank, Carnegie Investment Bank AB and the Swedish Ministry of Finance and Bank Support Authority. Arne had a leading role in the handling of the Swedish banking crisis in 1991-1993. During the Asian crisis, he assisted the FRA in Thailand and FSC/ KAMCO in South Korea with the handling of problem assets. During his career, Arne has also served as CEO of entities outside the financial industry and as an independent non-executive director at the Turkish asset management company, LBT Varlik Yonetim and Slovenian bank asset management company, DUBT Ltd.

Current External non-executive appointments

- *Board member at Bank of Cyprus*
- *Board member at Piraeus Bank*

Committee membership

- *Chair of the Corporate Governance and Nomination Committee*
- *Member of the Remuneration Committee*

TSIRA KEMULARIA, CDir
Senior Independent Non-Executive Supervisory Board Member

Joined the Bank in September 2018; appointed as SID on 15 September 2021

Experience

- *Deep experience with over 23 years across the energy and petrochemicals industry including regulated commodity trading and financial services*
- *Chartered Director with the Institute of Directors in London, UK*
- *Former member of the British-Georgian Society and former Chairwoman of Georgian Community in the UK*
- *Relevant experience and expertise in information security risk management*

Tsira held various roles covering market risk management commodity trading companies both in Dynegy Inc. in USA and UK and at Shell International Trading & Shipping Ltd (STASCO) in London. She served in different managerial roles in M&A and Commercial Finance, Group Treasury and Trading and Supply the UK, Moscow and Barbados between 2005 and 2016. From 2016 to 2019, Tsira was the Head of Group Pensions Strategy and Standards at Shell International Ltd based in London. Since 2019, Tsira is the Head of Internal Audit and Investigations for Shell's global Trading and Supply organization, which is the world's biggest commodity trading and supply business.

Current external non-executive appointments

- *Trustee Director of the British Gas Trustee Solutions Ltd, a closed pension fund (post British Gas acquisition by Shell)*
- *Trustee Director, Shell Trustee Solution Ltd*
- *Board member at FaRiG (Friends of Academic Research in Georgia)*

Committee membership and Board roles

- *Member of the Audit Committee*
- *Member of the ESG and Ethics Committee*
- *Senior Independent Supervisory Board Member*

MARIA LUISA CICOGNANI
Independent Non-Executive Supervisory Board Member

Joined the Bank in September 2018

Experience

- *Extensive experience in international banking, financial institutions and corporate governance*
- *Deep understanding of the UK Corporate Governance and directors' remuneration framework*
- *Strong leadership skills through significant board membership and chairing experience*
- *Extensive international strategic advisory experience in emerging and growth economies*

Maria Luisa has extensive experience in the field of banking, financial institutions and corporate governance. She worked at the European Bank for Reconstruction and Development (London, UK) between 1993 and 2005. Subsequently, she was a director of Financial Institutions at Merrill Lynch and Head of Financial Institutions at Renaissance Capital in London and Moscow, as well as, a Managing Director of Mediobanca (London Branch). During 2014-2016, Maria Luisa served as a non-executive member of the board at Azimut Global Counseling Srl (Italy) and Azimut International Holding SA (Luxemburg). She has previously served as a Chairperson of Moneta Money Bank (listed on the Prague Stock Exchange), and in 2020-2021 she was an independent non-executive director of UBI Banca (Italy).

Current external non-executive appointments

- *Chairperson of Mobius Investment Trust, LSE-listed company*
- *Chairperson of Arafa Holding, listing on the Cairo Stock Exchange*

Committee membership

- *Chair of the Remuneration Committee*
- *Member of the Risk Committee*
- *Member of the Corporate Governance and Nomination Committee*

ERAN KLEIN
Independent Non-Executive Supervisory Board Member

Joined the Bank in July 2021

Experience

- *Extensive experience in banking, credit, capital markets and legal*
- *Significant risk, corporate governance, strategy and structuring experience*
- *Strong Emerging Markets banking and stakeholder management experience*
- *Relevant experience and expertise in information security risk management*

Eran is an experienced international banker and lawyer who held senior roles over two decades in leading financial institutions such as Commerzbank, Citibank, ING Financial Markets and Deutsche Bank across both developed and emerging markets. Eran accumulated valuable knowledge in capital markets, SME, retail lending, corporate governance, liquidity and balance sheet management, as well as risk management, audit and strategy implementation. Currently, he also serves as a non-executive director and risk committee chair at Privatbank, the largest bank in Ukraine.

Current external non-executive appointments

- *Non-Executive Director and Chair of the Risk Committee at Privatbank, Ukraine.*

Committee membership

- *Chair of the ESG and Ethics Committee*
- *Member of the Technology and Data Committee*
- *Member of the Risk Committee*

PER ANDERS FASTH
Independent Non-Executive Supervisory Board Member

Joined the Bank in July 2021

Experience

- *Extensive experience as a senior executive of over 20 years at leading financial institutions*
- *More than 25 years of accumulated experience as an independent non-executive director*
- *Strong listed company leadership and strategic advisory skills*
- *Relevant experience in the Fintech and credit management industries across Europe*
- *Relevant experience and expertise in information security risk management*

Per Anders served as a senior executive for 20 years at the leading North-European Bank SEB and as a CEO at SBAB Bank, Hoist Finance and European Resolution Capital. Per Anders has deep strategic consulting experience as a top-tier consultant for 10 years at McKinsey & Company and QVARTZ (now Bain & Company). He has been a non-executive director of several financial institutions in Scandinavia and Greece where was a board member of Piraeus Bank S.A., a listed leading Greek Bank. In addition, he has extensive professional experience from having worked in the Nordic and Baltic countries, Germany, Luxembourg, Slovenia, the UK and Ukraine where he was an advisor to the World Bank and the Ministry of Finance.

Current external non-executive appointments

- *Board member and Interim Chief Executive Officer of Hoist Finance AB, listed on the Stockholm Stock Exchange*
- *Chairman of Lyra Financial Wealth, a wealth management company*
- *Chairman of Pepins Group/FundedByMe, listed on Nordic GM for SMEs*
- *Board member, Atle Investment Management*

Committee membership
- *Chair of the Audit Committee*
- *Member of the Risk Committee*
- *Member of the Remuneration Committee*

THYMIOS KYRIAKOPOULOS
Independent Non-Executive Supervisory Board Member

Joined the Bank in July 2021

Experience
- *Extensive experience as investor, portfolio manager, risk taker and balance sheet planner*
- *Experience in balance sheet de-risking and deep operational and governance restructuring*
- *Transformation leadership and crisis management spanning across systemic banks and Fintech*
- *Strong financial, risk and asset management advisory skills to companies and government entities*

Thymios is an internationally experienced banking executive specializing in the areas of operational transformation, balance sheet and risk management, financial engineering and portfolio management. He serves on the board of the Hellenic Corporation of Assets and Participations, the Greek sovereign wealth fund, and is chair of the investment and risk committee. Prior to that, Thymios was an executive general manager and chief risk officer of Piraeus Bank S.A, a listed leading Greek Bank, managing director at Goldman Sachs Inc. in the fixed income currencies and commodities trading division, and has held board and executive roles in Insurtech, Fintech, financial services and management consulting companies.

Current external non-executive appointments

- *Board member at the Hellenic Corporation Of Assets And Participations*

Committee membership
- *Chair of the Risk Committee*
- *Member of the Audit Committee*
- *Member of the Technology and Data Committee*

RAJEEV SAWHNEY
Independent Non-Executive Supervisory Board Member

Joined the Bank in November 2021

Experience

- *Strong global corporate leadership experience of over 40 years*
- *Significant advisory and executive experience to technology and cybersecurity companies*
- *Extensive expertise in personnel management*
- *Relevant experience and expertise in information security risk management*

Rajeev Sawhney is a corporate growth executive with 40 years of global experience in digital technologies, serving across various industry sectors in Europe, North America and Asia. Currently, Mr. Sawhney serves as Executive Chairman and non-executive director at Oxsight Ltd, a medical equipment developer and an Oxford University spin out. He was formerly a senior advisor to the CEO at global IT services firm Zensar Ltd in the UK and member of the advisory board at Garble Cloud Inc., a cybersecurity company in Silicon Valley, USA. Prior to that, Mr. Sawhney comes with strong operational experience as President of HCL Technologies and Mphasis, a Hewlett Packard company.

Current external non-executive appointments

- *Executive Chairman and board member of Oxsight Ltd*

Committee membership

- *Chair of the Technology and Data Committee*
- *Member of the ESG and Ethics Committee*
- *Member of the Corporate Governance and Nomination Committee*

NINO SUKNIDZE
Independent Non-Executive Supervisory Board Member

Joined the Bank in November 2021

Experience

- *Strong financial services background, extensive experience in major financial services sector transactions and listings as a leading legal counsel*
- *Strong governance, regulatory and risk management experience, including at a LSE-listed company*
- *Experienced at advising companies across a range of sectors, including telecommunications, pharmaceuticals, energy and commerce*

Nino is a business lawyer, with 19 years of experience on the Georgian market with deep expertise in various areas of practice including banking, finance, corporate, regulatory, competition and capital markets. Currently, Nino is the managing partner of the law firm Suknidze & Partners LLC. Between 2017-2020, she served as general counsel at JSC Bank of Georgia. Before joining the bank, she held various positions at the Georgian offices of international law firms Dentons and DLA Piper for over 11 years.

Current external non-executive appointments

- *Vice President at Georgian Chamber of Commerce and Industry*
- *Board member at Care Caucasus, a charity organization in Georgia*

Committee membership

- *Member of the Audit Committee*
- *Member of the Remuneration Committee*
- *Member of the Corporate Governance and Nomination Committee*

Committees of the Board of Directors of the Company

There are six committees within the structure of the Board of Directors: Audit Committee, Remuneration Committee, Corporate Governance and Nomination Committee, Risk Committee, Technology and Data Committee, ESG and Ethics Committee. The competences of each committee are determined by their Terms of Reference.

The Board delegates some of its responsibilities to, and is supported by, its Committees, which provide oversight and make recommendations on the matters delegated to them by the Board.

Principal Committees

The Board has established four principal Board Committees:

- The Risk Committee focuses on the possible risks and capital issues of the Company.
- The Audit Committee deals with the external auditors, internal controls and financial reporting, as well as, communication with the market and with the regulators.
- The Remuneration Committee leads the remuneration-related issues, such as the right level of compensation to attract and retain people and balancing this with the level of compensation that is acceptable for our stakeholders.
- The Corporate Governance and Nomination (CGN) Committee is response for talent management and nomination and succession planning for the Board and the executive team.

New Committees

Two new Committees provide further support to the Board in three key strategic areas – technology, ESG Strategy and climate change. The Technology and Data (T&D) Committee, established in June 2021, helps the Board oversee key enablers of strategy relating to data and cyber issues, and IT resources. The ESG and Ethics Committee, established in January 2022, ensures the Company stays focused on the ESG issues that are key for all our stakeholders. Both Committees began operating in 2022 and will report on their activities in the 2022 Report.
Detailed functions of each committee could be found in their Terms of Reference at the following link: https://www.tbcbankgroup.com/esg/governance/committees/

In line with the Company's Mirror Boards Policy, Supervisory Board has the same committee structure including the same composition of the Committees.

Audit Committee

The Committee acts independently of management to fulfil its fiduciary duty to shareholders and ensure that their interests are properly protected in relation to the effectiveness of internal controls, financial reporting, and compliance with regulatory requirements and to maintaining an appropriate relationship with external auditors.

- To review the Company's internal financial and non-financial controls for ensuring the effectiveness of the internal control structure and to review any recommendations on changes to them, and, in conjunction with the Company's Risk Committee, to assess, manage and monitor the Group's internal control, risk management, compliance and governance functions;

- To monitor the integrity of the financial statements of the Group to ensure that they meet all statutory requirements and appropriate International Financial Reporting Standards and that all areas of judgement are fully considered before recommending to the Board that they give a fair, balanced and understandable position of the Company;
- To consider the effectiveness and independence of the Group's internal audit activities and its relationship with the external auditors; and
- To make recommendations to the Board in relation to the appointment, re-appointment and removal of the Group's external auditors, and approving their remuneration and terms of engagement.

Risk Committee

The primary purpose of the Committee is to assist the Board in fulfilling its risk governance and oversight roles and responsibilities.

The Committee is also responsible for ensuring the risk culture is embedded into the culture of the Company as a whole and supports the Group's risk appetite, covering the extent and categories of risk, which the Board considers as acceptable for the Group.

In seeking to achieve this, the Committee is responsible for reviewing and reporting its conclusions to the Board on the Group's risk management framework, which embraces risk principles, policies, methodologies, systems, processes, procedures and people. It also includes the review of new or material amendments to risk principles and policies, as well as overseeing any action resulting from material breaches of such policy. The Committee works closely with the Audit Committee and schedules joint meetings for common topics.

The Risk Committee advises the Board on strategic transactions, focusing on risk aspects and implications for the risk appetite and tolerance of the Group. The Risk Committee reviews and approves the statement concerning internal risk management and the Group's viability statement included in the Company's Annual Report. It ensures robust assessment of the emerging and principal risks faced by the Group, including those that would threaten the business model, future performance, solvency and liquidity.

Remuneration Committee

The Committee is responsible for establishing and overseeing the Group's Remuneration Policy principles and considering and approving the remuneration arrangements of the CEO of the Parent Company and the Bank and the management board members of the Bank (Deputy CEOs). The Remuneration Committee shall also oversee any major changes in employee benefits structures within the Company. The Remuneration Committee is also required to produce a report of the Company's remuneration policy and practices to be included in the Company's Annual Report and ensure each year that it is put to shareholders for approval.

Corporate Governance and Nominations Committee

The main responsibilities of the Committee, in relation to the development and functioning of corporate governance within the Group, are:

- Approving changes to corporate governance guidelines, monitoring the Group's compliance with such guidelines and applicable legal and regulatory requirements and recommending to the Board such changes or additional actions as it deems necessary;
- Reviewing the independence standards for Board members; and
- Monitoring and evaluating the process for assessing the performance and effectiveness of the Board and its committees (including the annual Effectiveness Self-Review of this Committee);

The main responsibilities of the Committee, in relation to nominations, are:

- Regularly reviewing the structure, size and composition of the Board, including evaluating the current balance of skills, experience, independence and knowledge on the Board, including considering diversity and gender balance;

- Identifying suitable candidates from a wide range of backgrounds, considering and making recommendations to the Board on the composition of the Board;
- Assisting the Chairman of the Board and the Senior Independent Director with the implementation of an annual evaluation process to assess the overall and individual performance and effectiveness of the Board and its committees;
- Making recommendations to the Board on succession planning for the Board over the longer term.

Membership of board committees as at the 29 April 2022 is as follows:

Member	Audit Committee	Risk Committee	Remuneration Committee	CGN Committee	Technology & Data (T&D) Committee	ESG & Ethics Committee
Arne Berggren (Chairman)			Member	Chairperson		
Tsira Kemularia (SID)	Member					Member
Maria Luisa Cicognani		Member	Chairperson	Member		
Eran Klein		Member			Member	Chairperson
Per Anders Fasth	Chairperson	Member	Member			
Thymios Kyriakopoulos	Member	Chairperson			Member	
Rajeev Sawhney				Member	Chairperson	Member
Nino Suknidze	Member		Member	Member		

Chairperson Member

Division of Responsibilities

There is a clear division of responsibilities between the Chairman, the Chief Executive Officer and the senior independent member. As Chairman, Arne Berggren is responsible for leading the Board of Directors to ensure that the Board of Directors as a whole performs a full and constructive role in the development and determination of the Group's strategy and overall commercial objectives. He also oversees the Board of Directors' decision-making processes. The Chief Executive Officer, Vakhtang Butskhrikidze, is responsible for the Company's day-to-day management and has the principal responsibility of running the Group's business. He is responsible for proposing, developing and implementing the Group's strategy and overall commercial objectives, which is done in close consultation with the Chairman and the Board of Directors. In addition, the Board of Directors has appointed, Tsira Kemularia as the Senior Independent Director (SID), who provides a sounding board for the Chairman. This division of responsibilities between the Chairman, the Chief Executive Officer and the SID ensures that no one individual has unfettered powers of decision-making. The full document detailing the division of responsibilities between the Chairman, the Chief Executive Officer and the SID is available on our website at: https://tbcbankgroup.com/media/2393/division-of-responsibilities-policy_13-november-2019.pdf.

Engagement Level

As mentioned, the matters of the Board of Directors' exclusive responsibility include, among other important matters, the approval of the Group Strategy, Long-Term Goals, Risk Appetite, Annual Budget, Group Capital Changes, Share buy-back, Significant Acquisitions and / or Mergers, and Annual Reports.

The Board annually monitors the company's risk management and internal control systems in accordance with the requirements of the UK Corporate Governance Code. At the same time, each member of the Board of Directors is obliged to devote requisite time and attention to his / her duties, as necessary. This includes attending meetings of the Board of Directors and the relevant committees, as well as participating in conference calls, site visits, and effective e-mail communication. These directors are also required to familiarize themselves with the meeting materials in advance and devote additional time to group activities, especially during periods of high activity. All Directors also undertake a rigorous and tailored induction program organized by the Company Secretary.

Board of Directors and Committee meeting attendance

Board and Committee attendance at meetings is set out below. During 2021, the Board has continued to meet using an effective mix of in-person meetings, as well as meetings organized via teleconference. Each Committee is led by the Chair and membership consists solely of non-executive Directors. Chairs of each Board Committee provide a report on Committee business at each Board meeting, including the matters being recommended by a Committee for Board approval. The process for setting a Committee agenda and running a Committee meeting mirrors that of the Board.

In line with the Mirror Board structure utilized by the Board where directors of the Company are also members of the Supervisory Board of the Bank, all meetings are joint meetings of the Company and the Bank, apart from 32 meetings which were held in relation to actions that needed to be taken by that entity alone.

Attendance at the Board and committee meetings in 2021 have been as follows:

Board of Directors Meetings

Board Meetings in 2021 (36)	Regularly Scheduled Meeting (6) eligible/ attended	Strategy Review (3) eligible/ attended	Approval of Financial Statements (6) eligible/ attended	Board Changes and Composition (6) eligible/ attended	Policy and Miscellaneous (12) eligible/ attended	International Expansion (3) eligible/ attended
Arne Berggren (C)[1]	6/6	3/3	6/6	6/6	12/12	3/3
Tsira Kemularia	6/6	3/3	6/6	6/6	12/12	3/3
Maria Luisa Cicognani	6/6	3/3	6/6	6/6	12/12	3/3
Per Anders Fasth[2,4]	4/4	3/3	4/4	1/1	9/8	1/0
Eran Klein[5]	4/4	3/3	4/4	1/1	9/9	1/1
Thymios Kyriakopoulos[2,6]	4/4	3/3	4/4	1/1	9/8	1/1
Rajeev Sawhney[8]	2/2	0/0	0/0	0/0	0/0	0/0
Nino Suknidze[9]	2/2	0/0	0/0	0/0	0/0	0/0
Nikoloz Enukidze[10]	2/2	0/0	3/3	5/5	5/5	2/2
Nicholas Haag[2,11]	2/2	0/0	3/3	5/3	5/5	2/2
Eric Rajendra[2,12]	2/2	0/0	3/3	5/5	5/4	2/2
Abhijit Akerkar[13]	4/4	2/2	4/4	6/6	8/8	2/2
Vakhtang Butskhrikidze	6/6	3/3	6/6	6/6	12/12	3/3

(C) – Chair

The Board of Directors' Committees meetings

Board member	Corporate Governance and Nomination Committee eligible/attended	Remuneration Committee eligible/attended	Audit Committee eligible/attended	Risk Committee eligible/attended
Arne Berggren (C)[3]	6/6 (C)	5/5	1/1	3/3
Tsira Kemularia[3]	11/11	5/5	10/10	5/5
Maria Luisa Cicognani[5]	6/6	10/10 (C)	4/4	13/13
Per Anders Fasth[5, 2]	0/0	5/5	6/6 (C)	8/7
Eran Klein[6]	0/0	0/0	6/6	0/0
Thymios Kyriakopoulos[7]	0/0	0/0	6/6	8/8 (C)
Rajeev Sawhney[8]	0/0	0/0	0/0	0/0
Nino Suknidze[9]	0/0	0/0	0/0	0/0
Nikoloz Enukidze[10]	4/4	4/4	0/0	0/0
Nicholas Haag[11]	4/4	5/5	4/4	5/5
Eric Rajendra[2,12]	4/4	5/4	0/0	0/0
Abhijit Akerkar7,[13]	6/6	0/0	0/0	9/9

(C) – Chair

Notes to the Board and Committee attendance tables:

1. Arne Berggren succeeded Nikoloz Enukidze as Chairman of the Board effective from 1 March 2021.
2. Unable to attend due to another pre-existing commitment.
3. Arne Berggren succeeded Tsira Kemularia as Chair of the Corporate Governance and Nomination Committee effective from 15 September 2021.
4. Per Anders Fasth joined the Board on 4 May 2021 and the respective Committees on 17 June 2021.
5. Per Anders Fasth succeeded Maria Luisa Cicognani as Chair of the Audit Committee effective from 17 June 2021.
6. Eran Klein joined the Board on 4 May 2021 and the respective Committees on 17 June 2021.
7. Thymios Kyriakopoulos joined the Board on 4 May 2021 and the respective Committees on 17 June 2021 and succeeded Abhijit Akerkar as Chair of the Risk Committee effective from 17 June 2021.
8. Rajeev Sawhney joined the Board on 25 November 2021, but did not join any Committees until January 2022.
9. Nino Suknidze joined the Board on 25 November 2021, but did not join any Committees until January 2022.
10. Nikoloz Enukidze did not seek re-election by the shareholders at the 2021 AGM and stepped down from the Board on 14 June 2021.
11. Nicholas Haag did not seek re-election by the shareholders at the 2021 AGM and stepped down from the Board on 14 June 2021.
12. Eric Rajendra did not seek re-election by the shareholders at the 2021 AGM and stepped down from the Board on 14 June 2021.
13. Abhijit Akerkar stepped down from the Board on 15 September 2021.

The Policy of Appointing the Members of the Board of Directors

The Group recognizes the importance of diversity in the composition of the Board of Directors and believes that balanced diversity can bring significant benefits to the Company's work. When selecting members of the Board of Directors and the Supervisory Board, as well as CEO and Deputy CEOs at the TBC Bank level, it is important for each member to bring diverse knowledge, culture and a different vision to the Board of Directors, as well as the Supervisory Board, which also improves the quality of decision-making. The Company continues to nominate candidates for relevant positions based on their achievements and required experience.

The relevant skills matrix is used in the process selection of the members of the Board of Directors and Supervisory Board to ensure that there is a representative with all the necessary knowledge and experience on the board. This aims to promote the effective functioning of the Board of Directors and Supervisory Board.

How the Board Monitors its Performance

In 2021, TBC Bank engaged Lintstock Ltd to review the Board's performance. Lintstock is an advisory firm specialising in Board effectiveness reviews, and has no other connection with TBC Bank or any of the Company's Directors. Lintstock first consulted the Company Secretary in order to determine the scope of the evaluation and tailor survey content for the Board and the business. The firm then asked members of the Board to evaluate its performance, and that of its Chair and Committees, through online surveys, encouraging candid feedback by guaranteeing all responses would remain anonymous. Directors were also asked to reflect on their own individual contribution to the Board, and to identify any personal training or development needs. In addition to addressing core areas of governance, the review focused on the following areas, in the context of the ongoing COVID-19 pandemic:

- The clarity of the Group's strategy, and the main challenges facing TBC Bank in delivering the strategy over the coming years;
- The Board's oversight of the Group's expansion into Uzbekistan, and any lessons that can be drawn for the benefit of future international expansion efforts;
- The Board's engagement with shareholders, customers, regulators and subsidiaries, as well as its awareness of the views and feelings of employees and the culture throughout the Group;
- The effectiveness with which ESG considerations are incorporated into Board discussions and decisions, and the Group's overall commitment to ESG;
- The Board's external focus on digital developments, the competitive landscape, and the potential impact of geopolitical events on the Group;
- Risk management and internal controls, and lessons that can be drawn from the events of the last year to improve the Group's risk processes; and
- The structure and capacity of the Group at senior levels, and the Board's oversight of the Company's processes for developing and retaining talent.

Lintstock collated the Directors' feedback and produced narrative reports containing key observations and recommendations for improvement. The reports also provided comparisons with Lintstock's Governance Index, which contextualises the results of the Board review with reference to Lintstock's wider client base. Feedback on the performance of the Board was positive and Directors felt the Board was discharging its responsibilities effectively. The review also identified a number of areas in which performance could be improved. At a meeting in March 2022 the Board of Directors agreed on a relevant action plan.

Areas of focus for the Board	Planned action for 2022
Group strategy and critical decisions in 2022	The Board will follow up on the Group strategy and monitor its fulfilment on a quarterly basis
Development in areas of importance for strategy and stakeholders	The Board will focus on further enhancing its understanding of ESG matters, as well as the critical enablers of Group strategy, such as data and IT, talent management, optimal composition and succession planning for the Executive Committee and other critical roles.
Increased complexity of the Group	The Board will maintain a focus on enhancing subsidiary governance and implications of the ambitious international strategy in this regard.
Internal control and improvement of control functions in light of increased complexity	The Board will focus on enhancing the Group's internal control and the continued effectiveness of its policies and procedures.
Board decision-making	The Board will focus on further improving the effectiveness of its decision-making, team dynamics and stakeholder engagement.

The performance of the Board's Committees was assessed via surveys tailored to the specific requirements of each Committee. The review found all Committees were effective and that performance had improved throughout 2021. The individual Committee reports in this Company's annual report summarize their committee-specific performance plan for the forthcoming year.

Term of Membership of the Board of Directors and the Supervisory Board

In accordance with the requirements of the UK Corporate Governance Code, members of the Board of Directors are re-elected annually for a term of one year at the General Meeting of Shareholders of the Company, in line with TBC's "Mirror Boards" policy the same annual re-election rule applies to the members of the Supervisory Board.

Annual General Meeting

The last Annual General Meeting ("AGM") of the Company was held on its registered office in London. 72.65% of total voting rights were exercised by shareholders. All resolutions presented at the 2021 AGM were put to the meeting on a poll and, except for Resolution 17, all were passed with the requisite majority, with votes in favors ranging from 74.55% to 100.0% of the votes cast. Detailed information on the 2021 AGM results is provided on the Company's website at https://tbcbankgroup.com/news-and-media/regulatory-news/.

The 2022 AGM Notice will be circulated to all the shareholders at least 21 working days before the AGM and it will also be made available on our investor relations website: www.tbcbankgroup.com. The voting on the resolutions will be announced via the Regulatory News Service and made available on our investor relations website www.tbcbankgroup.com.

Directors' Conflicts of Interests

The Company, in accordance with the requirements of the Companies Act 2006 and the Company's articles of association, requires members of the Board of Directors to declare actual or potential conflicts of interest that could interfere with the interests of the Company. The Directors are required, prior to the Board meetings, to declare any conflict of interest they may have in relation to the matters under consideration and, if so, abstain from voting and decision-making, in relation to the matter in question.

Directors have a continuing duty to notify the Chairman and Company Secretary as soon as they become aware of any potential or actual conflicts.

Shareholders' Rights

None of the ordinary shares in the capital of the Company have special rights in relation to the governing the Company. One ordinary share means only one vote. In accordance with the company's charter and current legislation, there are no restrictions on the transfer of shares, except:

- Restrictions on insider transactions that may be imposed from time to time by law or regulation;
- Share Dealing Code, according to which directors and named employees require appropriate consent to trade in shares;
- In the event that a person interested in the Company's shares was notified of the disclosure of the information and that person did not provide the Company with information related to the shares;
- The Group's senior management compensation system, under which the system participant (as defined in the document itself) is given limited bonus shares, the right to dispose of which depends on the condition of continuing employment with the group and compliance with the relevant provisions within defined number of years.

All employees (including directors) who are considered as insiders by the Company meet the requirements set out in the Group Share Dealing Code. Restrictions on the exercise of voting rights do not apply unless the company is legally authorized to impose such restrictions (for example, by statute if the value of the shares is not paid by the shareholder despite the company's request or if the shareholder breaches any obligation to the company). The Company is not aware of any agreement between the shareholders that may impose restrictions on the transfer of shares or voting rights.

4.2 Management Board of JSC TBC Bank

Management's Biographies

VAKHTANG BUTSKHRIKIDZE
CEO

Experience

- *Leading banker in the Caucasus and Eastern European region*
- *Extensive strategic and financial leadership experience of over 25 years*
- *Robust knowledge and expertise of strategic planning and development, startup and fintech management, mergers and acquisitions, and equity and debt capital debt raising and investor relations*

Vakhtang has over 30 years of banking and financial industry experience. He led the Group from its founding in Georgia in 1992 as a start up to the current market-leading financial technologies institution. He joined TBC Bank as a Senior Manager in 1993 and became Chairman of the Management Board in 1996. Since 1998, he has held the position of the Chief Executive Officer of JSC TBC Bank and was appointed as Chief Executive Officer of the Company in May 2016.

Vakhtang is a prominent banker in the Caucasus and Easter European region and is the receipt of several prestigious awards, including Best Banker 2011 by GUAM – Organization for Democracy and Economic Development award and the CEO of the Year 2014 in Central and Eastern Europe and the CIS by EMEA Finance magazine. In March 2019, he won the Special Award for Responsible Capitalism in Adversity from the prestigious FIRST organisation - a multidisciplinary international affairs organization, which aims to enhance dialogue between leaders in industry, finance and government.

Current external (non-Group) non-executive appointments

- *Board member of the Association of Banks of Georgia*
- *Board member of the Business Association of Georgia*
- *Member of the Visa Central & Eastern Europe, Middle East and Africa (CEMEA) Business Council*

GIORGI MEGRELISHVILI
Deputy CEO, Chief Financial Officer

Giorgi was appointed as the Deputy CEO and CFO of JSC TBC Bank in October 2020. He joined the Bank as a Deputy CFO in March 2020.

Giorgi has 25 years of global leadership experience in financial services. Before joining TBC, Giorgi was a Director and Head of Capital Risk and Stress Testing at Natwest Markets N.V. in Amsterdam. Prior to that, Giorgi held a number of key leadership positions at Barclays Bank in London between 2008 and 2019, including as a Director at Barclays Treasury, the Head of Barclays Internal Large Exposure and the Head of Barclays Central Planning. During his work at Barclays, Giorgi also served as Barclays Bank PLC Solo Capital and Leverage Management Lead and the Head of Strategic Planning at Barclaycard UK. In his earlier career, Giorgi held various senior managerial positions at several Georgian organisations.

Giorgi holds an MBA from the University of Cambridge, Judge Business School.

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

George was appointed to his current role at the Bank in November 2016, leading the Corporate and Investment Banking businesses. George is also responsible for the Bank's Wealth Management and leasing businesses since January 2021. George first joined TBC in 2014 as Deputy CEO and the Chief Risk Officer.

George has more than 20 years of experience in global financial services. Prior to joining TBC, he worked for Barclays Investment Bank, where he held the position of Vice President in the Financial Institutions Group (FIG), EMEA. Before that, he was an Associate Director in the Barclays Bank Debt Finance and Restructuring teams. During his career at Barclays in London, George worked on and executed multiple M&A, debt and capital markets transactions with European financial institutions. In his earlier career in Georgia, George served as the Chief Executive Officer at Aldagi, the leading insurance company in Georgia and held progressively senior positions at the same company prior to that.

George is Stanford Executive Program (SEP) graduate, holds an MBA from the London Business School and a Master of Laws degree (LLM) in International Commercial Law from the University of Nottingham.

NIKOLOZ KURDIANI
Deputy CEO, Brand Experience, Marketing & Payments

Nikoloz was appointed to his current role as the Deputy CEO of JSC TBC Bank in January 2021, leading Brand Experience, Marketing & Payments, as well as the Group's International Business. He joined the Bank in 2014 as the Deputy CEO in charge of Marketing and MSME banking. Additionally, Nikoloz has been leading TBC's digital banking platform, Space, since 2018. Nikoloz also serves as the chair of the supervisory board at TBC Uzbekistan and PayMe in Uzbekistan.

Nikoloz has over 15 years of experience in the banking industry in Central Asia, CEE and Europe. Prior to joining TBC Bank, Nikoloz was the managing director at Kaspi Bank, a leading retail bank in Kazakhstan. At Bank of Austria, UniCredit Group, he served as the senior sales support expert at the CEE retail division, responsible for Turkey, Kazakhstan, Ukraine and Serbia. At ATF Bank, UniCredit Group in Kazakhstan, he was in charge of the retail banking division. Earlier in his career in Georgia, he served as the head of the retail banking division of Bank Republic Georgia, Société Générale Group, and held several leadership and managerial positions at Bank of Georgia.

Nikoloz holds an MBA degree from IE Business School in 2007 and a Master's degree in International Economics from the Georgian Technical University.

TORNIKE GOGICHAISHVILI
Deputy CEO, Retail and MSME Banking

Tornike was appointed to his current role as the Deputy CEO of JSC TBC Bank and Head of Retail since January 2020. Additionally, Tornike is leading the MSME banking since January 2021. He joined TBC in 2018 as the Chief Operating Officer.

Tornike has over 20 years of financial services and operations management experience in Georgia and CEE. Prior to joining TBC, he has served as a Deputy CEO and Chief Operating Officer at the Bank of Georgia Group and served at various other key positions at the same institution before that. During 2008-2010, Tornike held the position of CFO at BG Bank Ukraine (a subsidiary of Bank of Georgia). Earlier in his career, Tornike held the position of the CEO of Aldagi, an insurance company in Georgia, served as the chief financial officer of UEDC PA consulting and held various managerial positions at BCI Insurance.

Tornike holds an MBA from the Caucasus School of Business and an executive diploma from Said Business School, Oxford.

NINO MASURASHVILI
Deputy CEO, Chief Risk Officer

Nino was appointed to her current role as the Chief Risk Office of JSC TBC Bank in 2020. Prior to that, Nino held progressively senior positions at TBC after she first joined the Bank in 2000. Nino was appointed as the Deputy CEO of the Bank in 2006, leading TBC’s retail and MSME businesses at various times. Nino also serves on the supervisory boards of TBC’s key subsidiaries, including TBC Uzbekistan, TBC Leasing, and Space International, TBC’s digital banking platform.

Nino has over 25 years of financial services and banking experience in Georgia. In her earlier career, Nino held various leadership and managerial positions at JSC TbilCom Bank and the Barents Group.

Nino holds an MBA from the European School of Management in Tbilisi.

The Bank’s Management Board Responsibilities

CEO, Chief Executive Officer

The Chief Executive Officer reports to the Supervisory Board and his principal responsibility is running the Banks business. The CEO is responsible for proposing, developing, supervising the Banks's strategy and overall commercial objectives, and with the executive team, he is responsible for all executive management matters affecting the TBC Bank. All members of executive management report to him and he directly manages Human Capital, Agile Transformation, Compliance, Security, Macro Financial Analyses, Data Analytics, Supervisory Board Support and Administration directions.

Deputy CEO, Chief Financial Officer

The Chief Financial Officer (CFO) reports to the Chief Executive Officer and to the Supervisory Board and has a strategic role in the overall management of the Bank. The CFO has the primary responsibility for planning, implementing, managing and controlling all finance and back office related activities. These include investor relations and fund raising, treasury activities, financial analysis, strategic planning and budgeting, financial accounting, regulatory reporting, taxation and all other relevant matters as well as cash management, loan administration, correspondent banking, procurement, logistics, collateral management and appraisal and cash center.

Deputy CEO, Corporate and Investment Banking, Wealth management

The Director of Corporate and Investment Banking reports to the Chief Executive Officer and to the Supervisory Board and assumes an important role in the overall management of the Bank. He has primary responsibility for planning, implementing, managing and controlling of the Bank's corporate and investment business. The Director of Corporate and Investment Banking manages the division to the end of provision of the wide range of financial services to its clients. Activities include lending, clearing, investing deposits as well as organizing specialized products for clients with high turnovers, such as financial institutions, major companies and commercial state companies.

Deputy CEO, Brand Experience, Marketing & Payments

The Director of MSME, Marketing, Payment and Space Banking reports to the Chief Executive Officer and holds the primary responsibility for designing and delivering the strategy for the Bank's MSME business, its product range, designated market, payment processes and space banking. The MSME, Marketing, Payment and Space Banking Director is hence responsible of developing new product and service delivery channels as well as planning and managing business activities for the MSME segment, such as sales, service quality, profitability, risk, branch operations, digital and other channels and MSME reporting, budgeting and analysis.

Deputy CEO, Retail Banking and Micro & Small and Medium Sized Entities (MSME)

The Director of Retail Banking reports to the Chief Executive Officer and holds the primary responsibility for designing and delivering the strategy for the Bank's retail business, its product range and designated market. The Retail Director is hence responsible of developing new product and service delivery channels as well as planning and managing business activities for the retail segment, such as sales, service quality, profitability, risk, branch operations, digital and other channels and retail reporting, budgeting and analysis.

Deputy CEO, Chief Risk Officer

The Chief Risk Officer (CRO) reports to the Chief Executive Officer and to the Supervisory Board. The CRO holds the primary responsibility for managing the Bank's risk management-related activities, including risk identification, measurement, mitigation, monitoring and reporting.

The following committees are functioning at the Bank's Management Board level that assist the Management in day to day management:

Committee Member	Managing of Conflict of Interests Committee (ad hoc basis)	Information Security Steering Committee	Assets and Liabilities Management Committee (ALCO)	Management Board Risk Committee	Operational Risks Committee	ESG Committee	Environ-mental Committee
CEO	X	X	X	X	X	X	
CFO			X	X	X	X	
CIO		X					
CRO	X	X	X	X	X	X	X
Deputy CEO, Retail and MSME			X	X	X	X	
Deputy CEO, Brand Experience, Marketing & Payments					X	X	
Deputy CEO, Corporate, Investment Banking and wealth management			X	X	X	X	
Head of Operational Risks		X			X		
Head of Compliance Risk Department	X	X			X	X	
Head of Compliance Risk and Control Unit	X						

Head of Analytic Department of Security Service		X					
Head of Information Security		X			X		
Head of FRM			X				
Head of Financial Markets, Trading and Balance Sheet Management department			X				
Head of ERM			X				
Head of Balance Sheet Management division			X				
Head of IT Operations		X					
Head of ESG Coordination Department						X	
Head of Corporate Business Credit Risk Division							X
Environmental Coordinator							X

5. Bank Strategy

We have a customer-centric business model focused on providing the best customer experience in servicing the everyday needs of our clients. Our strategy is centered on the core principles of sustainable development, digitalization, innovation and efficiency, and is designed to create value for all our stakeholders.

Our strategic priorities serve our mission to make people's lives easier. Each of these priorities has been carefully selected and thought through to ensure that they are interrelated and complementary to each other so that progress in one of them reinforces progress in the others.

In order to achieve growth, we need to develop innovative products and services and create an unparalleled customer experience. This in turn requires building strong digital and data analytical capabilities. At the same time, our growth across different segments and products, supports our income stream diversification and strengthens our resilience. High levels of digitalization also allow us to improve our efficiency levels and reduce costs. This in turn allows us to concentrate our efforts on customer satisfaction and enhancement of our value proposition.

Our 4 Key Strategic Priorities

1. Continue Steady Growth

Our goal is to maintain our leadership position in Georgia and grow in line with the market. Despite the increased penetration level, the Georgian banking sector still offers attractive growth opportunities, especially in certain underpenetrated sub-segments such as mortgages and microloans.

Our strong banking franchise in Georgia, underpinned by a superior customer experience, high brand awareness and advanced digital capabilities, has enabled us to retain our existing clients as well as attract new customers, which led to loan book growth of 11.5% in 2021 or 17.3% on a constant currency basis. This increase was mainly driven by growth in GEL denominated loans. In term of segments, the increase was broad based. The CIB and MSME segments grew by 12.3% (or 19.5% on a constant currency basis) and 17.6% (or 23.3% on a constant currency basis) year-on-year, respectively, while retail grew by 7.2% (or 11.5% on a constant currency basis) over the same period. The growth in the CIB segment was related to acquisition of both large and mid-corporate clients, while on the MSME side, we focused on increasing our presence in the small and micro sub-segments. At the same time, our retail book growth was underpinned by both mortgages and consumer loans.

In 2021, our deposit portfolio increased by 17.8% year-on-year, primarily on the back of growth in retail and CIB deposits, reflecting the strong loyalty and trust of our customers. On a constant currency basis, the growth was 23.1%.

As a result, we retained our market leadership position in both total loans and total deposits, which amounted to 38.8% and 40.4%, respectively, as of 31 December 2021, according to data published by the National Bank of Georgia.

2. Diversify Our Income Streams

Our business model is diversified in a number of ways. We serve a wide spectrum of individual and business clients in Georgia, offering them a full suite of financial solutions. Our main source of income is net interest income, which represented around 70% of our operating income in 2021 and is primarily driven by our lending operations. Our net fee and commission income is generated through payments, settlement operations, as well as guarantees and letters of credit. As a predominantly cash-based society, Georgia provides an attractive growth opportunity for our payments business, while our digital channels enable us to increase the scale and revenue-generating capacity of our operations in an efficient manner.

3. Leverage Our Advanced Digital Capabilities

Our digitalization strategy spans the entire company from front to back office processes and encompasses both sales and transactional operations. We constantly invest in technology and develop new digital products to keep abreast of global trends.

A large part of our transactional business in the retail and MSME segments is conducted via remote channels, resulting in a retail offloading ratio above 97%, which means that less than 3% of all transactions are conducted in branches. Mobile and internet banking remains the preferred channel of communication for our customers, with the number of active retail digital users increasing by 14.1% in 2021 and reaching 744,000. At the same time, the daily engagement of our digital users has also increased and in December 2021, our average daily active users reached 285,000, up by 23.9% year-on-year. In parallel, we have been actively developing our digital sales channels for consumer loans and installments. By the end of 2021, the share of consumer loans issued through remote channels increased by 7 pp year-on-year and amounted to 45%. We continued to automate the approval process for smaller MSME loans in order to reduce “the time to yes”. For corporate borrowers, within the scope of the commercial excellence transformation project, we significantly sped up the analysis process by utilizing sophisticated IT tools.

Our advanced digital infrastructure also allows the vast majority of our back-office employees to work remotely without any disruption and have safe and real-time access to our IT system.

4. Deliver a Superior Customer Experience

We put customers at the heart of everything we do and strive to develop the most relevant products and services. This requires active engagement with our clients via various channels in order to receive their feedback about our service quality and value proposition, as well as to understand their preferences.

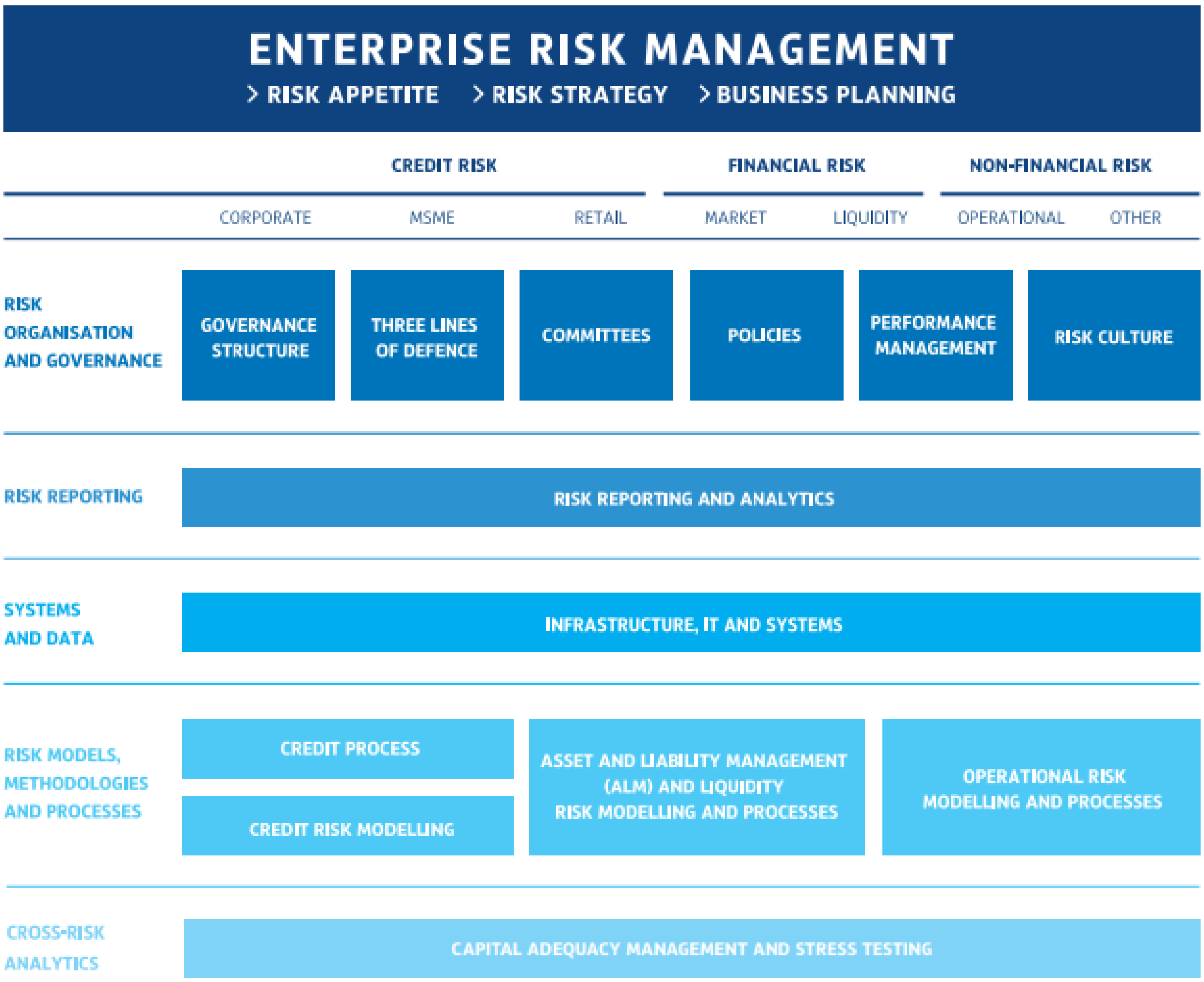
Moreover, we aspire to go one step further, anticipating our customers’ needs and surprising them with tailored offerings before they ask for them. This is where our advanced data analytical capabilities come into play, providing an opportunities for creating the right product at the right time and the right price. In our retail business, we rolled out several new projects in this regard, including customer life-time value and loan pricing, while in the CIB segment, we continued to run a commercial excellence transformation project, which helped us better understand and capture the potential of existing and new clients.

During the year, we also strengthened our focus on digital offerings across all segments and created new remote products and services, as well as increased automation of our internal processes. This not only increased customer satisfaction, but also resulted in improved efficiency.

6. Risk Management

Risk Management Framework

The risk management framework incorporates all the necessary components for comprehensive risk governance and is comprised of enterprise risk management, credit, financial and non-financial risk management, risk reporting and supporting IT infrastructure, cross-risk analytical tools and techniques such as capital adequacy management and stress testing. The following diagram depicts the risk management framework:



Risk Governance

The Bank conducts its risk management activities within the framework of its unified risk management system. The involvement of all governance levels in risk management, the clear segregation of authority and effective communication between the different entities facilitate clarity regarding the Bank's strategic and risk objectives, adherence to its established risk appetite and sound risk management. The Bank's governance structure ensures adequate oversight and accountability, as well as a clear segregation of duties. The Supervisory Board has overall responsibility to set the tone at the top of the Bank and monitor compliance with the established objectives, while the Management Board governs and directs the Bank's daily activities.

The risk governance structure consists of two board levels: the Supervisory Board and the Management Board, each with their dedicated risk committees. The Supervisory Board and the Bank's senior management govern the risk objectives through the Risk Appetite Statement (details about Risk Appetite Framework are given in the TBC Bank Group PLC's annual report for 2021).

The Supervisory Board's oversight is coupled with the permanent involvement of the senior management in the Bank's risk management and the exercise of top-down risk allocation by the enterprise risk management function. This ensures a clarity of the risk objectives, a constant monitoring of the risk profile against the risk appetite, and a rapid response and actions to address a prompt escalation of risk-related concerns.

The Supervisory Board features four committees which support the risk management process:

- **The Risk Committee** supervises the risk profile and risk governance practice within the Bank;
- **The Audit Committee** is responsible for implementing key accounting policies and facilitating both internal and external auditor activities.
- **ESG and Ethics Committee** supports the Supervisory Board in its oversight of the strategy, policies, initiatives and programmes of the Bank in relation to ESG matters.
- **Technology and Data Committee** supports the Supervisory Board in its oversight of key enablers of the strategy, data and cyber issues, and the company's IT resources.

The Management Board comprises of six committees:

- **The Risk Committee** was established to guide Bank-wide risk management activities and monitor major risk trends to ensure that the risk profile complies with the established risk appetite.
- **The Operational Risk Committee** makes decisions related to operational risk governance.
- **The Assets and Liabilities Management Committee (ALCO)** is responsible for the implementation of asset-liability management policies.
- **Information Security Steering Committee** governs information and cyber-security to ensure that relevant risks are at an acceptable level and that management processes are continuously improved.
- **ESG Committee** is established at the Management Board level and takes responsibility for implementing the Group's ESG strategy and approving its action plans.
- **Environmental Committee** supervises the proper implementation and functioning of the Environmental Management System in the Bank.

The daily management of individual risks is based on the three lines of defence principle. While business lines are the primary owners of risks, risk teams act as the second line of defence by sanctioning transactions, tools and techniques for risk identification, analysis, measurement, monitoring and reporting. The committees established at operational levels are charged with making transaction-level decisions as part of a framework comprised of clear and sophisticated delegations of authority, based on the "four-eye" principle. All new products and projects pass through risk teams to ensure that the risks are comprehensively analysed.

These control arrangements allow the Bank to make informed decisions that are adequately priced and not to take any risks exceeding the Bank's established targets. Credit, liquidity, market, operational and other non-financial risks are each managed by dedicated teams.

Apart from these risk teams, a centralised Enterprise Risk Management (ERM) function is in place to ensure the effective development, communication and implementation of risk strategy and risk appetite across the Bank. The ERM function facilitates cross-risk activities such as aggregation, analytics and reporting and addresses issues that are not specific to a single type of risk. Accordingly, the ERM function complements the role of other risk functions to ensure the coverage of key risk activities and responsibilities and builds capabilities in a centralised team.

The Bank's strong and independent risk-management structure enables the fulfilment of all required risk management functions within the second line of defence by highly skilled professionals, with a balanced mix of credentials in the banking sector in local and international markets. In addition to the risk teams subordinated to the Chief Risk Officer, the compliance department reports directly to the CEO and is specifically in charge of anti-money laundering and compliance risk management. As a third line of defence, the internal audit department is responsible for providing independent and objective assurance and recommendations to the Bank to promote the further improvement of operations and risk management.

Key Risks

Credit Risk is an Integral Part of the Bank's Business Activities

Credit risk is the greatest material risk faced by the Bank, given the Bank is engaged principally in traditional lending activities. The Bank's customers include legal entities as well as individual borrowers. Due to the high level of dollarization in Georgia's financial sector, currency-induced credit risk is a component of credit risk, which relates to risks arising from foreign currency-denominated loans to unhedged borrowers in the Bank's portfolio. Credit risk also includes concentration risk, which is the risk related to credit portfolio quality deterioration as a result of large exposures to single borrowers or banks of connected borrowers, or loan concentration in certain economic industries. Losses may be further aggravated by unfavourable macroeconomic conditions. These risks are described in more detail as a separate principal risk. COVID-19 has increased uncertainty and caused significant economic disruptions in many sectors, particularly in the hospitality & leisure, real estate management and development sectors. Such economic disruptions run the risk of deteriorating the financial standing of borrowers and increase the Bank's credit risk.

A comprehensive credit risk assessment framework is in place with a clear division of duties among the parties involved in the credit analysis and approval process. The credit assessment process differs by segment, and is further differentiated across various product types to reflect the differing natures of these asset classes. Corporate, SME and larger retail and micro loans are assessed on an individual basis, whereas the decision-making process for smaller retail and micro loans is largely automated. The rules for manual and automated underwriting are developed by units within the risk function, which are independent from the origination and business development units. The credit scoring and underwriting models are developed by an independent Credit Modelling team, within the risk function and the developed models are then validated as well by another independent Model Risk Management team, also from the risk function. In the case of corporate and medium-sized business borrowers, the loan review process is conducted within specific sectoral teams, which accumulate deep knowledge of the corresponding sectoral developments. The Bank uses a robust monitoring system to react promptly to macro and micro developments, identify weaknesses in the credit portfolio and outline solutions to make informed risk management decisions. Monitoring processes are tailored to the specifics of individual segments, as well as encompassing individual credit exposures, overall portfolio performance and external trends that may impact the portfolio's risk profile. Additionally, the Bank uses a comprehensive portfolio supervision system to identify weakened credit exposures and take prompt, early remedial actions, when necessary.

The Bank's credit portfolio is highly diversified across customer types, product types and industry segments, which minimizes credit risk at the Bank level. As of 31 December 2021, the retail segment represented 37.0% of the total portfolio, which was comprised of 65.6% mortgage and 34.4% non-mortgage exposures. No single business sector represented more than 9.4% of the total portfolio at the end of 2021. Collateral represents the most significant credit risk mitigation tool for the Bank, making effective collateral management one of the key risk management components. Collateral on loans extended by the Bank may include, but is not limited to, real estate, cash deposits, vehicles, equipment, inventory, precious metals, securities and third party guarantees. The Bank has a largely collateralised portfolio in all its segments, with real estate representing a major share of collateral. As of 31 December 2021, 77.3% of the Bank's portfolio was secured by cash, real estate or gold. A sound collateral management framework ensures that collateral serves as an adequate mitigating factor for credit risk management purposes. Additionally, the Bank actively performs stress testing and scenario analysis in order to check the resilience of borrowers under various stress conditions. The stress tests entail assumptions about the depreciation of the local currency, GDP growth, sectoral growth, unemployment, inflation, changes in real estate and commodity prices, changes in interest rates, and loan and deposit portfolio developments. The Bank carries out intensive financial monitoring to identify borrowers' weakened financial and business prospects in order to offer them a restructuring plan that is tailored to their individual needs.

The Bank Faces Currency-induced Credit Risk Due to the High Share of Loans Denominated in Foreign Currencies in the Bank's Portfolio

A potential material GEL depreciation is one of the most significant risks that could negatively impact portfolio quality, due to the large presence of foreign currencies on the Bank's balance sheet. As of 31 December 2021, 53.7% of the Bank's total gross loans and advances to customers (before provision for loan impairment) were denominated in foreign currencies. The income of many customers is directly linked to foreign currencies via remittances, tourism or exports. Nevertheless, customers may not be protected against significant fluctuations in the GEL exchange rate against the currency of the loan. The US$/GEL rate remained volatile throughout 2021, with the average currency exchange rate of GEL weakening by 3.6% year-on-year. The GEL remains in free float and is exposed to many internal and external factors that in some circumstances could result in its depreciation.

Particular attention is paid to currency-induced credit risk, due to the high share of loans denominated in foreign currencies in the Bank's portfolio. The vulnerability to exchange rate depreciation is monitored in order to promptly implement an action plan, as and when needed. The ability to withstand a certain amount of exchange rate depreciation is incorporated into the credit underwriting standards, which also include significant currency depreciation buffers for unhedged borrowers. In addition, the Bank holds significant capital against currency-induced credit risk. Given the experience and knowledge built through recent currency volatility, the Bank is in a good position to promptly mitigate exchange rate depreciation risks. In January 2019, government authorities continued their efforts to reduce the economy's dependence on foreign currency financing by increasing the cap to GEL 200,000 under which loans must be disbursed in the local currency. In addition, under the NBG's responsible lending regulations, unhedged retail borrowers are required to have much conservative Payment-to-Income (PTI) and Loan-to-Value (LTV) thresholds. The Bank has set a strategy to decrease the share of foreign currency loans in total portfolio. Annual targets have been defined in the medium-term strategy, gradually decreasing the foreign currency share. The Assets and Liabilities Committee (ALCO) is closely monitoring the achievement of these targets.

The Bank's Performance May be Compromised by Adverse Developments in the Economic Environment

A potential slowdown in economic growth in Georgia will likely have an adverse impact on the repayment capacity of borrowers, restraining their future investment and expansion plans. These occurrences would be reflected in the Bank's portfolio quality and profitability, and would also impede portfolio growth rates. Negative macroeconomic developments could compromise the Bank's performance in various ways, such as exchange rate depreciation, a spike in interest rates, rising unemployment, a decrease in household disposable income, falling property prices, worsening loan collateralization, or falling debt service capabilities of companies as a result of decreasing sales. Potential political and economic instability in neighboring countries and its main trading/economic partners could negatively affect Georgia's economic outlook through worsening current and financial accounts in the balance of payments (e.g. decreased exports, tourism inflows, remittances and foreign direct investments). The exogenous nature of the COVID-19 shock implies the potential for a quick recovery compared to conventional business cycles. While the observed restart was certainly expected, the Georgian economy has rebounded at a speed that exceeded initial expectations, with real GDP increasing by 10.4% year-on-year, according to the preliminary data of the National Statistics Office of Georgia (Geostat), as opposed to 4.7% - estimated at the beginning of the year. Economic growth was also up by 2.9% compared to the 2019 level. Importantly, this growth was broad based and was reflected in all sources of inflows as well as in domestic demand. The latter was fueled by a reversal of the shock amplifier (low credit and high savings of foreign currency in 2020), pent-up demand coupled with low US$ deposit yields, a stronger GEL, and the impact of eased lockdowns. Stronger domestic demand was also reflected in higher imports of goods. By the end of 2021, annual inflation remained elevated at 13.9%, because of a low base effect a year ago, due to state subsidies on utilities. In 2021, the NBG again intervened significantly on the FX market, mostly in the first half of the year. Over the course of the year, the NBG increased its policy rate from 8.0% to 10.5%.

To decrease its vulnerability to economic cycles, the Bank identifies cyclical industries and proactively manages its underwriting approach and clients within its risk appetite framework. The Bank has in place a macroeconomic monitoring process that relies on close, recurrent observation of the economic developments in Georgia and neighboring countries to identify early warning signals indicating imminent economic risks. This system allows the Bank to promptly assess significant economic and political occurrences and analyze their implications for the Bank's performance. These implications are duly translated into specific action plans with regards to reviewing underwriting standards, risk appetite metrics or limits, including the limits for each of the most vulnerable industries. Additionally, the stress testing and scenario analysis applied during the credit review and portfolio-monitoring processes enable the Bank to evaluate the impact of macroeconomic shocks on its business in advance. Resilience towards a changing macroeconomic environment is incorporated into the Bank's credit underwriting standards. As such, borrowers are expected to withstand certain adverse economic developments through prudent financials, debt-servicing capabilities and conservative collateral coverage. Taking into account the impact of the COVID-19 crisis on Georgia's economy, the Bank has adjusted its risk management framework leveraging its already existing stress testing practices. This included more thorough and frequent monitoring of the portfolio as well as stress testing, to ensure close control of changes in capital, liquidity, and portfolio quality in times of increased uncertainty.

The Bank is Exposed to Concentration Risk

The Bank has large individual exposures to single-name borrowers whose potential default would entail increased credit losses and higher impairment charges. The Bank's portfolio is well diversified across sectors, resulting in only a moderate vulnerability to sector concentration risks. However, should exposure to common risk drivers increase, the risks are expected to amplify correspondingly. The Bank's maximum exposure to the single largest industry (Real Estate) stood at 9.4% of the loan portfolio as of 31 December 2021. At the end of 2021, exposure to the 20 largest borrowers stood at 10.6% of the loan portfolio.

The Bank constantly monitors the concentrations of its exposure to single counterparties, as well as sectors and common risk drivers, and introduces limits for risk mitigation. As part of its risk appetite framework, the Bank limits both single-name and sector concentrations. Any considerable change in the economic or political environment in Georgia or in neighboring countries would trigger the Bank to review of the risk appetite criteria to mitigate the emerging risk of concentration. Stringent monitoring tools are in place to ensure compliance with the established limits. Due to the increased uncertainty caused by the COVID-19 pandemic, close monitoring was carried out consistently, based on macro expectations, to estimate the performance of our top 20 corporate borrowers. In addition, the Bank has dedicated restructuring teams to manage borrowers who face financial difficulties. When deemed necessary, clients are transferred to such teams for more efficient handling and, ultimately, to limit any resulting credit risk losses. The NBG's new capital framework introduced a concentration buffer under Pillar 2 that helps to ensure that the Bank remains adequately capitalized to mitigate concentration risks.

Liquidity Risk is Inherent in the Bank's Operations

While the Bank currently has sufficient financial resources available to meet its obligations as they fall due, liquidity risk is inherent in banking operations and can be heightened by numerous factors. These include an overreliance on, or an inability to access, a particular source of funding, as well as changes in credit ratings or market-wide phenomena, such as the global financial crisis that took place in 2007. Access to credit for companies in emerging markets is significantly influenced by the level of investor confidence and, as such, any factors affecting investor confidence (e.g. a downgrade in credit ratings, central bank or state interventions, or debt restructurings in a relevant industry) could influence the price or the availability of funding for companies operating in any of these markets. The Bank was in compliance with the minimum liquidity requirements set by the NBG, which include the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). As of 31 December 2021, the net loan to deposits plus international financial institution funding ratio stood at 100.9%, the liquidity coverage ratio at 115.8%, and the net stable funding ratio at 127.3%. These figures are all comfortably above the NBG's minimum requirements or guidance for such ratios. In May 2021, the NBG restored the NBG GEL LCR limit (>=75%), which had been removed for one year as one of countercyclical measures implemented in relation to liquidity requirements as a result of COVID-19.

To mitigate this risk, the Bank holds a solid liquidity position and performs an outflow scenario analysis for both normal and stress circumstances to make sure that it has adequate liquid assets and cash inflows. The Bank maintains a diversified funding structure to manage the respective liquidity risks. There is adequate liquidity to withstand significant withdrawals of customer deposits, but the unexpected and rapid withdrawal of a substantial amount of deposits could have a material adverse impact on the Bank's business, financial condition, and results of operations and/ or prospects. As part of its liquidity risk management framework, the Bank has a liquidity contingency plan in place outlining the risk indicators for different stress scenarios and respective action plans. The liquidity risk position and compliance with internal limits are closely monitored by the Assets and Liabilities Management Committee (ALCO). Due to its high liquidity position in foreign currency, the Bank made prepayments of some IFI resources in the amount of US$ 237.4 million in late 2020 and throughout 2021. In addition, over the same period the Bank performed a cost-optimization process and attracted cheaper resources from FIs.

The Bank is Exposed to Market Risk

The Bank follows the Basel Committee's definition of market risk as the risk of losses in on- and off-balance sheet positions arising from movements in market prices. These risks are principally: (a) risks pertaining to interest rate related instruments and equities in the "trading book" (financial instruments or commodities held for trading purposes); and (b) foreign exchange risk and commodities risk throughout the Bank.

The Bank's strategy is not to be involved in trading financial instruments or investments in commodities. Accordingly, the Bank's only exposure to market risk is foreign exchange risk in its "structural book", comprising its regular commercial banking activities which have no trading, arbitrage or speculative intent.

The Bank is Exposed to Foreign Currency Risk

The NBG requires the Bank to monitor both balance sheet and total aggregate balance (including off-balance sheet) open currency positions and to maintain the latter within 20% of the Bank's regulatory capital. For the year ended 31 December 2021, the Bank maintained an aggregate balance open currency position of 0.5%.

In addition, the Supervisory Board sets further limits on open currency positions. The ALCO has set limits on the level of exposure by currency and for total aggregate position that are more conservative than those set by the NBG and the Supervisory Board. The heads of the treasury and financial risk management departments separately monitor the Bank's compliance with these limits daily.

Compliance with these limits is also reported daily to the Management Board and periodically to the Supervisory Board and its Risk Committee. To assess the currency risk, the Bank performs a VAR sensitivity analysis on a quarterly basis. The analysis calculates the effect on the Bank's income determined by the worst possible movements of currency rates against the Georgian Lari, with all other variables held constant.

Changes in Market Interest Rates can Adversely Affect the Value of the Bank's Financial Assets and Liabilities

Interest rate risk arises from potential changes in market interest rates that can adversely affect the value of the Bank's financial assets and liabilities. This risk can arise from maturity mismatches between assets and liabilities, as well as from the repricing characteristics of such assets and liabilities. The major part of deposits, and part of the loans offered by the Bank, are at fixed interest rates, while a portion of the Bank's borrowing is based on a floating interest rate. The Bank's floating rate borrowings are, to a certain extent, hedged because the NBG pays a floating interest rate on the minimum reserves that the Bank holds with it. Furthermore, many of the Bank's loans to customers contain a clause allowing it to adjust the interest rate on the loan in case of adverse interest rate movements, thereby limiting exposure to interest rate risk. The management also believes that the Bank's interest rate margins provide a reasonable buffer to mitigate the effect of a possible adverse interest rate movement. The Bank also applies for interest rate risk hedging instruments in order to mitigate interest rate risk.

The Bank employs an advanced framework to manage interest rate risk by establishing appropriate Risk Appetite limits, monitoring compliance with them and preparing forecasts.

The Bank measures four types of interest-rate risk based on the source of the risk: (i) re-pricing risk; (ii) yield curve risk; (iii) basis risk; and (iv) optionality (embedded option) risk.

The Bank considers numerous stress scenarios, including different yield curve shifts and behavioural adjustments to cash flows (such as deposit withdrawals or loan prepayments), to calculate the impact on one year profitability and enterprise value. Appropriate limits are set within the Risk Appetite framework approved by Supervisory Board.

Group's Income is Heavily Reliant on Net Interest Income

Net interest income accounts for the majority of the Bank's total income. Consequently, fluctuations in its NIM affect the results of operations. The new regulations as well as high competition could drive interest rates down, compromising the Bank's profitability. At the same time, the cost of funding is largely exogenous to the Bank and is derived from both local and international markets. In 2021, the NIM increased by 0.3pp year-on-year to 5.0%, driven by an increase in loan yields, a decrease in the foreign currency (FC) cost of fund and optimizations in wholesale funding, further accompanied by increased loan larisation. The Bank manages its exposure to interest rate risk, following the NBG IRR regulation introduced in September 2020. As of 31 December 2021, GEL 4,148 million in assets (18%) and GEL 2,180 million in liabilities (11%) were floating in GEL currency, whereas GEL 8,054 million of assets (34%) and GEL 761 million of liabilities (4%) were floating, related to the LIBOR/Euribor/FED/ECB rates. The Bank was in compliance with the Economic Value of Equity (EVE) sensitivity limit set by the NBG at 15% of Tier 1 capital, with the ratio standing at 2.9% by 31 December 2021.
In 2021 the Bank used excess liquidity to redeem costly institutional funding and negotiated the reduction of long-term funding margins, thereby aiding the gains in NIM. The Bank continues to focus on fee and commission income growth to safeguard from possible margin compressions on lending and deposit products in the future. To meet the asset-liability objectives and manage the interest rate risk, the Bank uses the high quality investment securities portfolio, long-term funding and derivative contracts.

The Bank is Exposed to Counterparty Risk

Through performing banking services such as lending in the interbank money market, settling a transaction in the interbank foreign exchange market, entering into interbank transactions related to trade finance or investing in securities, the Bank is exposed to the risk of losses due to the failure of a counterparty bank to meet its obligations.

To manage counterparty risk, the Bank defines limits on an individual basis for each counterparty, while on a portfolio basis it limits the expected loss from both treasury and trade finance exposures. As of 31

December 2021, the Bank's interbank exposure was concentrated with banks that external agencies, such as Fitch, Moody's and Standard and Poor's, have assigned high A-grade credit ratings.

External and Internal Fraud Risks are Part of the Operational Risk Inherent in the Bank's Business. Considering the Increased Complexity and Diversification of Operations, Together with the Digitalisation of the Banking Sector, Fraud Risks are Evolving. Unless Proactively Managed, Fraud Events May Materially Impact the Bank's Profitability and Reputation

External fraud events may arise from the actions of third parties against the Bank, most frequently involving events related to banking cards, loans and client phishing. Internal frauds arise from actions committed by the Bank's employees, and such events happen less frequently. During the reporting period, the Bank faced several instances of fraud, none of which had a material impact on the Bank's profit and loss statement. As a result of the COVID-19 pandemic, the threat of fraud and the rapid growth in digital crime has been exacerbated and fraudsters are adopting new techniques and approaches to exploit various possibilities to illegally obtain funds. Therefore, unless properly monitored and managed, the potential impact can become substantial.

The Bank actively monitors, detects and prevents risks arising from fraud events and permanent monitoring processes are in place to detect unusual activities in a timely manner. The risk and control self-assessment exercise focuses on identifying residual risks in key processes, subject to the respective corrective actions. Given our continuous efforts to monitor and mitigate fraud risks, together with the high sophistication of our internal processes, the Bank ensures the timely identification and control of fraud-related activities.

The Threat Posed by Cyber-attacks has increased in Recent Years and It Continues to Grow. The Risk of Potential Cyber-attacks, which have Become More Sophisticated, May Lead to Significant Security Breaches. Such Risks Change Rapidly and Require Continued Focus and Investment

No cyber-security breaches have happened at the Bank in recent years. Nonetheless, the Bank's rising dependency on IT systems increases its exposure to potential cyber-attacks.

In order to mitigate the risks associated with cyber-attacks and ensure clients' security, the Bank continuously updates and enhances its in-depth security strategy, which covers multiple preventive and detective controls ranging from the data and end-point computers to edge firewalls. A Security Operations Center has been built, which monitors every possible anomaly that is identified across the organization's network in order to detect potential incidents and respond to them effectively. At least once a year, a full information security and cyber security threat analysis is performed, taking into consideration the relevant regional and sector specific perspectives. Also at least once a year, a presentation is given to the Risk Committee of the Supervisory Board, with a deep dive into the information security matters. At least once every two years, as part of this analysis, an external consultant is contracted to assess the efficiency of our capabilities against industry best practices and real world cyber-attack scenarios. This analysis gives the Bank a broad overview as well as detailed insight, which help to further enhance its information and cyber security systems. In addition, cyber-attack readiness exercises are performed on a regular basis. These exercises evaluate the actual position of the Bank in this area and provide a benchmark against international best practices. Our employees play a crucial role in information security. As a result, annual mandatory training sessions are conducted for all employees, which are comprised of remote learning courses on security issues, fraud and phishing simulations as well as informative emails to further assist our employees with information security matters. New employees are also given training as part of the onboarding process. These measures ensure that employees are fully aware of their responsibilities and are prepared for various security threats. The Information Security Steering Committee governs information and cyber security to ensure that relevant risks are at an acceptable level and that continuous improvement of the management processes are achieved. Disaster recovery plans are in place to ensure business continuity in case of need. Since the beginning of the COVID-19 pandemic, the Bank has activated secure remote working policies, which ensure that homeworking environments are protected against relevant cyber-threats while the security team provides effective oversight of teleworking channels. Although there has been a noticeable increase in phishing attempts against employees, there have been no major incidents. The Security Operation Center and Threat Hunting teams have successfully adopted effective remote collaboration and communication tools and practices.

In 2021, the Bank achieved ISO 27001 certification of its information security management system. That demonstrates that the Bank is following robust information security practices effectively, in order to protect its information and information systems from different types of threats. TBC Bank has not experienced any material information security breach in the last three years. In December 2021, Ernst & Young Tbilisi office conducted two audits, assessment against Cyber Security Management Framework and assessment against SWIFT CSCF for the Bank. As a result, no critical findings and major non-compliances were identified during these exercises. Cyber Security Management Framework is defined by National Bank of Georgia, which is based on NIST Cyber Security Management Framework.

The Bank Remains Exposed to Some Reputational Risk

There are reputational risks to which the Bank may be exposed, such as risks related to anti-banking campaigns, increased cases of phishing and other cybercrimes, as well as risks associated with the digitalization process, such as digital service interruptions affecting digital bank, ATM and payment terminal operations. However, none of the aforementioned risks is unique to the Bank.

To mitigate the possibility of reputational risks, the Bank works continuously to maintain strong brand recognition among its stakeholders. The Bank follows all relevant internal policies and procedures to minimize the impact of direct/indirect reputational risks. The Bank monitors its brand value through public opinion studies/surveys and by receiving feedback from stakeholders on an ongoing basis. Dedicated internal and external marketing and communications teams are in place, which actively monitor media coverage on a daily basis. These teams monitor risks, develop scenarios and create respective contingency plans. The Bank tries to identify early warning signs of potential reputational or brand damage in order to both mitigate and elevate it to the attention of the Supervisory Board before it escalates. The Communications and Cyber-security teams conduct extensive awareness-raising campaigns on cyber-security and financial literacy, involving the media, the Banking Association of Georgia and Edufin (TBC’s in-house financial education platform) aimed at mitigating and preventing cyber threats and phishing cases

The Bank is Exposed to Regulatory and Enforcement Action Risk

Regulatory Risk

The Bank’s activities are highly regulated and thus face regulatory risk. The NBG can increase prudential requirements across the whole sector as well as for specific institutions within it. Therefore, the Bank’s profitability and performance may be compromised by an increased regulatory burden. The NBG sets lending limits and other economic ratios (including, inter alia, lending, liquidity and investment ratios) in addition to mandatory capital adequacy ratios. Under Georgian banking regulations, the Bank is required, among other things, to comply with minimum reserve requirements and mandatory financial ratios, and to regularly file periodic reports. The Bank is also regulated by the tax code and other relevant laws in Georgia. Following the parent company’s listing on the London Stock Exchange’s premium segment, the Bank became subject to increased regulations from the UK Financial Conduct Authority. In addition to its banking operations, the Bank also offers other regulated financial services products, including leasing and brokerage services. The Bank takes all necessary steps with the intention of ensuring compliance with relevant legislation and regulations. The Bank is also subject to financial covenants in its debt agreements.

The Bank has established systems and processes to ensure full regulatory compliance, which are embedded in all levels of the Bank’s operations. The dedicated compliance department reports directly to the Chief Executive Officer and has a primary role in the management of regulatory compliance risk. The Bank’s Risk Committee is responsible for regulatory compliance at the Supervisory Board level. In terms of banking regulations and Georgia’s taxation system, the Bank is closely engaged with the regulator to ensure that new procedures and requirements are discussed in detail before their implementation. Although the decisions made by regulators are beyond the Bank’s control, significant regulatory changes are usually preceded by a consultation period that allows all lending institutions to provide feedback and adjust their business practices.

Compliance Risk

The compliance risk is defined as the risk of regulatory or legal sanctions, material financial losses or reputation defamation, which may result from the Bank's negligence or inappropriate implementation of the relevant laws, regulations and rules, ethics, and behaviour code.

Georgia is a fast-paced developing country with the goal of European integration and its legislative base is constantly updated.

Besides the national legislation, JSC TBC Bank is subject to the certain UK regulations, since the shares of the Bank's parent company are traded at the London Stock Exchange.

Consequently, continuous monitoring, analysis, and timely implementation of national and international legislative amendments pose a significant challenge to the Bank.

The risk management of the Bank's compliance handles the following processes:

- Introduction of corporate ethics and risk sensing culture;
- Regulatory change management;
- Management of conflict of interest;
- Management of whistleblowing process
- Prevention of bribery, anti-corruption, and tax avoidance;
- Prevention of illicit income legalisation and terrorism funding;
- Protection of consumers' rights;
- Personal data protection.

In order to ensure the management of these processes, the Bank has developed policies, instructions, rules, and provisions, which are mandatory for all its employees. The Bank's Compliance Risk Management Department provides the identification, assessment, monitoring and periodic review of the compliance risk. The Bank's Compliance Risk Management Department is directly subordinated to the CEO and is accountable to the Risk Committee of the Supervisory Board.

The Bank Faces the Capital Risk of not Meeting the Minimum Regulatory Requirements under the Increasing Capital Requirement Framework, which may Compromise Growth and Strategic Targets. Additionally, Adverse Changes in FX Rates may Impact the Capital Adequacy Ratios

Capital risk is the risk that the Bank may not have a sufficient level of capital to maintain its normal business activities, and to meet its regulatory capital requirements under normal or stressed operating conditions. The management's objectives in terms of capital management are to maintain appropriate levels of capital to support the business strategy, meet regulatory and stress testing-related requirements and safeguard the Bank's ability to continue as a going concern. The Bank undertakes stress testing and sensitivity analysis to quantify extra capital consumption under different scenarios. Capital forecasts, as well as the results of the stress testing and what-if scenarios, are actively monitored with the involvement of the Bank's management to ensure prudent capital management and timely actions when needed. In 2021, the Bank and the Bank complied with all regulatory capital requirements. In December 2017, the NBG adopted amendments to the regulations relating to capital adequacy requirements. The changes include amendments to the regulation on capital adequacy requirements for commercial banks, and the introduction of new requirements (i) on additional capital buffer requirements for commercial banks within Pillar 2; (ii) on the determination of the countercyclical buffer rate; and (iii) on the identification of systematically important banks and determining systemic buffer requirements. The purpose of these amendments is to improve the quality of banks' regulatory capital and achieve better compliance with the Basel III framework.

Pillar 1 minimum requirements plus combined buffer requirements. The amendments to the regulation on capital adequacy requirements for commercial banks have made Pillar 1 minimum requirements in Georgia compatible with the framework established by the Basel Committee of Banking Supervision. The amendments included:

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

The rate for the conservation buffer has been 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 periodically, based on the prevailing financial and macroeconomic environment. In addition, the NBG designated certain commercial banks in Georgia 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, 2.0% 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 and a net General Risk Assessment Program (GRAPE) buffer. The NBG has also introduced a credit portfolio concentration buffer and a net stress test buffer. The credit portfolio concentration buffer became effective from 1 April 2018, and the need for the net stress buffer will be assessed based on the regulatory stress testing results. Although the net stress test buffer has been effective since 1 October 2020, it is currently set at 0%. 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.

Temporary Measures

In response to the COVID-19 pandemic, in March 2020, the NBG implemented certain countercyclical measures in relation to capital adequacy requirements, including postponing the phasing-in of Pillar 2 buffers. According to the new schedule communicated by the NBG in October 2020, the phase-in of concentration risk and the Net GRAPE buffers will continue from March 2021 and will be fully introduced by the end of March 2023. In June 2021, the NBG announced its decision to restore the CICR and conservation buffers. Banks are required to fully restore the CICR buffer by the end of 2022 and the conservation buffer by the end of 2023. As of 30 June 2021, TBC Bank was in full compliance with the fully restored minimum requirements and confirmed to the NBG that it would fully restore temporarily released capital buffers by July 2021, which lifted regulatory restrictions on capital distributions.

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

In thousands of GEL	**2021**
CET 1 capital	2,759,894
Tier 1 capital	3,379,414
Tier 2 capital	723,513
Total regulatory capital	**4,102,927**
Risk-weighted exposures	
Credit risk-weighted exposures	18,091,753
Risk-weighted exposures for Market Risk	21,981
Risk-weighted exposures for Operational Risk	2,103,895
Total risk-weighted exposures	**20,217,629**
Minimum CET 1 ratio	*11.73%*
CET 1 capital adequacy ratio	13.65%
Minimum Tier 1 ratio	*13.99%*
Tier 1 capital adequacy ratio	16.72%
Minimum total capital adequacy ratio	*18.38%*
Total capital adequacy ratio	20.29%

The Bank undertakes stress-testing and sensitivity analysis to quantify extra capital consumption under different scenarios. Capital forecasts, as well as the results of the stress-testing and what-if scenarios, are actively monitored with the involvement of the Bank's Management Board and Risk Committee to ensure prudent management and timely actions when needed.

The Bank Faces the Risk that its Strategic Initiatives do not Translate into Long-term Sustainable Value for its Stakeholders

The Bank may face the risk of developing a business strategy that does not safeguard long-term value creation in an environment of changing customer needs, competitive environment and regulatory restrictions. In addition, increased uncertainty together with the major economic and social disruptions caused by the COVID-19 pandemic may hamper the Bank's ability to effectively develop and execute its strategic initiatives in a timely manner and thereby compromise its capacity for long-term value creation.

The Bank conducts annual strategic review sessions involving the Bank's top and middle management in order to ensure that it remains on the right track and assesses business performance from different perspectives, concentrating its analysis on key trends and market practices, both in regional and global markets. In addition, the Bank continuously works with the world's leading consultants in order to enhance its strategy. Further, the Bank conducts quarterly analyses and monitors the metrics used to measure strategy execution, and in case of any significant deviations, it takes corrective or mitigation actions.

The Bank is Exposed to Risks Related to its Ability to Attract and Retain Highly Qualified Employees

The Bank faces the risk of losing of key personnel or the failure to attract, develop and retain skilled or qualified employees. In particular, the strategic decision to transform into a digital company entails increased demands on high caliber IT professionals across the Bank. In addition, in order to adapt to the fast changing business environment, the Bank needs to foster an "Agile" culture and equip employees with the necessary skills. In addition, the COVID-19 pandemic has created additional HR challenges in relation to safeguarding employees' health and wellbeing, maintaining high efficiency levels, strong internal communication and a strong corporate culture.

The Bank pays significant attention to human capital management strategies and policies, which include approaches to the recruitment, retention and development of talent, and offers competitive reward packages to its employees. The Bank has also developed and implemented an "Agile" framework that aims to increase employee engagement and satisfaction. Moreover, the Bank set up an IT and Risk academy to attract and train young professionals. The best students are offered employment at the Bank. In addition, the Bank has an in-house academy that provides a range of courses for employees in different fields. To ensure the maintenance of an effective internal communication system whilst working from home, we enhanced different digital channels to engage with our employees. Regular management meetings are conducted with staff in order to keep them updated with the Bank's strategic initiatives and financial position as well as address their concerns during this highly uncertain period. In order to further promote and enhance our corporate culture, the Bank's internal Facebook Bank has become more active by, for example, posting employee profiles and sharing success stories. Additionally, the new remote working policy adopted by the Bank gives the possibility to attract new talent from beyond Georgia.

Emerging Risks

Emerging risks are those that have large unknown components and may affect the performance of the Bank over a longer time horizon. We believe the following risks have the potential to increase in significance over time and could have a similar impact on the Bank as the principal risks.

The Bank's Performance may be compromised by Adverse Developments in the Region, in Particular the war in Ukraine

While inflows to the Georgian economy are quite diversified, the country is still vulnerable to geopolitical and economic developments in its region. In particular, the Russian invasion of Ukraine and the consequent sanctions imposed on Russia have an adverse impact on the Georgian economy. As of 2021, Ukraine and Russia's share of Georgia's exports, remittances, tourism, and FDI inflows amounted to around 21%. Specifically, Ukraine and Russia accounted for 7% and 14% of exports, 4% and 18% of remittance inflows, and 15% and 12% of total tourism inflows, respectively. Ukraine and Russia's share of FDI exposure was lower at 1% and 6%, respectively, mainly comprised of reinvested earnings from previous waves of FDI. Importantly, over half of Georgia's exports to Russia and Ukraine are re-exports, while around 50% of tourism and remittance inflows from these countries are spent on imports. These factors decrease the overall net negative impact from lost inflows. At the same time, the adverse spill over effect from Georgia's other economic partners should also be taken into account. Before the Russian invasion of Ukraine, TBC Capital estimated that the Georgian economy would grow by around 6.0% in 2022, 5.5% in 2023 and 5.0% in 2024 – close to its trend rate of around 5.2%. According to the World Bank's projections1 as of January 2022, the Georgian economy was forecast to grow by 5.5% and 5.0% in 2022 and 2023, respectively. In fact, the January growth data released by Geostat shows a very strong growth momentum. Although the 18.0% real YoY expansion was mainly on the back of a low base effect, growth was also strong at 4.4% when compared to January 2020, before the pandemic started, and much higher than in prior months when looking at the same, consistent measurement. However, taking into account Georgia's vulnerability to developments in Ukraine and Russia, there will be adverse implications for the growth outlook, as well as for the other macro variables, which may also negatively affect the Bank's capital adequacy, liquidity and credit risk.

The Bank actively employs stress testing and other risk measurement and monitoring tools to ensure that early triggers are identified and translated into specific action plans to minimize the negative impact on the Bank's capital adequacy, liquidity, and portfolio quality in times of increased uncertainty.

The Bank is Exposed to the Risks Arising from Climate Change

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

The Bank's objective is to act responsibly and manage the environmental and social risks associated with its operations in order to minimize negative impacts on the environment. This approach enables us to reduce our ecological footprint by using resources efficiently and promoting environmentally friendly measures in order to mitigate effects of climate change. The Bank has in place an Environmental Policy, which governs its Environmental Management System ("EMS") and ensures that the Bank's operations adhere to the applicable environmental, health and safety and labour regulations and practices. We take all reasonable steps to support our customers in fulfilling their environmental and social responsibilities. The management of environmental and social risks is embedded in the Bank's lending process through the application of the EMS. The Bank has developed risk management procedures to identify, assess, manage and monitor environmental and social risks. These procedures are fully integrated in the Bank's credit risk management process. Our Environmental Policy is fully compliant with Georgian environmental legislation and follows international best practices (the full policy is available at www.tbcbankgroup.com). For the detailed information on the Environmental Management System, please refer to the EMS chapter in this document.

To extend the Bank's positive impact on the environment and climate change mitigation, by the end of 2021, the Bank introduced the Green Lending Framework within the organization, which will encourage private companies, as well as individuals to run their businesses energy and resource-efficiently and more eco-friendly.

In order to increase the understanding of climate-related risks on the Bank's loan portfolio, the Bank performed a high-level sectoral risk assessment, since different sectors might be vulnerable to different climate-related risks over different time horizons. The risk assessment focuses on economic sectors such as energy, oil and gas, metals and mining, tourism, agriculture, food industry, healthcare, construction and real estate. According to the maturity structure of the loan portfolio, the largest part of assets is distributed in the time horizons that are much shorter that the impacts of climate change, especially of physical risks, can be materialized in Georgia. On the other hand, the understanding of climate related risks, which have longer-term impacts need to be increased in coming years, therefore, if the bank will have a plausible findings and conclusions, it will further develop the approach, how to consider climate risks in mitigation. Furthermore, the Bank's portfolio has a strong collateral coverage with around 77% of the loan book, collateralized with cash, real estate or gold. The collateral evaluation procedure covers monitoring approach, therefore, the necessity of changes in collateral values is identified based on the regular collateral monitoring process. For more details, please see our ESG strategy section from ESG chapter in this document.

In June 2021, the Bank released its full-scale sustainability report for the year 2020 in reference to Global Reporting Initiative (GRI) standards. The Global Reporting Initiative (GRI) helps the private sector to realize and understand its role and influence on sustainable development issues such as climate change, human rights and governance. The report is designed for all interested parties and Banks in Georgia as well as abroad and aims to give them clear, fact-based information about the social, economic and environmental impact of our activities in 2020. It presents our endeavours for creating value for our employees, clients, suppliers, partners and society as a whole. The Sustainability Report 2020 is available at www.tbcbankgroup.com.

The Bank's Performance may be Affected by LIBOR Discontinuation and Transition

There are a number of different types of financial instruments on the Bank's balance sheet, each of which carries interest rates benchmarked to the London Interbank Offered Rate ("LIBOR"). LIBOR is also used by the Bank in its risk measurement, accounting and valuation processes. In 2017, the UK's Financial Conduct Authority (FCA) announced that it has agreed with LIBOR panel banks to sustain LIBOR until the end of 2021 and called upon financial sector participants to start working towards a transition to other reference rates. On 5 March 2021, the FCA announced the dates that panel bank submissions for all LIBOR setting will cease, after which representative LIBOR rates will no longer be available:

- Immediately after 31 December 2021, in the case of all Sterling, Euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- Immediately after 30 June 2023, in the case of the remaining US dollar settings.

The majority of the Bank's US$ floating portfolio is linked to 6 month US$ LIBOR, while the EUR floating portfolio is linked to the Euro Interbank Offered Rate (Euribor), the discontinuation of which was not declared. The discontinuation of LIBOR and the process of transition exposes the Bank to execution, conduct, financial and operational risks, and may result in earnings volatility, customer complaints and legal proceedings, or have other adverse impact on the Bank's business and operations.

The Bank actively monitors international and local transition-related developments to regulate and align the Bank's transition process with market practice. On 29 July, 2021 the Alternative Reference Rates Committee (ARRC) announced its recommendation to use Term SOFR Rates published by CME Bank, Inc. (CME). The ARRC recommendation allows loan agreements to use term SOFR in place of LIBOR, either as a replacement for LIBOR (whether pursuant to the operation of a fallback provision or otherwise) or in new deals. The interest rate alternatives to US$ LIBOR recommended previously were backward looking and have met with tepid acceptance. The Bank formed a steering committee to ensure a smooth transition away from LIBOR including the efforts to introduce forward-looking term rates linked to SOFR. The steering committee raises awareness of the transition, both internally and externally, to ensure that staff have the necessary knowledge and tools to facilitate the transition and that all of the Bank's customers are treated fairly.

Credit Risk Mitigation

For the purposes of credit risk mitigation, the Bank actively uses various types of collateral. Real estate, movable property, intangible assets, financial assets, suretyship and third party guarantee can be used by the Bank as collateral. The Bank has appropriate processes in place to ensure that the market value of collateral is defined properly and collaterals serve as an effective tool for credit risk mitigation.

Key Policy and Procedures for Collateral Management & Appraisal

Collateral represents the most significant credit risk mitigation tool for the Bank, making effective collateral management one of the key risk management components. Collateral on loans extended by the Bank may include, but is not limited to, real estate, cash deposits, vehicles, equipment, inventory, precious metals, securities and third-party guarantees. The collateral accepted against a loan depends on the type of credit product and the borrower's credit risk. The Bank has a largely collateralised portfolio in all segments, with real estate representing a major share of collateral. A centralised unit for collateral management governs the Bank's view and strategy in relation to collateral management, and ensures that collateral serves as an adequate mitigating factor for credit risk management. The collateral management framework consists of a policy-making process, a sound independent valuation process, a haircut system throughout the underwriting process, collateral monitoring (including revaluations and statistical analysis) and collateral portfolio analysis.

The Collateral Management and Appraisal Department (CMAD) defines Collateral Management Policy & Collateral Management Procedures (approved by the Supervisory Board), purchases an appraisal service that must be in line with International Valuation Standards (IVS), acting NBG regulations and internal rules (policy/ procedures and etc.), authorizes appraisal reports, and manages the collateral monitoring process (assets with high fair value are revaluated annually, while statistical monitoring is used for collaterals with low value). The CMAD uses a mixed quality check scheme for valuation: appraisal reports are reviewed internally by its staff and separately by an external company. Almost all activities under collateral management are automated through an in-house web application. The collateral management function uses market research conducted under the Real Estate Market laboratory (REM lab) project.

Main Types of Collateral

According to the Bank's Collateral Management Policy, collaterals are divided into 4 groups:

- Real estate;
- Movable property;
- Intangible asset;
- Suretyship, guarantee.

Required collaterals are defined based on the credit product type and borrower's risk profile. The Bank's credit portfolio is well secured, with the main type of collateral being real estate.

For the purpose of capital adequacy calculation, the Bank uses funded and unfunded credit protection for credit risk mitigation. The following types of collateral collateral are used as an eligible collateral for credit risk mitigation:

- Funded Credit Protection - Cash on deposit with, or cash assimilated instruments;
- Unfunded Credit Protection - Third party guarantees from Central Government or Central Banks, Multilateral Development Banks and Commercial Banks.

In order collateral to be used for the purpose of capital adequacy estimations, the requirements of the National Bank shall be satisfied in accordance with the provisions of the Capital Adequacy Requirements of the Commercial Banks.

The following table presents the Credit Risk Mitigation as of December 2021 per exposure class and collateral type used:

	Credit Risk Mitigation	*in Thousand GEL*						
		Funded Credit Protection	**Unfunded Credit Protection**			**Total Credit Risk Mitigation - On-balance sheet**	**Total Credit Risk Mitigation - Off-balance sheet**	**Total Credit Risk Mitigation**
		Cash on deposit with, or cash assimilated instruments	**Central governments or central banks**	**Multilateral development banks**	**Commercial banks**			
1	Claims or contingent claims on central governments or central banks	0	0	0	0	0	0	0
2	Claims or contingent claims on regional governments or local authorities	0	0	0	0	0	0	0
3	Claims or contingent claims on public sector entities	0	0	0	0	0	0	0
4	Claims or contingent claims on multilateral development banks	0	0	0	0	0	0	0
5	Claims or contingent claims on international organizations/institutions	0	0	0	0	0	0	0
6	Claims or contingent claims on commercial banks	0	0	0	77	0	77	77
7	Claims or contingent claims on corporates	266,324	32,957	45,617	172,961	288,665	229,194	517,859
8	Retail claims or contingent retail claims	55,391	0	3,641	0	49,098	10,069	59,032
9	Claims or contingent claims secured by mortgages on residential property	6,781	136	80	0	6,519	350	6,997
10	Past due items	481	0	0	0	66	477	481
11	Items belonging to regulatory high-risk categories	57,881	8	0	0	57,881	0	57,889
12	Short-term claims on commercial banks and corporates	0	62	0	0	0	0	62
13	Claims in the form of collective investment undertakings	0	0	0	0	0	0	0
14	Other items	142,249	76,497	11,386	350	227,667	2,815	230,481
	Total	**529,107**	**109,659**	**60,724**	**173,389**	**629,896**	**242,982**	**872,879**

Information on Credit Risk Concentrations According to Mitigation Tools

The Bank's credit portfolio is well secured. 73.8% of the portfolio is secured with real estate, 3.5% is secured by cash deposits and gold (2.83% and 0.63% respectively). Other types of collateral are: movable property and third-party guarantees.

Main Types of Guarantees and Contracts Received as Collateral

The significant part of guarantees and counter guarantees that are used as collateral for credit risk mitigation, are banking guarantees/counter guarantees. The Bank's assessment process is held by the Financial Risk Management (FRM) department in accordance with the business requirements. In particular, the request for financing of various banking products arises from the Treasury, Trade Financing and Business Units.

Interbank Limit Assessment Procedure

According to the procedure, the Trade Finance department receives the application about the guarantee/letter of credit/factoring request from a counter guarantee bank and provides the financial risk management department with the respective information. In addition, the Treasury and Financial Service department sends a request about setting the limit on the bank for treasury purposes. The Compliance Department checks the counter-party bank, the applicant, the beneficiary and the financing operation in case of Trade Finance request, and the counter-party bank, in case of Treasury request. After receiving a positive recommendation from Compliance Department, the assessment of counter-party bank is conducted by the FRM department based on the "Counterparty risk limits assessment methodology".

The limits of counter-party banks are set according to ratings assigned by the international rating agencies (Moody's; Fitch Ratings; S&P) and/or ratings derived from an internally-developed model[4], based on which maturity of transactions is defined with the respective limits.

If the counter-guarantee banks average international rating is more than or equal to"BBB", the FRM uses the latter rating for defining the limit and assesses the bank's main financial and non-financial metrics.

If the bank is assessed by one international rating agency, or its average credit rating is less than "BBB", the bank's assessment is done by an internally developed model, based on the following factors:

Bank's Financial Metrics:

- Capital adequacy;
- Credit portfolio quality;
- Liquidity and funding;
- Profitability.

Warning Signals:

- Governance;
- Risk management framework;
- International credit rating;
- Operating environment;
- Regulatory environment and other signals.

[4]If the counterparty is a resident bank, the final rating is defined based on the internal model developed. In case of non-resident banks, where the average international rating is less than "BBB", the final rating is derived as a minimum between average international and internal ratings.

After analysing the counter-guarantee bank's financial and non-financial metrics, the FRM presents its recommendation to the respective decision-making committee. In order to ensure the compliance with the decision-making tiers and flawless implementation of risk approval process, the FRM uses the "Asset and Liability Management Committee Policy" and the "Instruction on Counter-party Risk Approval Committee Decision-Making Process" as a guideline.

The FRM may consider setting general limit for the counter-party bank, if the Trade Finance department deems it necessary, due to possible frequent future transactions.

The counterparty limits monitoring is carried out on a daily basis by the Assets and Liabilities Management Bank (ALM). In case of limit breaches, the ALM informs the FRM and Settlements and Correspondent Banking Department in order to take immediate actions for mitigation

TBC Bank has in place a Counter-Party Risk Management Policy, which determines the principles of the process for the counterparty risk management and it regulates the activities of the departments and employees involved.

The FRM reviews the Interbank Limit Assessment Methodology on an annual basis.

International Ratings

Under the Standardized Approach to risk weights, ratings from the External Credit Assessment Institutions ('ECAIs') are mapped to Credit Quality Steps ('CQS') according to the NBG regulation. The CQS value is then mapped to a risk weight percentage.

With regards to the credit rating, the Bank may use the ratings from the following ECAIs: Fitch, Moody's, and S&P. The credit ratings are used for the following risk classes:

- unconditional and conditional requirements for multilateral development banks;
- unconditional and conditional requirements for commercial banks;
- Unconditional and conditional requirements for central governments and central banks.

The credit rating mapping to credit rating quality is outlined in the table below:

Allowed Credit Rating	Credit rating quality	Fitch	Moody's	S&P
Mapping of credit rating quality with long-term credit rating	1	From AAA to AA-	From Aaa to Aa3	From AAA to AA-
	2	From A+ to A-	From A1 to A3	From A+ to A-
	3	From BBB+ to BBB-	From Baa1 to Baa3	From BBB+ to BBB-
	4	From BB+ to BB-	From Ba1 to Ba3	From BB+ to BB-
	5	From B+ to B-	From B1 to B3	From B+ to B-
	6	CCC+ and worse	Caa1 and worse	CCC+ and worse

Risk Appetite

The Bank has a risk appetite framework (RAF) in place. The RAF is intended to create a robust operational environment, where all the material risks faced by the Bank as well as any risk-taking activities that are beyond the Bank's risk appetite are identified, reported and managed in a timely manner. The RAF defines the level of risk the Bank is willing to accept in pursuit of return and value creation. It also clearly distinguishes the risks that should be avoided.

For each type of risk quantitative risk metrics are defined and risk appetite is established in the form of Risk Appetite Statements (RAS) and the risk limits, showing the level of the risk the Bank is willing to accept in pursuing the strategic objectives.

At this stage, risk limits are set for ordinary business conditions. The horizon of the risk appetite statement is set to 3-5 years. The risk appetite must be reviewed and updated on an annual basis or more frequently as changes in strategy, market conditions or other key factors occur.

The RAS includes qualitative statements and quantitative metrics. Enterprise-wide quantitative metrics are categorized across two levels. The first level metrics must be approved and monitored by the Supervisory Board. Approval and monitoring of the second level metrics is the responsibility of the Management Board.

The risk appetite sets limits under ordinary business conditions. The Bank uses a three-layered traffic light approach in setting the risk limits:

Green Zone - a desired zone of the Bank's risk appetite. For the certain types of risk metrics Green zone might have both upper and lower bounds. Whenever the risk profile is below the lower bound of the Green zone, it shows that the Bank is taking lower risk compared to its appetite and should be addressed in the same way as entering the Amber zone.

Amber Zone - a desired zone has been breached, however risk level is still acceptable for the Bank. Once the risk goes into the Amber zone, the risk owner should develop the strategy on how to get back to the Green zone and monitor the execution.

Red Zone – a risk has exceeded the allowable limit and is going outside the risk appetite. Close monitoring of the risk and developing remedial actions is required with respective contingency plan.

Risk Appetite Governance and Monitoring

The Bank's Supervisory Board sets the tone at the top, provides oversight and direction in the RAF establishment and owns and approves the Bank's risk appetite.

The Management Board sets overall strategic objectives of the Bank and ensures that risk-taking and decision making processes are aligned with the Bank's strategy and the risk appetite.

The RAF is approved by the Bank's Supervisory Board. Governing principles and Level 1 metrics are approved by the Supervisory Board. Whereas Level 2 metrics are approved by the Management Board. Operational level risk metrics are approved either by the Management Board or the respective risk owner together with the Chief Risk Officer.

The Bank's risk governance incorporates the "three lines of defence", in which the business operational units as a first level of defence take and manage risk, risk management functions as a second level of defence oversee and monitor risk and internal audit as a third line of defence validates the performance of the first two.

Each metric listed in the RAF has its own monitoring frequency ranging from one month to one year. The Enterprise Risk Management function is responsible for aggregating and reporting compliance with Level 1 and Level 2 risk appetite metrics to the Supervisory and Management boards. The respective risk owners are responsible for monitoring risk appetite metrics and presenting results to ERM department. The respective risk owners are responsible for submitting to the Supervisory and Management boards the description of reasons for the breach and an action plan to return the risk profile back in the Bank's risk appetite within a reasonable timeframe.

Risk Culture

A special focus is made on establishing and enhancing the risk culture at the Bank. It is communicated through various channels (CEO meetings, trainings and testing, informative emails, etc.), raising staff's awareness on all risk-related issues, such as identifying and reporting of risk incidents. The Code of Ethics is the key document setting the tone for the risk culture at the Bank.

Capital Management

For the effective management of capital adequacy, the Bank is carrying out short and long term capital adequacy forecasting in order to timely identify factors affecting capital position and avoid breaching the set limits;

As part of the ICAAP framework, the bank estimates losses and the amount of additional capital needed to withstand the predetermined scenario. The stress testing is held at least annually or more frequently depending on the business environment. The results are reported to the management and risk committee of the Supervisory Board. The Bank periodically provides additional sensitivity analysis against currency depreciation and changes in the macroeconomic environment to ensure prudent capital management.

Determination of Capital Adequacy Limits

Within the risk appetite framework, the Bank sets additional buffer above the regulatory minimum requirement for CET 1, Tier 1 and Total Capital. The risk appetite limits are based on the robust analysis of volatility drivers and the Bank's risk profile. In the process of setting the limits the Bank takes into consideration forward looking elements related to the economic outlook, the Bank financial condition, planned capital distributions, potential impacts of the stress and uncertainties and etc. These Risk Appetite limits help the Bank ensure that it holds enough capital to meet the rising requirements under the NBG's Basel III framework.

Capital Allocation and Pricing

Effective capital governance implies determination of accurate capital levels for all assets and its effective allocation, for loan pricing purposes. The process ensures capital optimization and generation of target profitability.

Risk Reporting

The effective risk analysis and management process facilitates reliable, and timely reporting which is provided by the Risk Reporting division.

The Risk Function analyses the credit portfolio regularly. It analyses all portfolio indicators such as the volume, growth rate, structure, overdues, vintage analysis, concentration level, maturity, non-performing loans, write-off coefficients, provision charges etc.

Each ratio is analysed for the total portfolio, as well as for each segment/product with respect to historical and planned indicators. Operational and financial risks are also examined monthly, alongside the compliance of the risk profile with the risk appetite limits.

The risk management results and analysis are regularly presented to the Management Board and discussed at the Risk Committee of the Supervisory Board.

These reports cover the following main issues:

- Risk appetite;
- Credit risk results;
- Capital management;
- Liquidity risk results;
- Financial risk results;
- Market risk results;
- Operational risk results;
- Cyber security issues;
- Compliance issues; and
- Other financial and non-financial risks.

In addition to the above-mentioned topics, the committee get updates and discuss other relevant topics such as:

- Regulatory changes;
- Update on the risk strategic objectives;
- Important methodological or strategic changes, etc.

7. Environmental, Social and Governance (ESG)

ESG Strategy

Our aspiration to contribute to sustainable development comes from our role as a leading financial institution in Georgia's development. We are aware that we have an impact on the country's economy, business development, employment and the progress of the society, as a whole. This role is connected to our responsibility to contribute to a better future through innovation and technology in order to increase the accessibility of financial services and to enable our customers to be a part of the globalized economic society. While pursuing our aspirations, we guide our activities in line with international sustainability standards and principles, making them a part of the strategy, culture and day-to-day operations of our company.

This year, we took further steps to enhance the Bank's environmental, social and governance (ESG) framework through the development of an ESG strategy. The ESG Strategy reaffirms our commitment to make a long-term, sustainable contribution to the country and the region. The ESG Strategy defines several key areas for the coming years: a strong ESG governance structure at the Board and executive level; a focus on sustainable financing, services and products; employee diversity, equality and inclusion; green and sustainable funding; and a system and approach for impact measurement and reporting.

Various initiatives and programmes to support the targets set by the ESG strategy

ESG in TBC's governance and culture

2021 was a milestone year in the establishment of the ESG governance structure, which spans different organizational levels. Two ESG-related committees were established – one at the Supervisory Board level, another at the executive management level. The ESG Coordination Department was established in TBC Bank to support and coordinate initiatives defined by the ESG strategy. TBC Bank initiated an ESG Ambassadors program, which aims to strengthen environmental, social and governance structures and increase the involvement of TBC employees as focal points for these areas. Through this initiative, TBC employees will contribute to the quality of sustainability for customers, company, the environment and society as a whole.

Employee diversity

In order to expand our focus on diversity, gender and inclusion issues, we have developed a Diversity, Equality and Inclusion Policy (available at www.tbcbankgroup.com), which sets targets and establishes a methodology to advance diversity, equality and inclusion, integrating its approach into the Bank's operations and management processes and focusing on diverse areas including gender, multicultural, multigenerational and disability backgrounds. Gender equality and the empowerment of women and girls are important dimensions of the sustainability of the company and its stakeholders, including customers, employees, suppliers, partners and society as a whole. The policy takes into account the United Nations Women Empowerment Principles (WEPs) – a set of principles offering guidance to businesses on how to promote gender equality and women's empowerment in the workplace, marketplace and community. TBC Bank became a signatory of the UN WEPs in 2021.

Sustainable financing

TBC strives to increase its positive impact on society and the economy through introducing new financial products and services that are designed to deliver a specific social or environmental benefit. The ESG Strategy sets targets for the growth of our total sustainable loan portfolio, including financing energy efficient, renewable energy and resource efficient projects, women-led and women-owned business, startups and rural businesses.

Responsible procurement

Our responsible purchasing practices and relationships with suppliers can have a significant impact on the well-being, financial stability and development of suppliers, as well as on the economy as a whole. We pay special attention to small local suppliers and promote their inclusion in our supply chain. The ESG Strategy sets targets connected to green procurement initiatives, social enterprises, women-owned companies, startups and local business.

Our ESG targets

2022

- Some ESG KPIs linked to senior management remuneration in the medium term to reflect our mid-term strategy;
- Target volume of our sustainable loan portfolio1 - GEL 750 million[5].

2023

- Measure the Group's direct performance towards the Paris Agreement targets for reduction of GHG emissions;
- Target volume of our sustainable loan portfolio1 - GEL 1 billion;
- Target for women in middle managerial positions at the Bank level - 40%;
- Target for social impact procurement - GEL 5 million.

2025

- Net-zero GHG emissions (direct).

Climate-related Financial Disclosures 2021

In 2020, we informed shareholders that TBC planned to introduce a TCFD framework to demonstrate our commitment towards taking active measures to mitigate effects of climate change, to assess and mitigate climate risks, and identify climate opportunities. This report includes climate-related disclosures in line with the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD), TCFD published guidance and the Financial Conduct Authority Listing Rules.

7.1 Governance

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

In November 2021, the Supervisory Board approved the Group ESG Strategy in order to address specifically the Bank's specific targets and initiatives related to climate change, its direct and indirect environmental impact and sustainable development. The ESG Strategy also covers customers, employees, suppliers, wider society, financial inclusion, employee relations and talent management, workplace diversity and inclusion. The Supervisory Board retains the primary responsibility for overseeing the implementation of the strategy, as part of its commitment to having direct oversight over the Bank's climate-related issues. The Supervisory Board is supported by the Risk Committee. For example, progress against the reporting metrics such as the volume of the sustainable loan portfolio are overseen by the Risk Committee, which also received updates three times a year through the Chief Risk Officers (CRO) report. In 2022, we are going to incorporate a Climate Risk Appetite Statement in our Risk Appetite Framework (RAF).

[5] Our sustainable loan portfolio includes energy efficiency, youth support and women in business loans financed by special purpose funds received from IFIs, as well as loans financing renewable energy, which include all hydro power plants financed by the Bank.

In January 2022, the Bank established the Environmental, Social and Governance ("ESG") and Ethics Committee at the Supervisory Board level. This reflects the importance of sustainability in TBC's corporate governance and allows the Supervisory Board members to dedicate more time and focus to ESG topics. The role of the Committee is formalized to support and advise the Supervisory Board in its oversight of the implementation of (i) strategy (ii) policies and (iii) programs of the Company and its subsidiaries in relation to Environmental, Social and Governance matters and ensuring that the ESG strategy is implemented across all relevant businesses of the Bank. Furthermore, the ESG and Ethics Committee supports the Supervisory Board in promoting its collective vision of values, conduct and culture and overseeing management's efforts (i) to foster a culture of ethics (ii) appropriate conduct, and (iii) employee ethical engagement within the Bank. The Committee will provide strategic guidance on climate-related matters and will report to the Supervisory Board, which has overall oversight. The ESG and Ethics Committee will meet at least four times per year. Under the ESG oversight of the ESG and Ethics Committee are: a) periodical review of the Group's ESG strategy, including climate strategy, as well as implementation plans and monitor its execution; b) oversee Group's disclosures on ESG matters, including reporting in line with the TCFD principles, in the Annual Report and Accounts.

The Supervisory Board of JSC TBC Bank has established a diverse and comprehensive training agenda, which is reviewed annually. At the beginning of each year a general training catalogue is created, which covers all relevant areas of Risk, Audit, Remuneration and Governance. In 2020 and 2021, additional attention was paid to ESG and, in particular climate-related matters, regulatory compliance, reporting, shareholder views and impact. The catalogue includes an effective mix of publicly available and client-tailored webinars, analytical materials, and opportunities for live discussion with industry participants. The providers of these training opportunities include the Big Four accounting firms, external legal advisors, chartered institutes (such as the Institute of Directors and the Governance Institute), and, where relevant, senior professionals with specific subject matter expertise. Directors use the training catalogue in order to create their bespoke training calendars and exchange knowledge during Supervisory Board meetings or via the dedicated Supervisory Board platform. In 2022, further topic-specific training sessions on climate-related issues are planned that will equip members of the Supervisory Board as well as the executive management of TBC Bank and other relevant employees with detailed knowledge about the TCFD and climate change-related risks and opportunities and the operative tools available to implement the ESG Strategy.

Executive Management's Role in Assessing and Managing Climate-related Risks and Opportunities

At the executive level, responsibility for climate change-related risks and opportunities is assigned to the ESG Committee, which was established by the Management Board in March 2021 and is responsible for implementing the ESG strategy and approving the annual as well as separate, detailed action plans for key projects. At the first meeting of the ESG Committee in March 2021, the annual action plan covering various ESG matters for 2021 was approved. For major projects, such as the implementation of the recommendations of the TCFD, a separate action plan has been developed and key implementation steps defined. The progress and implementation status of action plans are monitored at the ESG committee's meetings. The implementation of the ESG strategy is supported by the various organizational functions responsible for ESG matters: Environmental and Social Risk Management Team, the ESG Coordinator and the ESG competence center. Among other matters, the ESG Committee's responsibilities include the review and monitoring of climate-related risks and opportunities as well as the establishment of an effective mitigation and control system to manage identified (material) climate related risks. The ESG Committee meets on a quarterly basis.

Furthermore, the Environmental Committee meets on a quarterly basis and oversees the implementation and operation of the Environmental Management System, which includes implementing an internal environmental management system and addresses the resource consumption and other environmental impacts of daily operations in TBC Bank. The Environmental and Social Risk Management Team regularly reports on the environmental management plans and results to the Environmental Committee. The Environmental Committee reports directly to the Chief Risk Officer.

The ESG governance structure

SUPERVISORY[1] BOARD	SUPERVISORY BOARD	RISK COMMITTEE	ESG AND ETHICS COMMITTEE
MANAGEMENT[1] BOARD	ESG COMMITTEE	ENVIRONMENTAL COMMITTEE	
RISK MANAGEMENT STRUCTURE	FUNCTIONS:	ESG COORDINATION DEPARTMENT	ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT TEAM

7.2 Strategy

The Bank's objective is to act responsibly and manage the environmental and social risks associated with its operations in order to minimize negative impacts on the environment. In order to achieve this, the Bank has clearly defined processes in place to identify and assess climate-related risks to our business. This approach enables the Bank to reduce our ecological footprint by using resources efficiently and promoting environmentally friendly measures in order to mitigate effects of climate change. Since banking is not a high-polluting activity, the implementation of an internal Environmental Management System to address the Bank's resource consumption might not have a significant impact on the surrounding environment. However, TBC Bank has reviewed all of the operational activities, procured items, and outsourced services that it can control (present and planned), and has identified all of the material environmental aspects relevant to the business. The direct environmental impact of our business activity arises from energy, water, fuel and other resource usage, waste and emissions. The Bank has established a comprehensive internal environmental system to manage its GHG emissions and is committed to reducing them by closely monitoring its consumption of resources. In order to evaluate the significance of impact for each of the categories, we have developed a comprehensive evaluation methodology and applied it to the whole Group. Based on this, annual goals are defined and specific initiatives and programs are elaborated to reach them. In 2020, the Bank obtained an ISO 14001:2015 certificate for its environmental management system; in 2021, the Bank completed the re-certification successfully.

In 2021, the Group took further steps to enhance its ESG framework and to demonstrate its commitment towards taking active measures to mitigate effects of climate change. The ESG strategy was developed and approved by the Supervisory Board in November 2021, as described above. Below are the five main pillars of TBC's ESG strategy.

- **Establish ESG governance framework until the end of 2021**
- **Set-up a system for measuring impacts on sustainability across the group, customers, employees and society**
- **Access to green and other sustainable financing sources**
- **Increase sustainable loan portfolio**
- **Increase customer loyalty and employee motivation**

TBC's ambition is to be a leading supporter of ESG principles in Georgia and region. We aspire to make our direct environmental impact net zero by 2025 and continue to develop our plan to enable our indirect environmental impact to also reach net zero as soon as practicable thereafter. The long-term aspirations are supported by different measures outlined in the ESG Strategy. The key components for 2022 and 2023 are listed below:

- Increase of the sustainable loan portfolio, which largely consists of renewable energy and energy-efficiency loans;
- Implementation of the green loan framework which offers a tailored green financing for SMEs;
- Approach and system for data collection, segregation and analysis;
- Elaboration of a methodology to calculate financed emissions;
- Measure the direct performance towards the Paris Agreement targets for the reduction of GHG emissions
- Policy on Climate Change;
- Incorporation of ESG matters in the risk appetite;
- Excluding/limiting high-carbon activities (Please see our Exclusion List, available at www.tbcbankgroup.com); and
- ESG resource center for employees, customers and wider public in order to increase awareness and knowledge about the risks and opportunities of climate change.

Work is continuing to further embed climate-related risks and opportunities within our business. An ESG Competence Center will be established to help the Bank deliver its strategic objectives and bring all of its climate-related work together.

Climate-related risks

An overall climate risk profile was assessed based on the first climate risk assessment (please see more about the climate risk assessment in the chapter risk management below). The table below shows a summary of potential transitional and physical risks identified by the Bank for the Georgian environment. The time horizons considered in the assessment are short – up to 3 years, medium – up to 8 years and long – above 8 years, with the levels of a possible impact – low, medium or high. While assessing the impact of climate change risks on a sector, a category – low, medium and high - was assigned compared to other sectors, as well as in comparison with other risk categories. Thus, the assessment results are not comparable with the same impact categories in other countries or regions.

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

The overall assessment of the impact of transitional policy measures

The Georgia's 2030 Climate Change Strategy[6] and Climate Action Plan lays out different policy measures on which TBC Bank based its identification of the potential impact of the policy measures on different economic sectors, which are financed by TBC. As a summary of the potential impact of the various transition risks and physical risks identified, the transitional risks in Georgia and on the TBC Bank's activities are low. The assessment considers, that trade and services dominate the Georgian economy, and the policy measures outlined in the Georgia's 2030 Climate Change Strategy will have overall low impact on the economic sectors, especially in short and medium term. The Georgia's 2030 Climate Change Strategy takes into consideration that Georgia is a transitional and growing economy, and therefore the government strategy is not to impede the growth of the GDP with policy measures and rather to support a smooth transition where necessary. It is worth noting, that the economic sectors most affected by transitional risks world-wide such as mining crude petroleum, natural gas and metal ores, manufacturing coke and refined petroleum products[7] are present to the extremely limited extend in Georgia, resulting in a low overall impact of transitional measures on economic growth, if any.

The overall assessment of the impact of the physical risks

The geographical location and natural conditions of Georgia – a small country with a mountainous landscape, a Black Sea coastal zone, and semi-arid areas in the Southeast – all contribute to the

[6] https://mepa.gov.ge/En/Files/ViewFile/50123

[7] Key elements of the 2021 Biennial Exploratory Scenario: Financial risks from climate change | Bank of England

country's vulnerability to the physical risks of climate change. The sectors that are thought to be most vulnerable to climate change in Georgia include agriculture, forestry, tourism, and healthcare[8].

The impact of physical risks on economic sectors, which are financed by the TBC Bank, will become material over the time. For the Bank, the risks can materialize through the impairment of asset values and the deteriorating creditworthiness of customers, operating in Georgia. Certain geographic areas and economic sectors such as winter resorts, agricultural land are affected partially already and might deteriorate further in the medium time horizon. The overall assessment of the potential impact in Georgia and on the TBC Bank's activities is medium in long-term perspective. It is understood that climate change risks are largely associated with longer-term impacts; however, those longer-term impacts are unclear, especially considering the shorter-term maturity structure of the Bank's loan portfolio.

Climate-related risks and opportunities on the business and financial planning

We are working to incorporate climate and broader ESG considerations in our financial planning process. In 2022, we continue the development of measurement capabilities across the Bank's opportunities and the advancement of the scenario analysis framework. Some qualitative considerations related to climate and ESG matters were incorporated in the financial planning cycle for 2022-2023. In 2022, the Bank seeks to include considerations linked to business actions identified through scenario analysis as well as progress on climate-related opportunities, including the launch of new products and initiatives. To encourage customers to invest in green products and services, the Bank offers services, financing and funding solutions, as outlined in the table below:

Climate-related opportunities	Customer	Our progress	Impact
Renewable energy financing	Corporate	TBC bank is the leading bank in the local financing of renewable energy project with GEL 554 million	Contributing to Georgia's transition to low-carbon economy
Green Loan Framework - a standardized approach to sustainable finance, including energy efficiency, renewable energy and resource efficiency financing	MSME	In 2021, TBC bank developed the Green Loan Framework with the Green for Growth Fund (GGF) Technical Assistance Facility, represented by Finance in Motion GmbH and financed by the European Union under the EU4Energy Initiative.	Encourage customers to transition to low carbon activities
Long-term business loan for solar panels	MSME	In 2022, TBC launched a special long-term loan for solar power plants. The product considers different financial and non-financial benefits.	Encourage customers to optimize their costs and to support the transition to low carbon activities
Global Climate Fund (GCF) accreditation, enabling the Bank to have direct access to GCF funding GCF accreditation	All	In 2021, TBC Bank became the first commercial bank in the Caucasus region to receive accreditation by the Green Climate Fund (GCF).	The accreditation will enable the Bank to finance projects for adaptation to, and mitigation of, climate change and contribute to combatting climate change in Georgia
Energy efficiency loans	Retail	Financing of hybrid/electric cars, mortgages and energy efficient processing. The portfolio volume equals to GEL 15.5 million	Encourage customers to transition to low carbon activities

Climate-related scenarios

TBC is taking significant steps to develop scenario analysis capabilities to better understand and act on the implications of climate-related risks and opportunities for our business and customers. The development of climate-related scenario analysis is a big challenge, as climate data and sub-sector information availability, accessibility, and suitability for financial risk analysis, as well as climate-related risk modelling capabilities in Georgia are very limited and still evolving. This section summarizes our

[8] https://unfccc.int/sites/default/files/resource/Geonc3.pdf

first-time exercise to undertake climate scenario analysis for the Georgian context and the related qualitative results.

The starting point for the first exercise, which was carried out in 2022, are two climate scenarios - the Orderly scenarios of 1.5°C (Net Zero 2050) and below 2°C, developed by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS) - each of which includes a trajectory of carbon prices and emissions over time. They are drawn from a set of scenarios published by the NGFS. We used country-level downscaled data for Georgia considering the NGFS 1.5°C (Net Zero 2050) and below 2°C scenarios. While analyzing this data, we identified that the scenarios and underlying downscaled data show certain inconsistencies in relation to the local economic environment; some of the sector level downscaled results were implausible, e.g. hydro energy outputs were falling very heavily. However, we stayed within the NGFS scenario framework, adjusting only a few parameters, where reasonable, and after consulting an external knowledgeable consultant. In particular, we used the GCAM (Global Change Assessment Model) model as the main source of data for the scenario analysis. We used data from the model to project how climate change will affect net revenues of the sector for the period of 2020-2050. Certain modifications were applied to the model data in order to reflect the specifics of the country. Third party data was also used to better understand how carbon emissions are allocated to various sectors and subsectors. The major variables used from the model were carbon emissions, carbon price, secondary and final energy prices, and demand on the secondary and final energy. These were the only variables available on the sectoral level for Georgia from NGFS projections.

We examined the impacts of two scenarios on a selected sample from our corporate customers in the carbon-intensive sectors (energy and utilities, oil and gas), as well as in metals and mining. We stressed the latest available financial statements and projection results (where applicable) for the time horizon covering the remaining maturity of the respective exposure. The selected sample of corporate customers included several hydro power plants (HPPs), electricity and gas distribution companies, a thermal power plant (the only TPP in the Group's portfolio) and a company in the metal industry. For the selection, we took companies with different sizes – small, medium and large HPPs and some leading companies in the respective sector. In summary, the results of the first stress scenario exercise showed those sectors had different sensitivity levels towards transitional risks. While the transitional risks for few cases might show negative impacts in accordance with two NGFS scenarios - largely due to the negative impact of the incorporated extremely high carbon taxes, it is understood that significant amendments to the scenario components and analysis need to be performed before the results can be considered in the risk management framework. It is important to consider that the transitional risks in Georgia are low, and policy measures, especially carbon taxes, are not among the measures foreseen by the Georgian government. At the same time, we analyzed the existing mitigation measures for those few cases, and identified a satisfactory level of the financial resilience, considering the publicly available Georgia's 2030 Climate Change Strategy and Climate Action Plan, as well.

Despite these limitations, the scenario analysis allows us to test a range of possible future climate pathways and understand the nature and magnitude of the risks they present. The purpose of scenario analysis is not to forecast the future but to understand and prepare to manage risks that could arise. In 2022, we continue working on the climate scenario framework in order to include other sectors, as well as the impact of physical risks. Furthermore, in 2022, the focus will be on developing of sectoral guidelines for climate related risks and opportunities, where deemed necessary. For more initiatives planned in 2022, please refer to the paragraph 7.3. Risk management part. In addition to exposure sensitivity analysis, the Group has already started work on an aggregated level sensitivity analysis. To this end, we analyzed downscaled estimates for Georgia of two NGFS Climate Scenarios: Net Zero 2050 and below 2°C. The main initial observation appears to be that Georgia is grouped with high-carbon-emission countries under GCAM, MESSAGEix-GLOBIOM2 as well as REMIND-MAgPIE3 models. This implies that the downscaled data for Georgia should be used with care. In fact, when looking at downscaled estimates for a number of other countries with economies of a broadly similar structure in the context of climate change, the impact appears to be significantly different. In particular, e.g. in GCAM model, Georgia is grouped together with Armenia, Azerbaijan, Kazakhstan, Kyrgyzstan, Mongolia, Tajikistan, Turkmenistan, Uzbekistan, while the deviation in the stress scenario from the baseline scenarios is similar for all countries in the group. Meanwhile, downscaled estimates for Croatia, which has rather similar characteristics of the economy to Georgia, looks completely different as compared with the group where commodity intensive economies prevail. TBC group has started to conduct research to estimate more relevant downscaled scenario for Georgia. In this regard, the National Bank of Georgia plans to start working on climate scenarios based on the NGFS framework to estimate the potential aggregated impact on the financial sector in Georgia.

7.3 Risk management

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

In order to identify, assess and manage risks associated with climate change, before the undertaking the climate risk assessment, the Group performed a general analysis in order to understand the maturity level of the ESG framework. The general analysis process covered the assessment of the existing policies and procedures, identification of areas for further development and a gap analysis. Furthermore, the gap analysis considered various international standards and concept papers (European Central Bank, European Banking Authority, TCFD, Global Reporting Initiative and the Four accounting firms), reports about climate change in Georgia, criteria of ESG rating agencies and expectations in relevant expert papers. Based on the analysis, the main focus areas were identified and reflected in the ESG strategy, considering the business strategy of the Group.

As mentioned above, climate risks can materialize, first of all, through the impairment of asset values and deteriorating creditworthiness of customers. Therefore, as a first step, we looked at the material subsidiaries of the TBC Group PLC by assets, considering the materiality level of the 1% share in assets. The Group is the only subsidiary, which takes above 1 % of assets - JSC TBC Bank, which is the largest financial institution in Georgia. In order to increase the understanding of climate-related risks on its loan portfolio, the Bank performed a high-level sectoral risk assessment, as different sectors might be vulnerable to different climate-related risks over different time horizons. The risk assessment process and content is based on TCFD recommendations, climate-related documents published by the Bank of England, the climate change assessments of Georgia performed as part of the IPCC reports, and the targets and strategy 2030 defined by the Georgian government to achieve the National Determined Contribution of Georgia[9]. The risk assessment focuses on economic sectors such as: energy, oil and gas, metals and mining, tourism, agriculture, food industry, healthcare, construction and real estate. This assessment is the first exercise conducted with regards to overall climate change risks. Therefore, the assessment of levels and impacts might change in the future, based on further review of the methodology, deep dive analysis and increased understanding of the impact of climate change risks. To define the climate-related economic sectors for the sectoral analysis, a key materiality threshold has been agreed above 1% of the loan portfolio. The sectoral assessment was performed with the involvement of the business and credit risk specialists responsible for the respective economic sectors in the Bank.

The sectoral distribution of the loan portfolio for standalone Bank as of the year end 2021 is given in the table below. The maturity of assets are essential for defining the different time horizons for the analysis and for assessing the materiality of climate-related risks for different sectors. The maturity structure of the loan portfolio shows that the majority of assets is distributed in much shorter time

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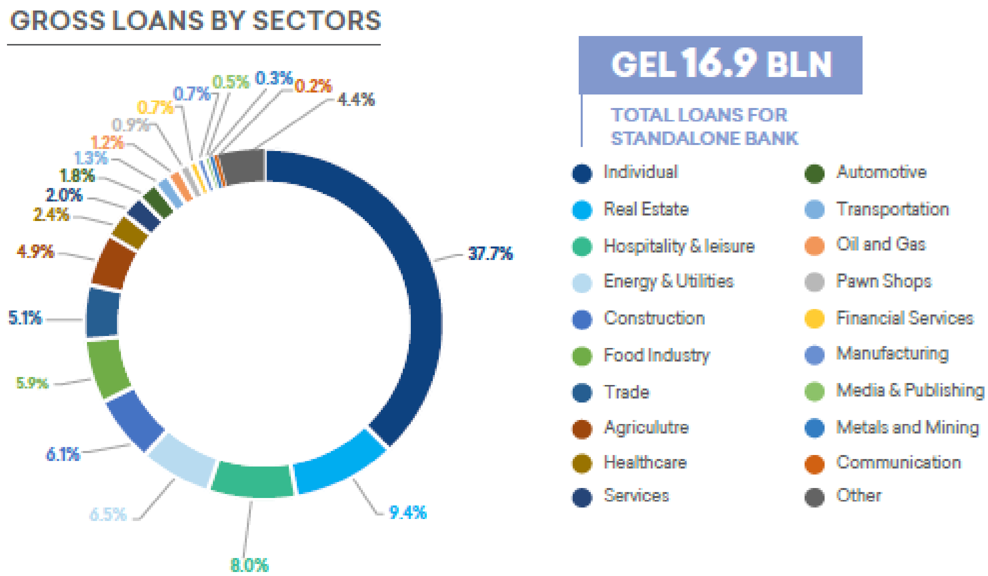
[9] A nationally determined contribution (NDC) is a national plan highlighting climate change mitigation, including climate-related targets for greenhouse gas emission reductions, policies and measures governments aim to implement in response to climate change and as a contribution to achieve the global targets set out in the Paris Agreement.
ttps://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Georgia%20First/NDC%20Georgia_ENG%20WEB-approved.pdf

horizons than the timeframe in which the impacts of climate change, especially of physical risks, may arise in Georgia.



Since 2012, TBC Bank has had a process to consider environmental and social risk, which was established in line with industry guidelines that aim to mitigate effects of climate change. TBC Bank has developed E&S risk management procedures to identify, assess, manage and monitor environmental and social risks which are fully compliant with Georgian environmental legislation, follow international best practices and incorporate appropriate consideration of IFC Performance Standards, EBRD Performance Requirements (PRs) and ADB's Safeguard Requirements (SRs). These procedures are fully integrated into the credit risk management process and are routinely applied to SMEs and corporate customers. In collaboration with partner IFIs, a clear Environmental and Social (E&S) risk categorization matrix was developed. Projects that are to be financed are classified according to E&S categories (low, medium, high and A category) based on analysis; where necessary, deep dive analysis and due diligence are performed. When categorizing the transaction according to E&S risk category, priority is given to the higher risk. Additionally, external specialized companies are involved in the detailed assessment of E&S risks for A category projects, such as hydroelectric plants. The Environmental Management Policy and Procedure provides TBC with a good description of assessing environmental risks related to clients. It is worth noting that processes related to climate risks will continue to evolve as TBC embeds its approaches further. This process will be supported with the climate-related training to strengthen the Bank's capacity, knowledge and capabilities for managing climate-related risks across the business.

In order to further facilitate the integration of these risk identification processes into the Bank's overall risk management, in 2022, the Bank will undertake deep dive analyses to understand the extent to which climate-related risks are to be categorized as principal risks. The Bank will develop a Policy on Climate Change, a risk appetite statement and risk appetite measures. The high-level sectoral assessment carried out during 2021 has provided insights into the potential impacts on specific sectors. In 2022, the focus will be on developing of sectoral guidelines for climate related risks and opportunities, where deemed necessary. Key initiatives will include further enhancement of the climate risk management framework and the development of ESG profiles for corporate clients covering ESG factors, including relevant climate-related risks and opportunities.

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

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

7.4 Metrics and targets

The metrics related to the Group's own operations are given in the environmental management system chapter in this document and include Scope 1, Scope 2 and Scope 3 GHG emissions.

In 2022, key initiatives will include further implementation of the TCFD recommendations, the development of the climate-related scenario analysis framework, the development of ESG profiles for corporate clients covering climate-related risks and opportunities and increasing our expertise in climate-related matters. These initiatives will also consider sectoral guidelines for climate related risks and opportunities, where necessary and feasible.

The climate action initiatives are part of the overall ESG strategy, which was approved by the Supervisory Board in November 2021. The ESG strategy sets aspirational targets, such as Net-Zero GHG emissions[10] related to the direct environmental impact by 2025 and an increase in the sustainable loan portfolio, which consists of renewable energy loans, energy efficiency loans, and financing with social components, etc. As of Q4 2020, the total sustainable portfolio stays at GEL 676.3 million. The strategy and targets will be reviewed annually. Starting from 2022, the ESG-related KPIs are included in the long-term incentive plans for executive remuneration.

The following table sets out some key metrics and targets of our ESG strategy. The GHG emissions targets for 2023 will be defined during the annual review of the ESG strategy, as well as the targets of sustainable portfolio for the following years.

Metrics / Targets	2022	2023	2025
Total emissions (own operations)	Annual increase below 3%		**Net-zero GHG emissions** (direct)
Water consumption per employee (m3/pp)	Annual increase below 1.5%		
Sustainable portfolio	**GEL 750 million** – the target volume of the sustainable loan portfolio	**GEL 1 billion** – the target volume of the sustainable loan portfolio	
Management KPI	Long-term incentive plan (LTIP) for management linked to the total portfolio of sustainable assets	Long-term incentive plan (LTIP) for management linked to the total portfolio of sustainable assets	

[10] The Net-Zero GHG commitment refers to the direct impact of Scope 1, Scope2 and Scope 3 which are defined in the EMS Chapter in this document.

8. Environmental Management System (EMS)

TBC Bank has a comprehensive Environmental Policy in place, which governs our Environmental Management System ("EMS") within the Group and ensures that we comply with applicable environmental, health and safety and labor regulations, use sound environmental, health and safety, and labor practices, and take reasonable steps to make sure that our customers also fulfill their environmental and social responsibilities. Our Environmental Policy is fully compliant with Georgian environmental legislation and follows international best practices (the full policy is available at www.tbcbankgroup.com).

Our Environmental and Social Risk Management (ESRM) team is comprised of three full-time employees and is part of the SME and Corporate Business Credit Risk Department, which reports directly to the Chief Risk Officer. Our ESRM team is responsible for overseeing the operation of our EMS across the Group. It also provides assistance to our subsidiaries on environmental and social issues and conducts trainings on a regular basis.

The ESRM team reports environmental management plans and results to the Environmental Committee on a quarterly basis.

Our EMS is based on four pillars:

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

Since 2020, the Bank has held ISO 14001:2015 certification, which serves as testament that our EMS is in full compliance with international standards. In 2021, TBC Bank successfully passed the surveillance (re-certification) audit.

In 2021, TBC Bank released its second full-scale Sustainability Report, which was prepared in reference to Global Reporting Initiative (GRI) standards and helps the company to understand its role and influence on sustainable development issues such as climate change, human rights and social welfare.

Calculation of Greenhouse Gas ("GHG") Emissions

Since banking is not a high-polluting activity, the implementation of an internal EMS to address the Group's consumption of resources is not expected to have a significant impact on the surrounding environment. However, TBC Bank has reviewed all the operational activities, procured items, and outsourced services that it can control (present and planned), and has identified all the material environmental aspects relevant to the business. These are sub-categorized into indirect and direct environmental aspects, analyzed based on a comprehensive scorecard, and managed accordingly.

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

Total GHG emissions (CO2) (tons) and KPIs	2019	2020	2021	2022 KPI (increase)
Scope 1 - Fuel combustion (heating, vehicles,generators)	1,897	2,029	1,936	Below 4%
Scope 2 - (Electricity consumption)	1,088	1,415	1,319	Below 2%
Scope 3 - (International flights)	564	103	17	-
Total emissions (tCO2)	**3,549**	**3,547**	**3,272**	Below **3%**
Total emission per full time employee (CO2t/pp)	**0.57**	**0.55**	**0.47**	**3%**
Water consumption per employee (m3/pp)	14.40	11.24	9,98	Below 1.5%
Printing paper per person in reams	19.62	14.59	14.70	Below 0.4%

Scope 1 - In 2021, the Bank managed to reduce this indicator by 6% (93,000 CO2kge) year-on-year.

Scope 2 – In 2021, total electricity consumption of the Bank was reduced by 7% (around 95,800 CO2kge) over the same period.

Scope 3 - Due to the COVID-19 pandemic, business flights decreased by around 83% compared to 2020.

Overall, total emissions remained broadly stable in 2021 compared to 2020 levels, while total emission per full time employee decreased by 8% over the same period, compared to the 2021 target level of 5% reduction.

In 2021, the water consumption per employee decreased by 11% year-on-year compared to the 2021 target level of 5% reduction, while usage of printing paper remained broadly the same.

Calculation methodology

To calculate the GHG inventory, we took following steps: we set the organizational boundaries, established the operational scope, and developed a structured approach for data collection and the calculation of carbon dioxide (CO2) equivalent. This report describes all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 (Scope 1 and 2) and, additionally, the emissions under Scope 3 that are applicable to the business. In preparing emissions data, the emissions factors from the UK Government's Greenhouse Gas Conversion Factors for Company Reporting 2017 and National IPCC emission factors for electricity (tCO2*/ MWhe) were used. The required data was collected and a report was developed for the TBC Bank's main activities, as follows:

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

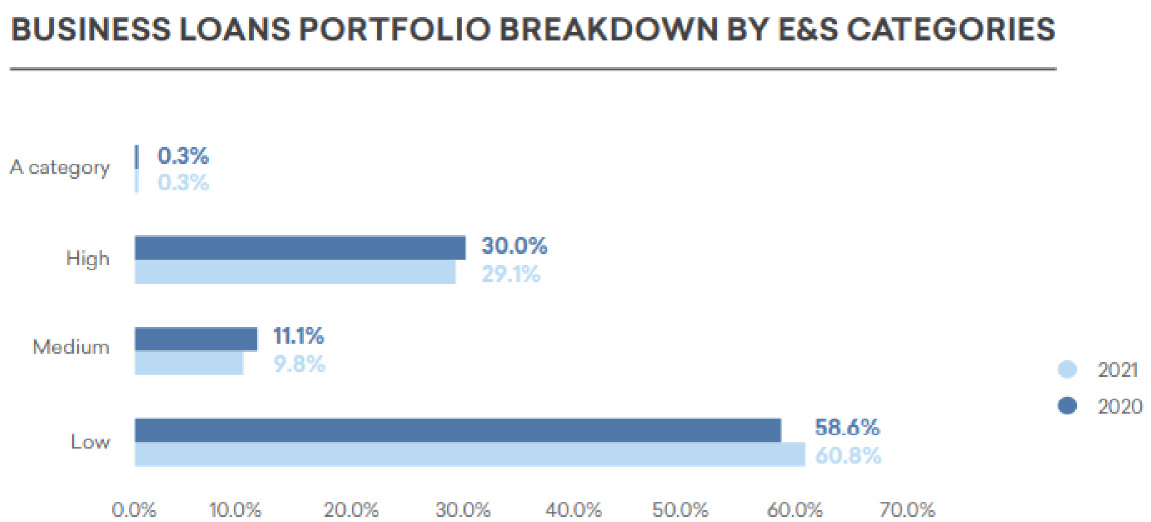
Scope 2 (purchased electricity for own use (lighting, office appliances, cooling, etc.) includes emissions from the use of electricity at TBC Bank's owned and controlled sites. To calculate the emissions, the conversion factor for National IPCC emission factors for electricity (tCO2*/MWhe) was used.

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

Environmental and Social Risk Management in Lending

We are committed to ensuring that our customers fulfill their environmental and social responsibilities. For this purpose, we have Environmental and Social Risk Management (ESRM) Procedures in place, which are fully integrated into the credit risk management process and ensure that appropriate, risk-based, sector specific, environmental and social risk assessment is applied to our commercial lending activities. Our procedures incorporate appropriate consideration of IFC's Performance Standards and EBRD's Performance Requirements. This approach enables us to effectively manage credit and reputational risks that could arise from the environmental and social non-compliance by our clients.

We closely screen and assess our business portfolio distribution in terms of environmental and social risk categories and strive to reduce the share of impactful industries. In some cases, E&S risk categories differ. When categorizing the transaction according to E&S risk category, priority is given to the higher risk.



Low Risk – transactions with minimal or no adverse social or environmental impacts, which are not generally subject to further assessment (beyond their identification as such), except for the requirement for customer's [assent/certification/disclosure] of compliance/non-compliance with local and national environmental, health and safety and labor laws and regulations.

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

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

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

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

Green Lending Development

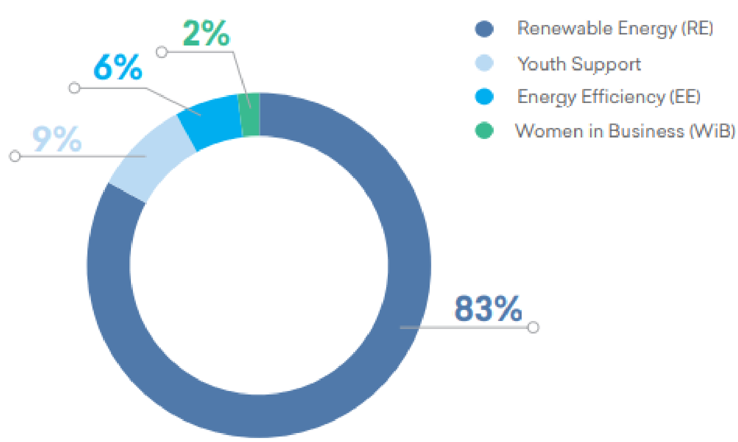
We acknowledge the importance of sustainable lending and are actively involved in developing a standardized approach to sustainable finance, including energy efficiency, renewable energy and resource efficiency financing for our retail and business clients. TBC is a leading partner in Georgia in local renewable energy financing, including hydropower stations.

In 2021, TBC Bank became the first commercial bank in the Caucasus region to receive accreditation by the Green Climate Fund (GCF). The accreditation will enable the Bank to have direct access to GCF funding to finance projects for adaptation to, and mitigation of, climate change and contribute to combatting climate change in Georgia.

This year, we also conducted local market research to determine TBC's green criteria, which have been adapted to the Georgian reality, and developed Green Lending Procedures. This research was done in cooperation with the Green for Growth Fund (GGF) Technical Assistance Facility, represented by Finance in Motion GmbH, and was financed by the European Union under the EU4Energy Initiative. These procedures will help the Bank to identify green and environmentally friendly initiatives and encourage private companies to move to sustainable investment in their businesses, thus contributing to climate change mitigation.

During 2021, our sustainable portfolio achieved 761,446 CO2kg/a in CO2 savings according to the date provided by our green facility fund providers. Over the same period, our renewable energy portfolio impact (avoided GHG emissions) amounted to 9,455 kg/a according to the estimates of the external consultant under the Green for Growth Fund (GGF) Technical Assistance Facility represented by Finance in Motion GmbH financed by the European Union under the EU4Energy Initiative.

OUR SUSTAINABLE PORTFOLIO BREAKDOWN



Note: Our sustainable loan portfolio includes energy efficiency, youth support and women in business loans financed by special purpose funds received from IFIs, as well as loans financing renewable energy, which include all hydro power plants financed by the Bank

Supply Chain Monitoring

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

Raising Environmental Awareness among TBC Employees

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

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

- “Welcome” training;
- Training for new employees;
- E&S training for credit staff;
- Annual mandatory online EMS e-learning course for all staff, followed by a self-evaluation test;
- Mandatory on-boarding training.

In 2021, 95% of all staff, including senior management, successfully passed an online course and a self-evaluation test about TBC’s EMS.

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

External Communication

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

Our grievance mechanism enables any interested party to provide complaints with regards to E&S issues via our website www.tbcbank.com.ge. All complaints are thoroughly analyzed and addressed in a timely manner. In 2021, no such complaints were received.

TBC Bank also takes an active part in raising awareness of renewable energy, climate change adaptation and green financing opportunities in Georgia. For this purpose, in partnership with the European Bank for Reconstruction and Development (EBRD)’s Green Economy Financing Facility program (GEFF), we organized a Green Economy forum and also participated in the Annual Sustainable Finance Forum organized by Green Pact, discussing green finance practices with regional and local banks.

9. Remuneration Policy for Top Management and Non-executive Directors

Board of Directors of TBC Bank Group PLC, based on the recommendation of the Remuneration Committee, approves the remuneration and other benefits of the top management of the Bank, including the fees of the Supervisory Board members of the Bank and recommends the same for the shareholders' approval. Remuneration of Bank's employees are approved by the heads of respective departments with the agreement of executive director in charge and HR business partner.

Directors Remuneration Policy (the Policy) of TBC Bank Group PLC applies to the top management of the Bank as well and was approved by shareholders of TBC Bank Group PLC at the 14 June 2021 AGM.

The Policy promotes the delivery of sustainable long-term performance through the long-term nature of the incentive plans (bonus deferral and LTIP), the variety of performance measures used (aligning with the business strategy and supporting a rounded assessment of performance), and the balanced approach to target setting and performance assessment.

The Directors' Remuneration Policy is effective from 1 January 2022 and will apply for three years to 31 December 2024. Full details of this can be found in the 2020 Annual Report, which is available at our website at www.tbcbankgroup.com.

The Non-executive Directors' Remuneration for their services at the Board of Directors of TBC Bank Group PLC and at the Supervisory Board of the Bank is provided in full in the 2021 Annual Report of TBC Bank Group PLC, which is available at our website at www.tbcbankgroup.com.

Furthermore, please refer to the 2021 Annual Report of TBC Bank Group PLC for the full details of payments made in the year 2021 to the Non-executive Directors, as well as to the CEO of the Parent Company and the Bank and the management board members of the Bank (Deputy CEOs). The 2021 Annual Report of TBC Bank Group PLC is available at our website at www.tbcbankgroup.com.

Policy table: CEO of the Parent Company and the Bank and the management board members of the Bank (Deputy CEOs, also referred to as the "Top Management" throughout the document)

Fixed Pay	
Salary – delivered as cash and shares	
Purposes and link to the strategy of the Group	Salaries are determined based on market practice and provide the CEO of the Parent Company and the Bank and the management board members of the Bank (Deputy CEOs) with a competitive fixed income to efficiently retain and reward the director, based upon each director's roles and responsibilities within the Group and relative skills and experience. **Salary in cash** Top Management of the Bank (excluding CEO) receives entire salary is cash. **Salary in shares** CEO of the Parent Company and the Bank receives part of the salary in the form of shares.
Operation	Salaries are reviewed annually by the Remuneration Committee. Salaries will be reviewed against relevant bank peers and other companies of a similar size and complexity. **Delivery of shares** Salary Shares for the CEO are usually delivered during the first quarter of the second year (i.e. the year after the work is performed) and the exact date is determined by the Remuneration Committee. The salary shares have no restrictions attached and are freely available upon delivery. They are entitled to dividends and have voting rights from the delivery date.
Maximum Opportunity	Salary is set and reviewed annually to ensure that the directors receive a fair compensation which is competitive for the role the individual is asked to play within the Group and is commensurate with experience. Salaries for the CEO of the Parent Company and the Bank and the management board members of the Bank (Deputy CEOs) are determined by the Remuneration Committee, taking account his skills, performance and experience. The maximum salary level will be determined by the Board in line with the principles outlined. Whilst there is absolute no maximum salary level, any increase will normally be in line with those awarded to the workforce. Where an increase is to be awarded above those granted to

	the workforce, we will engage with our shareholders and maintain the objective that the total reward potentially available is not excessive from the standpoint of relevant employment data. Any changes to salary must be recommended by the Remuneration Committee and approved by the Board. For the element of salary paid in shares, the number of shares is calculated based on the average share price of the last 10 days preceding the Remuneration Committee decision date. However, the maximum value is fixed by reference to a cash amount on that date.
Performance Measures	Not performance based
Malus / clawback	Malus and clawback provisions are not applicable to salary delivered in cash or shares.
Pension	
Purposes and link to the strategy of the Group	To assist our employees in providing for their retirement and to maintain a market competitive benefits package to attract and retain the CEO of the Parent Company and the Bank Deputy CEOs.
Operation	The Georgian Government has a mandatory pension scheme, under this scheme 2% of total employee compensation is to be contributed to a national pension fund.[11]
Maximum Opportunity	In line with the workforce, the maximum employer contribution will not exceed 2% of total compensation.
Performance Measures	No performance measures apply to the contribution level.
Malus / clawback	Malus and clawback provisions are not applicable.
Benefits	
Purposes and link to the strategy of the Group	Benefits are in line with Georgian market practice and are designed to be sufficient to attract and retain high calibre talent.
Operation	Benefits available to CEO of the Parent Company and the Bank and Deputy CEOs consist of insurance (such as medical, life and disability insurance), physical examinations, Directors' and officers' liability insurance, a car service, personal security arrangements and assistance with filling out tax returns, where required. The Remuneration Committee retains the discretion to provide additional benefits, where necessary or relevant in the context of the Director's location. The CEO of the Parent Company and the Bank and Deputy CEOs are reimbursed for reasonable business expenses incurred in the course of carrying out duties under their service contracts, on provision of valid receipts.
Maximum Opportunity	The maximum amount payable depends on the cost of providing the benefits that the Remuneration Committee is willing to provide to an employee in the location at which the CEO of the Parent Company and the Bank and Deputy CEOs are based. Shareholders should note that the cost of providing comparable benefits in different jurisdictions may vary widely. Disclosure of amounts paid will be provided in the implementation report and will be explained where the cost of benefits is significant.
Performance Measures	Not performance based
Malus / clawback	Malus and clawback provisions are not applicable.
Variable Pay	
Annual bonus delivered in shares	
Purposes and link to the strategy of the Group	To provide a strong motivational tool to achieve the annual KPIs and to provide rewards to the extent those KPIs are achieved. The annual KPIs are chosen to align the interests of the CEO of the Parent Company and the Bank and Deputy CEOs with the short-term strategic objectives of the Group.
Operation	**Determination of annual bonus** KPIs are set at the beginning of each year in relation to that year (see more detail below).

[11] At the time of the pension reform in 2019, in line with the transitional provisions of the Law on Pensions of Georgia, individuals above certain age were given a one-time opportunity to opt out of the pension scheme and the eligible members of the Bank's top management decided to opt out from the Georgian state pension scheme.

	The nature of the KPIs will be disclosed in the annual report published in the performance year. The precise weightings and targets may be considered by the Remuneration Committee to be commercially sensitive and in that case will be disclosed retrospectively, which is generally expected to be in the following annual report. **Delivery structure** Annual bonus is delivered entirely in shares, which are subject to a holding period. Once shares are delivered, 50% of the shares will be subject to a holding period for 1 year and the other 50% for 2 years from the delivery date. The shares are registered in the trustees' name as the nominee for the participants and the participants are entitled to receive dividends. Shares are usually delivered during the first quarter of the second year (i.e. the year after the work is performed) and the exact date is determined by the Remuneration Committee. **Administration** Key discretions the Remuneration Committee has with respect to the plan are summarized further on in this Remuneration Policy.
Maximum Opportunity	The maximum value of the annual bonus for the CEO of the Parent Company and the Bank and the management board members of the Bank (Deputy CEOs), under the annual short-term incentive arrangements, is 135% of fixed salary. For achieving target performance, no more than 50% of the maximum bonus opportunity is payable. The number of shares is calculated based on the average share price of the last 10 days preceding the Remuneration Committee decision date.
Performance Measures	The KPIs consist of corporate and individual performance measures. Corporate KPIs include financial measures, and non-financial measures with long term focus. At least 60% of annual bonus will be earned against a challenging set of financial KPIs with the targets set with reference to the bank's planning for the year. Individual performance measures may include individual strategic objectives which vary per person. The performance period is one year. To the extent that the KPIs are achieved, the Remuneration Committee may decide whether an award may be made and the amount of such award. The Remuneration Committee may also adjust KPIs during the year to take account of material events, such as (without limitation): material corporate events, changes in responsibilities of an individual and/or currency exchange rates.
Malus / clawback	Awards are subject to the operation of malus at any time before the end of the holding period and clawback at any time before the third anniversary of the end of the holding period. The precise powers of the Remuneration Committee to operate malus and clawback are set out in the terms and conditions governing the awards. In summary, for awards granted whilst this Policy is in effect, if the Board determines (based on the recommendation of the Remuneration Committee) that: • the Director deliberately mislead the Company or the Bank in relation to financial performance; • there has been a material misstatement or material error in the financial statements of the Company or the Bank; • the Director participated in or was responsible for conduct which resulted in significant losses to the Company or the Bank; • the Director failed to meet the relevant fit and proper criteria set by the NBG; • there is evidence of misconduct or serious errors by the Director, including (without limitation) a breach of any code of ethics or any other material breach of internal company rules; • the Company, the Bank and/or a relevant business unit suffers a significant downturn in its financial performance (e.g. specific business indicators) (for malus purposes), or the Director has caused the Company, the Bank and/or a business unit to suffer a significant downturn in its financial performance (for clawback purposes); • the Company, the Bank and/or a business unit in which the Director works suffers a significant failure of risk management (for malus purposes), or the Director has caused the Company, the Bank and/or the business unit in which the Director works to suffer a significant failure of risk management (for clawback purposes); • there is significant increase in the Company's and or Bank's or relevant business unit's economic or regulatory capital base (for malus purposes), or the Director's participation caused significant increase in the Company's and or Bank's or relevant business unit's economic or regulatory capital base (for clawback purposes); or • the conduct of the Director contributed to the imposition of regulatory sanctions on the Company or the Bank.

	the Board has the right to cause some or all of the award for that year or any subsequent financial year that is unvested (or unpaid) to lapse (or not be paid) (i.e., operate malus), and/or to require the return of shares and/or cash value received by the Director pursuant to the award (i.e., operate clawback), may be as determined by the Board in its absolute discretion. Further, malus may be operated if it is considered that the underlying financial performance of the Company or the performance of the Director during the holding period is such that the number of shares cannot be justified. For awards granted prior to the effective date of this Policy, the awards are subject to the Company's previous malus and clawback policy as summarized in the Policy in effect from 1 January 2019.
Long Term Incentive Plan (LTIP)	
Purposes and link to the strategy of the Group	To provide a strong motivational tool to achieve long-term performance conditions and to provide rewards to the extent those performance conditions are achieved. Performance conditions are chosen to align the interests of the CEO of the Parent Company and the Bank and the Deputy CEOs with strategic objectives of the Group over multi-year periods and encourage a long-term view.
Operation	**Determination of award** Awards are discretionary and are granted if the Remuneration Committee considers that there has been satisfactory performance over the prior base year. **Delivery structure** Awards may be granted in the form of conditional share awards, options or restricted share awards. Awards are structured so that when combined with the annual bonus no less than 60% of variable pay is delivered as LTIP in any one year. For each award, forward-looking performance conditions are set by the Remuneration Committee for a period of 3-years. (see more detail below). The Remuneration Committee determines the level of award at the end of the performance period, based on the extent to which the performance conditions have been met. The performance conditions and respective targets will be disclosed in the annual report published in the year of the award. **Timing of receipt** For the shares to be delivered, the performance conditions need to be met over the 3-year performance period. To the extent that performance conditions have been met, the LTIP awards remain subject to 2 years vesting period and continued employment requirements before vesting at the end of 5 years. Awards may benefit from dividend equivalents. No dividend equivalents will be paid on any awards (or part thereof) that lapse on or before vesting. **Dilution** For newly issued and treasury shares, the LTIP is limited to using 10% in 10 years for employee plans and 5% in 10 years for discretionary plans. These limits will exclude shares under awards that have been renounced, forfeited, released, lapsed or cancelled or awards that were granted prior to the Company's IPO or awards that the Remuneration Committee decide will be satisfied by existing shares. **Administration** The plan will be administered by the Remuneration Committee. Key discretions the Remuneration Committee has with respect to the plan are summarized further on in this Remuneration Policy.
Maximum Opportunity	The maximum value of the award for the CEO of the Parent Company and the Bank and the management board members of the Bank (Deputy CEOs) in any given year, under the long-term incentive arrangements, to be awarded is 161% of salary. The number of shares is calculated based on the average share price during the 10 days after the preliminary annual results of the year preceding the year of each grant is announced.
Performance Measures	Forward-looking performance measures will be based on financial performance, appropriate risk taking, and other long-term strategic measures and set by the Remuneration Committee each year. Measures and weightings will be set out in advance of each grant to reflect the Company's strategy. At threshold level of performance, for each measure, 25% of the award opportunity for that measure will vest, 100% of the award will vest for achieving the maximum performance set for each measure.

	The Remuneration Committee has the discretion, any time after an award has been granted, to reduce (including to zero) an award if the Remuneration Committee considers that either the underlying financial performance of the Company or the performance of the individual is such that the level of vesting cannot be justified. The performance period is three years, commencing no earlier than the beginning of the financial year during which the Award is granted. The Remuneration Committee may adjust performance conditions during the performance period to take account of material events, such as (without limitation): material corporate events, changes in responsibilities of an individual and/or currency exchange rates, provided that the altered KPIs will, in the reasonable opinion of the Remuneration Committee (acting fairly and reasonably), be not materially less difficult to satisfy.
Malus / clawback	Awards are subject to the operation of malus until two years after the shares have been delivered and to clawback until three years after the shares have been vested. The precise powers of the Remuneration Committee to operate malus and clawback are set out in the terms and conditions governing the awards. In summary, for awards granted whilst this Policy is in effect, if the Board determines (based on the recommendation of the Remuneration Committee) that: • the Director deliberately mislead the Company or the Bank in relation to financial performance; • there has been a material misstatement or material error in the financial statements of the Company or the Bank; • the Director participated in or was responsible for conduct which resulted in significant losses to the Company or the Bank; • the Director failed to meet the relevant fit and proper criteria set by the NBG; • there is evidence of misconduct or serious errors by the Director, including (without limitation) a breach of any code of ethics or any other material breach of internal company rules; • the Company, the Bank and/or a relevant business unit suffers a significant downturn in its financial performance (e.g. specific business indicators) (for malus purposes), or the Director has caused the Company, the Bank and/or a business unit to suffer a significant downturn in its financial performance (for clawback purposes); • the Company, the Bank and/or a business unit in which the Director works suffers a significant failure of risk management (for malus purposes), or the Director has caused the Company, the Bank and/or the business unit in which the Director works to suffer a significant failure of risk management (for clawback purposes); • there is significant increase in the Company's and or Bank's or relevant business unit's economic or regulatory capital base (for malus purposes), or the Director's participation caused significant increase in the Company's and or Bank's or relevant business unit's economic or regulatory capital base (for clawback purposes); or • the conduct of the Director contributed to the imposition of regulatory sanctions on the Company or the Bank. the Board has the right to cause some or all of the award for that year or any subsequent financial year that is unvested (or unpaid) to lapse (or not be paid) (i.e., operate malus), and/or to require the return of shares and/or cash value received by the Director pursuant to the award (i.e., operate clawback), as determined by the Board in its absolute discretion. Further, the Board has the discretion to operate malus if it considers that the underlying financial performance of the Company or the performance of the Director during the performance period is such that the number of shares cannot be justified. In addition, if it is discovered during the three years after cessation of employment that a good leaver is in fact a bad leaver according to the rules of the plan, the provisions of the plan applicable to bad leavers will apply and the individual will be required to return all shares acquired pursuant to awards that vested on or after the cessation of employment. For awards granted prior to the effective date of this Policy, the awards are subject to the Company's previous malus and clawback policy as summarized in the Policy in effect from 1 January 2019.
Shareholding Requirement	
Purposes and link to the strategy of the Group	To further enhance the alignment of the interests in long-term value creation of the shareholders and the interests of the CEO of the Parent Company and the Bank and the Deputy CEOs.
Operation	The Company has a minimum shareholding requirement of 200% base salary, built up within five years of appointment. Until it is met, the CEO of the Parent Company and the Bank and the Deputy CEOs are expected to retain 50% of shares (net of tax).

	Shares counted for this purpose include any deferred annual bonus and any vested awards from the LTIP (notwithstanding that holding / continued employment conditions may still apply). Unvested awards from the LTIP will not be counted. After employment the lower of the shareholdings of the CEO of the Parent Company and the Bank and the Deputy CEOs at termination or 50% of the minimum shareholding requirement are required to be held for two years post-cessation.
Maximum Opportunity	Minimum shareholding requirement of 200% of base salary to be built up within five years of appointment. For two years post-cessation, the lower of the CEO of the Parent Company and the Deputy CEOs' shareholding at termination or 50% of the minimum shareholding requirement
Performance Measures	Not performance based

The remuneration policy was last approved by shareholders of TBC Bank Group PLC at Annual General Meeting (AGM) on 14 June 2021, along with the new 1:2 fixed to variable remuneration cap for the CEO of the Parent Company and the Bank and the management board members of the Bank (Deputy CEOs).

Following the approval of the Policy at the 2021 AGM, the Committee has put in place procedures for its policy's implementation. In particular, the Committee clarified the parameters and metrics for setting short-term and long-term key performance indicators (KPIs), and for the definition of grant levels for long-term variable compensation - in line with the new guidelines of the National Bank of Georgia.

The new long-term incentive plan (LTIP) cycle, starting in 2022 and granted annually to the CEO of the Parent Company and the Bank and the management board members of the Bank (the Deputy CEOs), incorporates ex-ante gateway KPIs as well as a set of ex-post medium-term KPIs linked to our new mid-term strategy, including environmental, social and governance (ESG) metrics as per our ESG strategy described in the ESG chapter.

The ex-ante gateway KPIs - to be agreed with the Board Risk Committee annually - need to be met, in order for an LTIP grant to occur;

For the 2022-2024 cycle, the ex-ante gateway KPIs were met in relation to CET1 ratio, liquidity and profitability so confirming senior management eligibility for an LTIP grant. As mentioned above, after approval of the new Remuneration Policy in 2021 and in line with the National Bank of Georgia Corporate Governance Code requirements on executive remuneration, a new process for granting LTIP has been adopted to incorporate ex-ante risk adjustments to the LTIP award process. Whether or not an LTIP is granted to the CEO and deputy CEOs is subject to whether certain ex-ante gateway KPIs are met. For the 2022-2024 cycle the following gateway KPIs were met as at the end of 2021, confirming senior management eligibility for an LTIP grant in 2022:

- CET1 ratio: The lower end of the amber zone of the Risk Appetite Framework (RAF) at 31 December each year as approved by the Risk Committee. This was 60 basis points above the regulatory ratio as per the existing risk appetite at the year-end 2021.

- Liquidity (NSFR ratio): The lower end of the amber zone of the RAF at 31 December each year as approved by the Risk Committee. This was currently 3 basis points above the regulatory ratio as per the existing risk appetite at the year-end 2021.

- Profitability (IFRS Group Net Income): The Group shall not make a loss after incurring LTIP and bonus expenses

As shown in the next table, the status against the KPIs set with respect to the LTIP grant gateway was well above the respective targets as at the end of 2021

CET1 ratio	NBG CET 1 Reg Requirement	11.73%
	Min Range of Amber Zone, regulatory +0.6%	12.3%
	Actual CET1 Capital Ratio	13.65%
	Buffer above min range of Amber Zone	**1.35%**
Liquidity (NSFR ratio)	NBG NSFR Reg Requirement	100.00%
	Risk Appetite Amber Zone	103.00%
	Actual NSFR	127.29%
	Buffer above min range of Amber Zone	**24.29%**
(IFRS Group Net Profit)	*Group IFRS Net Profit in FY 2021*	*GEL 809mln*
	Top Management Variable Comp in 2021 & 2022-2024 LTIP at grant gateway target	*GEL 27.2mln*

Material Risk Takers (MRT)

Material risk takers are individuals who have a material impact on the Bank's risk profile. In line with the requirements of the National Bank of Georgia Corporate Governance Code for the Commercial Banks, the below listed functions (individuals) represent MRTs:

- The Supervisory Board members;
- Members of the Management Board of the Bank;
- Any other positions the Bank considers having a significant influence on the Bank's risk profile in line with the requirements and criteria set by the National Bank of Georgia in respective regulations.

Excluding Management Board members and the Supervisory Board members of the Bank, there were 3 positions identified as MRTs as of December 2021. Commencing from 2022, the new qualitative and quantitative criteria prescribed by the National Bank of Georgia will be applied and MRT positions identified and reported based on these criteria.

Employees whose remuneration exceeded GEL 1 million during the year were only members of the Management Board.

Remuneration Plan and Structure

The Bank's Remuneration Policy is grounded on the principle of fairness across all categories of employees. Each year our Human Capital Department has oversight on the application of our internal policy by each department and each of our colleagues is evaluated against achievements and contribution to the success of our strategy and business objectives. Regularly and on-rotation middle managers 'performance is also reviewed by applying a 360-methodology to obtain a comprehensive feedback including from their subordinates. Our remuneration policy allows higher performing employees to obtain a higher compensation via their variable remuneration (for relevant personnel).

Considering Risks in the Bank's Remuneration System

Remuneration policies and procedures at the Bank maintain the balance between the Bank's business goals and the desired risk profile.

The remuneration system ensures, that the evaluation and relevant compensation for the employees with controlling function (risk management, compliance and internal audit) are independent from the business results of the business units under their supervision and/or control and are assessed taking into account their performance's effectiveness and quality. The Bank's remuneration system is consistent with the risk management strategy. It includes a variable payment component that covers the Bank's main risks: credit, operational, financial (liquidity and market risks), regulatory and compliance risk (detailed information on each risk is given in chapter on Key Risks).

The variable remuneration includes components with both a quantitative and qualitative evaluation. It is set at the beginning of each year and is assigned on an individual basis, according to the activity and function of the structural unit. The quantitative and qualitative goals of each direction are defined in accordance with the Bank's strategy and risk appetite and ensure the fulfillment of the Bank's overall objectives. The goals in the remuneration component are taken into consideration for the risk management staff as well as the employees of business lines. Performance measures with appropriate stretching targets will be set on the basis of the Company's strategy and sustainability goals, and will include corporate financial KPIs, corporate non-financial KPIs as well as personal KPIs.

Middle Management, Material Risk Takers (MRT) and Other Employee Remuneration

Middle management across the Bank including employees who are classified as material risk takers, also other employees who are part of the agile structure, receive their entire salary in cash and are also eligible for cash and/or share bonus variable compensation. Generally, the share bonuses granted are subject to 3 years deferral and continued employment condition and malus and clawback provisions. These conditions are lifted as follows: 33% of the share award on the first anniversary from the award date, a further 33%, on the second anniversary from award date and the final 34% of the on the third anniversary from the award date. Before those conditions are met, the awarded shares cannot be sold or transferred to third parties. Variable part of middle management remuneration is linked to the annual KPI's performance. The deferral structure acts as a component to retain key talent.

In addition, MRT employees comply with the requirement of NBG Corporate Governance Code requirements on the remuneration.

All other employees within the Bank receive cash salaries and may be eligible to receive cash or share bonuses, based on their roles. The CEO and Deputy CEO and employee pay is reviewed based on role and experience and determined through the application of appropriate market data, as well as internal and external relativities.

Executive and Non-executive Director (jointly referred as "Directors" below) Remuneration of TBC Bank Group Plc

For details of the Directors' existing remuneration policy, please refer to TBC Bank Group Plc's annual report 2021. The new remuneration policy, which came into force from 1 January 2022 and was approved by the Company's shareholders at the 2021 AGM, is presented in TBC Bank Group Plc's annual report 2020.

10. Definition of Terms

- AGM – Annual General Meeting
- ALCO – Assets and Liabilities Committee
- ATM Automated teller machine
- Bank – JSC TBC Bank
- CEE Central and Eastern Europe
- CEO – Chief Executive Officer
- CFO – Chief Financial Officer
- CGN – Corporate Governance and Nomination Committee
- CGU Cash generating unit
- CIB Corporate investment banking
- CIS The Commonwealth of Independent States
- COO – Chief Operation Officer
- CRO – Chief Risk Officer
- EBRD European Bank for Reconstruction and Development
- EMEA Europe, Middle East and Africa
- ERM – Enterprise Risk Management
- ESRM Environmental and social risk management
- EUR Euro
- FDI Foreign direct investment
- GDP Gross domestic product
- GEL Georgian lari, national currency of Georgia
- Geostat – National Statistics Office of Georgia
- GHG Greenhouse gas
- HR Human resources
- IFC International Finance Corporation
- IFI International financial institution
- IFRS – International Financial Reporting Standards
- IMF International Monetary Fund
- IPCC Intergovernmental Panel on Climate Change
- IPO Initial public offering
- IT Information technology
- JSC Joint stock company
- KPI Key performance indicators
- LED Light-emitting diode
- LSE London Stock Exchange
- LTV – Loan to value
- MBA Master of Business Administration
- MBO Management-by-objectives
- MRT – Material risk taker
- MSME – Micro, small and medium sized enterprises
- NBG – National Bank of Georgia
- NIM Net interest margin
- NPL Non-performing loans
- NPS Net promoter score
- OCI Other comprehensive income
- OECD Organization for Economic Cooperation and Development
- PLC Public limited company
- PWC PricewaterhouseCoopers
- PTI – Payment to income
- ROA Return on average assets
- ROE Return on average equity
- RWA – Risk weighted assets
- SME – Small and medium sized enterprises
- STEM Science, technology, engineering and mathematics
- UK United Kingdom of Great Britain and Northern Ireland
- US$ The US dollar, national currency of the United States
- VAR Value-at-risk

THANK YOU