Pillar 3

ANNUAL REPORT

2022

TBC

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 JSC TBC Bank (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 24 April 2023 and signed on its behalf by:

Giorgi Megrelishvili
Chief Financial Officer

Nino Masurashvili
Chief Risk Officer

3. Background and Group Structure

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

The Bank has 129 (2021:134) branches[11] within Georgia.

TBC Bank Group PLC ("TBCG") is a public limited by shares company, incorporated in the United Kingdom. TBCG held 99.88% of the share capital of JSC TBC Bank (hereafter the "Bank") as at 31 December 2022 (2021: 99.88%), thus representing the Bank's ultimate parent company. TBC Bank Group PLC's registered legal address is 100 Bishopsgate, C/O Law Debenture, London, England, EC2N 4AG. Registered number of TBC Bank Group PLC is 10029943.

As of 31 December 2022 and 2021 the Group shareholder structure was as follows:

Shareholders	% of ownership interest held as of 31 December	
	2022	2021
TBC Bank Group PLC	99.88%	99.88%
Other	0.12%	0.12%
Total	100.00%	100.00%

As of 31 December 2022 and 31 December 2021, the shareholder structure of TBC Bank Group PLC by beneficiary ownership interest was as follows:

	Ownership interest % as of 31 December	
Shareholders	2022	2021
Dunross & Co.	6.58%	7.45%
Allan Gray Investment Management	5.66%	4.89%
BlackRock	3.99%	2.90%
Vanguard Group	3.91%	2.73%
Fidelity International	3.88%	3.13%
JPMorgan Asset Management	3.86%	3.15%
European Bank for Reconstruction and Development	3.54%	5.05%
Founders*	16.04%	14.6%
Other**	52.54%	56.1%
Total	**100.00%**	**100.00%**

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

** Other includes individual as well as corporate shareholders.

[1] Excluding pawnshop units.

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

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

The Group has investments in the following associates:

Associate name	Proportion of voting rights and ordinary share capital held as of 31 December 2022	2021	Principal place of business or incorporation	Year of incorporation	Principal activities
CreditInfo Georgia JSC	21.08%	21.08%	Tbilisi, Georgia	2005	Financial intermediation
Tbilisi Stock Exchange JSC	28.87%	28.87%	Tbilisi, Georgia	2015	Finance, Service
Georgian Central Securities Depository JSC	22.87%	22.87%	Tbilisi, Georgia	1999	Finance, Service
Georgian Stock Exchange JSC[2]	17.33%	17.33%	Tbilisi, Georgia	1999	Finance, Service
Kavkasreestri JSC[2]	10.03%	10.03%	Tbilisi, Georgia	1998	Finance, Service

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

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

Associate name	Proportion of voting rights and ordinary share capital held as of 31 December 2022	2021	Principal place of business or incorporation	Year of incorporation	Principal activities
TBC Invest International Ltd[3]	100.00%	100.00%	Tbilisi, Georgia	2016	Investment Vehicle
University Development Fund[3]	33.33%	33.33%	Tbilisi, Georgia	2007	Education
Natural Products of Georgia LLC[3]	25.00%	25.00%	Tbilisi, Georgia	2001	Trade, Service
TBC Trade LLC[3]	100.00%	100.00%	Tbilisi, Georgia	2008	Trade, Service
Diversified Credit Portfolio JSC	100.00%	100.00%	Tbilisi, Georgia	2021	Asset Management

[2] The Group has a significant influence on Georgian Stock Exchange JSC and Kavkasreestri JSC with representatives in management board.
[3] Dormant.

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.[4]

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

In accordance with subsection 2-c of Article 6 of the Decree N 92/04 of the President of the National Bank of Georgia on rules of Disclosing Information under Pillar 3 for Commercial Banks, the information given in this section will include details of JSC TBC Bank's (hereinafter – "the Bank") parent company – TBC Bank Group PLC (hereinafter the "Company" or "TBC PLC"), together with the Bank. The principal decision-making body of TBC PLC is the Board of Directors (hereinafter "PLC Board"). At the same time, the Bank is also governed by the Supervisory Board of the Bank (hereinafter "Supervisory Board"). Therefore, there are two supervisory bodies within the Group, however the competences of the PLC Board, 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 TBC PLC, or of the Bank.

The Supervisory Board and the PLC Board have the same composition in terms of non-executive membership. PLC Board and Supervisory Board comprise of eight independent non-executive members - Arne Berggren – the Chairman, Tsira Kemularia (Senior Independent Non-Executive Member - SID), Per Anders Fasth, Eran Klein, Thymios P. Kyriakopoulos, Nino Suknidze, Rajeev Sawhney and Janet Heckman[5]. In addition, PLC Board comprises executive member, Vakhtang Butskhrikidze.

In accordance with the requirements of the UK Corporate Governance Code, members of the PLC Board are re-elected annually for a term of one year at the General Meeting of Shareholders of the TBC PLC, therefore, all members of the PLC Board will be standing for either election or re-election at this year's annual General Meeting.

The PLC 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 PLC Board is obliged to devote requisite time and attention to his / her duties, as necessary. This includes attending meetings of the PLC Board and the relevant committees, as well as participating in conference calls, site visits, and effective e-mail communication. The members of the PLC's Board 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 members of the PLC Board also undertake a rigorous and tailored induction program organized by the Company Secretary.

The competence of the PLC Board, together with other important matters, also includes development of The PLC'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 PLC Board, 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 can be found at the following link https://tbcbankgroup.com/media/1301/41 -schedule-of-reserved-matters-2.pdf.

[4] Article 6, subsection "c" of the Rule

[5] Appointed as an independent non-executive member of the Supervisory Board of the Bank, subject to obtaining National Bank of Georgia approval.

Composition of the Board of Directors of the Company

Biographies of the members of the Board of Directors of TBC PLC

ARNE BERGGREN
Chairman

Joined the Bank in July 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 more than 30 years. He has held several senior leadership and advisory positions at prominent financial institutions, including the IMF, World Bank, Swedbank, Carnegie Investment Bank AB and the Swedish Ministry of Finance and Bank Support Authority. Arne played a leading role in the handling of the Swedish banking crisis in 1991-93 and assisted the FRA in Thailand and FSC/ KAMCO in South Korea during the Asian crisis. Arne has also served as an independent Non-Executive Director in asset management companies in Turkey and Slovenia, and, until recently, in Greece at Piraeus Bank.

Current External non-executive appointments

- *Board member at Bank of Cyprus*
- *Chairman of Hoting Innovations AB*

Committee membership

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

TSIRA KEMULARIA, SID
Senior Independent
Non-Executive member of the
PLC Board

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

Experience

- *More than 23 years of in-depth experience across the energy sector 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*

Throughout her career, Tsira has held various roles covering market risk management and commodity trading at companies including Dynegy Inc. in the US and UK and at Shell International Trading and Shipping Ltd (STASCO) in London, Russia CIS, and Caribbean operations. Between 2005 and 2016, she served in a broad range of managerial roles covering M&A and Commercial Finance, Group Treasury and Trading and Supply in the UK, Moscow and Barbados. From 2016 to 2019, Tsira was the Head of Group Pensions Strategy and Standards at Shell International Ltd based in London. From 2019 to mid-2022, Tsira held the position of Head of Internal Audit and Investigations for Shell's global Trading and Supply organisation, the world's biggest commodity trading and supply business. In July

2022, Tsira was appointed as a Vice President of Corporate and UK Country Controller responsible for the Shell Group's financial management of the corporate segment which includes Group's Holdings and Treasury, Insurance and Pensions and responsible for statutory reporting of all Shell's UK incorporated companies and Shell UK's financial performance framework. Tsira is a member of the Shell UK Management Board, and a member of Shell UK Country Coordination Team, Chief of Staff for UK Crises Management.

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*

Committee membership and Board roles

- *Member of the Audit Committee*
- *Member of the ESG and Ethics Committee*
- *Member of the Remuneration Committee*

JANET HECKMAN
Independent Non-Executive
Member of the PLC Board

Joined the Bank in February 2023

Experience

- *Extensive expertise in corporate banking and global relationship banking*
- *15 years' experience in operations management*

Janet was the Managing Director for the Southern and Eastern Mediterranean (SEMED) Region at the European Bank for Reconstruction and Development (EBRD) from February 2017 until December 2019. Based in Cairo, she was also the Country Head for Egypt. She currently serves on the boards of Astana International Exchange and Air Astana, Kazakhstan. During her long career at Citi, she spent time as EMEA Corporate and Investment Managing Director and held a number of field roles across EMEA, and was responsible for Global Relationship Banking across CEMEA.

Janet holds a Master's of Science in Foreign Service with distinction from Georgetown University, Washington, D.C. and a BA in History from Kenyon College, Ohio. She also studied at the American University of Beirut, Lebanon.

Current external non-executive appointments

- *Board member and audit committee chair of Astana International Exchange*
- *Board member of Air Astana, Kazakhstan*
- *Vice President of American Chamber of Commerce in Bulgaria and Kazakhstan and member of the board in Romania*
- *Appointed to Fulbright association in Hungary, Romania, and Bulgaria and Chairman in Bulgaria*
- *Member of the Board of the British Business association in Kazakhstan*
- *Appointed to the Kenyon College Alumni Association*

Committee membership

- *Member of the Remuneration Committee*
- *Member of the Risk Committee*

ERAN KLEIN
Independent Non-Executive Member of the PLC Board

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

- *No current additional board appointments*

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 Member of the PLC Board

Joined the Bank in July 2021

Experience

- *Extensive CEO and senior executive experience, having spent more than 20 years at leading banks and other financial institutions*
- *More than 30 years of accumulated experience as an independent non-executive director*
- *Strong listed corporate governance, leadership and strategic advisory skills*
- *Significant financial reporting, investor relations and internal controls experience*
- *Relevant experience from the financial information technologies (fintech) and credit management industries across Europe*

Over the past 25 years, Per Anders has served as CEO at SBAB Bank, Hoist Finance and European Resolution Capital as well as CFO and other senior executive positions at the leading North-European bank SEB. He has also gained extensive strategic consulting experience having spent 10 years at top tier consultancies McKinsey & Company and QVARTZ (now Bain & Company). Per Anders has been a non-executive director of more than 15 financial institutions in Europe. In addition, he has extensive professional experience from having worked in more than 20 European countries, including Ukraine, where he was an advisor to the World Bank and the Ministry of Finance.

Current external non-executive appointments

- *Chairman of Lyra Financial Wealth, a privately held wealth management company*
- *Board member of Atle Investment Management/Services, a privately held investment management company*

Committee membership

- *Chair of the Audit Committee*
- *Member of the Risk Committee*
- *Chair (interim) of the Remuneration Committee*

THYMIOS KYRIAKOPOULOS
Independent Non-Executive
Member of the PLC Board

Joined the Bank in July 2021

Experience

- *Extensive experience in global capital markets, regional banking and supervised entities*
- *Expert risk manager, investor, investment banker, and balance sheet optimiser*
- *Operational transformation leadership and crisis management spanning systemic banks and fintech*
- *Strong governance, risk and asset management oversight skills for both listed and quasi-governmental entities*

Thymios is a senior banking executive with considerable international experience. He specialises in operational transformation, balance sheet optimisation, risk management, financial engineering and portfolio management. He serves on the board of the Hellenic Corporation of Assets and Participations, the Greek sovereign wealth fund, and is Chair of its Investment and Risk Committee. Thymios was executive general manager and chief risk officer of Piraeus Bank S.A, a leading listed Greek Bank, Managing Director at Goldman Sachs Inc. in the fixed income currencies and commodities trading division, and has held board and executive roles in insurtech, fintech, financial services and advisory sectors.

Current external non-executive appointments

- *Board member and chair of the investment and risk committees of the Growthfund, the National Fund of Greece*

Committee membership

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

RAJEEV SAWHNEY
Independent Non-Executive
Member of the PLC Board

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 in financial services and other industry sectors*
- *Extensive expertise in Human Resource management*
- *Relevant experience and expertise in information security risk management*

Rajeev has 40 years' experience as a senior corporate growth executive. He specialises in digital technologies and has served in financial services and various other industry sectors in Europe, North America and Asia. Currently, Rajeev holds the positions of Executive Chairman and Non-Executive Director of OXSIGHT Ltd, a medical technology innovation company, and an Oxford University spin off. He was formerly a senior advisor to the CEO at global IT services firm Zensar Ltd in the UK and a member of the advisory board at Garble Cloud Inc., a cybersecurity company in Silicon Valley, USA. Prior to that, Rajeev gained strong operational experience as President of HCL Technologies and at the financial services firm, Mphasis, a Hewlett Packard company. Rajeev has been on the World Economic Forum expert Task Force on Low-Carbon Economic Prosperity and contributed at the Work Economic Forum Summer Davos on climate change deliberations.

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
Member of the PLC Board

Joined the Bank in November 2021

Experience

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

Nino is a business lawyer with over 20 years' experience in the Georgian market. She has a deep understanding of, and expertise in, various areas of practice including banking, finance, corporate, regulation, competition and capital markets. Currently, Nino is the managing partner of the law firm Suknidze & Partners LLC. During 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 over a period of more than 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 Corporate Governance and Nomination Committee*

VAKHTANG BUTSKHRIKIDZE
Executive Member of the PLC Board

Appointed in April 2016

Experience

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

Vakhtang has more than 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 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 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 Eastern European region and has received several prestigious awards, including the Best Banker 2011 award from the GUAM Organization for Democracy and Economic Development and was named CEO of the Year 2014 for 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 organisation, which aims to enhance dialogue between leaders in industry, finance and government.

Current external 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*

Maria Luisa Cicognani - Former Independent Non-Executive Director

Ms Cicognani stepped down from the Board on 14 September 2022 due to her other professional commitments.

Committees of the Board of Directors of the Company

The PLC Board has delegated certain responsibilities to, and is supported by, its committees, which oversee and make recommendations on the matters delegated to them. There are six committees within the structure of the PLC Board: Audit Committee, Remuneration Committee, Corporate Governance and Nomination Committee, Risk Committee, Technology and Data Committee and ESG and Ethics Committee. The competences of each committee are determined by their Terms of Reference.

Audit Committee

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 Audit 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 PLC'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 PLC'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 PLC Board that they give a fair, balanced and understandable position of the TBC PLC;
- 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 PLC 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 Risk Committee focuses on the possible risks and capital issues of the TBC PLC. The primary purpose of the Risk Committee is to assist the PLC Board in fulfilling its risk governance and oversight roles and responsibilities.

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

In seeking to achieve this, the Risk Committee is responsible for reviewing and reporting its conclusions to the PLC 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 Risk Committee works closely with the Audit Committee and schedules joint meetings for common topics.

The Risk Committee advises the PLC 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 PLC'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 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 Remuneration 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 TBC PLC 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 TBC PLC. The Remuneration Committee is also required to produce a report of the PLC's remuneration policy and practices to be included in the PLC's Annual Report and ensure each year that it is put to shareholders for approval.

Corporate Governance and Nominations Committee

The Corporate Governance and Nomination (CGN) Committee is responsible for talent management and nomination and succession planning for the PLC Board and the executive team.

The main responsibilities of the CGN 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 PLC Board such changes or additional actions as it deems necessary;
- Reviewing the independence standards for PLC Board members; and
- Monitoring and evaluating the process for assessing the performance and effectiveness of the PLC 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 PLC Board, including evaluating the current balance of skills, experience, independence and knowledge on the PLC Board, including considering diversity and gender balance;
- Identifying suitable candidates from a wide range of backgrounds, considering and making recommendations to the PLC Board on the composition of the PLC Board;
- Assisting the Chairman of the PLC Board and the Senior Independent member of the PLC Board with the implementation of an annual evaluation process to assess the overall and individual performance and effectiveness of the PLC Board and its committees;
- Making recommendations to the PLC Board on succession planning for the PLC Board over the longer term.

The Technology and Data Committee

The Technology and Data (T&D) Committee, established in June 2021, helps the PLC Board oversee key enablers of strategy relating to data and cyber issues, and IT resources.

The role of the Technology and Data Committee is to bring awareness to the PLC Board and support it in:

- its oversight of the technology and data strategy of the company and its subsidiaries within the overall Group strategic plan as approved by the PLC Board;
- Oversee the Management work on the Group in executing the IT strategy to meet business and regulatory requirements.

The ESG and Ethics Committee

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. The role of the Committee is to support and advise PLC 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 ("ESG") matters and ensuring that the ESG strategy is implemented across all relevant businesses of the Group;

- 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 Group.

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.

Membership of committees of the PLC Board and Supervisory Board[6] as of April 24, 2023 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			Member
Janet Heckman		Member	Member			
Eran Klein		Member			Member	Chairperson
Per Anders Fasth	Chairperson	Member	Chairperson			
Thymios Kyriakopoulos	Member	Chairperson			Member	
Rajeev Sawhney				Member	Chairperson	Member
Nino Suknidze	Member			Member		

Chairperson   Member

Independence of the members of the Board of Directors of the Company

Composition of PLC Board and the Supervisory Board including respective committees mirror at both levels in terms of non-executive membership.

The Corporate Governance and Nominations Committee has delegated authority from the PLC Board to assess the independence of non-executive members of the PLC Board, In accordance with the UK Corporate Governance Code. It has reviewed and confirmed that all non-executive members of the PLC Board, who have submitted themselves for election and re-election at the AGM are considered independent. This conclusion was reached after consideration of all circumstances that are likely to impair, or could appear to impair, independence. In accordance with the UK Corporate Governance Code, each member of the PLC Board should immediately inform the PLC Board about any event, which might affect his or her independence. At the same time, All non-executive members of the Supervisory Board are considered independent in line with the criteria laid down by the Georgian Corporate Governance Code.

Diversity & inclusion

The Board as a whole is steadfast in its efforts to maintain an appropriate mix of experience, expertise, diversity and independence on PLC Board. The PLC Board is aligned to the philosophy that diverse attributes enable it to provide informed opinions and advice on strategy and relevant topics, thereby adequately discharging its duty of oversight. The PLC Board skills matrix helps to identify the experience and expertise of existing Directors, essential skill sets or competencies, and the strategic requirements of the TBC PLC for its future needs.

The PLC Board recognises the importance of ensuring diversity, and sees significant benefits to our business in having a PLC Board and management team drawn from diverse backgrounds, as this brings

[6] Membership of Janet Heckman on committees of the Supervisory Board is subject to the National Bank of Georgia's approval

a range of expertise, cultural knowledge and different perspectives in discussions and improves the quality of decision making.

The Board adopted a Board Diversity Policy in September 2020, which was most recently reviewed in December 2022. The Policy allows the PLC Board to ensure that TBC PLC Board appointments contribute to the Group-wide ambitions of diversity and inclusion. In 2021 and 2022 the Board focused on the appointment and embedding of its newest non-executive members and on fostering the cultures and values of the TBC PLC within the boardroom, to ensure balanced leadership. The PLC Board Diversity Policy is available at www.tbcbankgroup.com. In 2023 the Board will consider how this Policy is applied to its key committees.

The PLC Board meets the recommendation of the Parker Review that at least one of its members should be black, Asian or an ethnic minority (BAME), and the Group intends to continue to meet that recommendation. TBC PLC Board is committed to ensuring that the targets of the FTSE Women Leaders Review on gender diversity are met. As at the date of this Annual Report, three (33%) of the nine members are female, and one of the senior board positions is held by a woman. The PLC Board will continue to consider future appointments to support the Board's diversity aims.

Board of Directors and Committee meeting attendance

The PLC Board and Committee attendance at meetings is set out below. During 2022, the PLC 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 members of the PLC Board. Chairs of each Board Committee provide a report on Committee business at each PLC Board meeting, including the matters being recommended by a Committee for PLC Board approval. The process for setting a Committee agenda and running a Committee meeting mirrors that of the PLC Board.

Attendance at the PLC Board and respective committee meetings in 2022 have been as follows:

Board Member	Board	Remuneration Committee	Audit Committee	Risk Committee	Corporate Governance & Nomination Committee	ESG & Ethics Committee	Technology & Data Committee
Arne Berggren	26/26	8/8	-	-	10/10	-	-
Tsira Kemularia[7]	26/26	1/1	11/11	-	1/1	5/5	-
Per Anders Fasth	26/26	8/8	11/11	17/17	-	-	-
Eran Klein	26/26	0/0	-	17/17	-	5/5	5/5
Thymios Kyriakopoulos	26/26	0/0	11/11	17/17	-	-	5/5
Rejeev Sawhney[8]	26/26	0/0	-	-	9/9	5/5	5/5
Nino Suknidze[9]	26/26	7/7	11/11	-	9/9	-	-
Maria Luisa Cicognani[10]	20/20	7/7	-	13/13	7/7	-	-
Vakhtang Butskhrikidze	26/26	-	-	-	-	-	-

[7] Tsira Kemularia stepped down from the Corporate Governance and Nomination Committee and the Remuneration Committee on 28 January 2022;

[8] Rajeev Sawhney joined the Corporate Governance and Nomination Committee on 28 January 2022;

[9] Nino Suknidze joined the Corporate Governance and Nomination Committee, and the Remuneration Committee on 28 January 2022 and stepped down from the Remuneration Committee on 23 February 2023;

[10] Maria Luisa Cicognani stepped down from the PLC Board on 14 September 2022.

Attendance at the Supervisory Board and respective committee meetings in 2022 have been as follows:

Board Member	Board	Remuneration Committee	Audit Committee	Risk Committee	Corporate Governance & Nomination Committee	ESG & Ethics Committee	Technology & Data Committee
Arne Berggren	25/25	7/7			9/9		
Tsira Kemularia[11]	25/25	1/1	10/10		1/1	5/5	
Per Anders Fasth	25/25	7/7	10/10	17/17			
Eran Klein	25/25			17/17		5/5	4/4
Thymios Kyriakopoulos	25/25		10/10	17/17			4/4
Rejeev Sawhney[12]	25/25				8/8	5/5	4/4
Nino Suknidze[13]	25/25	6/6	10/10		8/8		
Maria Luisa Cicognani[14]	19/19	6/6		11/11	6/6		

Division of Responsibilities

There is a clear division between Executive and Non-Executive responsibilities which ensures accountability and oversight. The roles of Chairman and Chief Executive Officer are separately held, and their responsibilities are well defined, set out in writing and regularly reviewed by the PLC Board.

Chairman	Senior Independent Member of the PLC Board (SID)	Non-Executive Members of the PLC Board
The role of the Chairman includes: – Responsibility for the effective running of the PLC Board and ensuring it is appropriately balanced to deliver the Group's strategic objectives – Promoting a Boardroom culture that is rooted in the principles of good governance and enables transparency, debate and challenge – Ensuring that the PLC Board as a whole plays a full and constructive part in the development of strategy and that there is sufficient time for Boardroom discussion – Effective engagement between the Board and its shareholders	The role of the SID includes: – Providing a sounding board for the Chairman and to serve as an intermediary for the other members of the PLC Board where necessary – To be available to shareholders if they have concerns which have not been resolved through the normal channels of communication with the TBC PLC – To meet with the other Non-Executive members at least once a year to appraise the Chairman's performance and on such other occasions as are deemed appropriate	The role of the Non-Executive members of the PLC Board includes: – Providing constructive challenge to executives, helping to develop proposals on strategy and monitoring performance against the agreed KPIs – Ensuring that no individual or group dominates the PLC Board's decision-making – Promotion of the highest standards of integrity and corporate governance throughout the TBC PLC and particularly at PLC Board level – Determining appropriate levels of remuneration for the executive management team – Reviewing the integrity of financial reporting and ensuring that financial controls and systems of risk management are robust

11 Tsira Kemularia stepped down from the Corporate Governance and Nomination Committee and the Remuneration Committee on 28 January 2022;

12 Rajeev Sawhney joined the Corporate Governance and Nomination Committee on 28 January 2022;

13 Nino Suknidze joined the Corporate Governance and Nomination Committee, and the Remuneration Committee on 28 January 2022 and stepped down from the Remuneration Committee on 23 February 2023;

14 Maria Luisa Cicognani stepped down from the PLC Board on 14 September 2022.

Chief Executive Officer	Board Committees	Company Secretary
The role of the Chief Executive Officer includes: – Executing the Group's strategy and commercial objectives together with implementing the decisions of the PLC Board and its Committees – Keeping the Chairman and PLC Board apprised of important and strategic issues facing the Group – Ensuring that the Group's business is conducted with the highest standards of integrity, in keeping with our culture – Managing the Group's risk profile – The Management Board assists the CEO of the TBC PLC in the performance of his duties. This includes the development and implementation of strategy and associated operational plans, development of TBC PLC policies, monitoring of operating and financial performance, and assessment and control of risk	The PLC Board has delegated certain responsibilities to, and is supported by, its Committees, which oversee and make recommendations on the matters delegated to them. The Board has four principal Board Committees: the Audit Committee, the Risk Committee, the Remuneration Committee and the Corporate Governance and Nomination Committee. During 2021 and 2022, two additional Committees were established to support the PLC Board in the strategic areas of technology and ESG strategy and climate change.	LDC Nominee Secretary Limited was appointed as the Company Secretary in August 2022. The appointment and removal of the Company Secretary are at the discretion of the PLC Board.

Board Evaluation

On an annual basis, an evaluation process is undertaken which considers the performance of the Board, its Committees and members of the PLC Board individually. This review identifies areas of strength and areas for improvement, informs training plans for our PLC Board members and identifies areas of knowledge, expertise or diversity which should be considered in the succession plans.

In 2022 Lintstock Ltd reviewed the PLC Board's performance Lintstock Ltd is an advisory firm specialising in board effectiveness reviews, and has no other connection with TBC PLC, Bank or any of the members of the PLC Board.

<u>Outcomes from the 2022 Board evaluation:</u>

The feedback from the 2022 evaluation showed a strong improvement in all areas of focus. The review noted that over half of the PLC Board had been appointed in the previous 18 months, and priorities for improvement had been addressed by the Chairman in a commendable manner. PLC Board members demonstrated a strong wish to add value to the Group and to support management in a pragmatic and professional manner, whilst maintaining the appropriate non-executive boundaries in its supervisory role.

The PLC Board was seen to include an appropriate mix of skills and experience, and the relationships between the PLC Board - and between the PLC Board and management - were positively rated. The information that the PLC Board receives was felt to be high-quality, and PLC Board meetings are well-managed, including in terms of agenda coverage and PLC Board member participation. Following a discussion of the review, the PLC Board agreed to focus its attentions in 2023 on continuing to develop.

Annual General Meeting

The 2022 AGM was held at the offices of Baker McKenzie, 100 New Bridge Street, London EC4V 6JA.

The Notice of Annual General Meeting ("AGM") for 2023 will be circulated to all the shareholders at least 21 working days before the AGM and it will also be made available on the investor relations website www.tbcbankgroup.com. The voting on the resolutions will be announced via the Regulatory News Service and made available on the investor relations website www.tbcbankgroup.com.

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 and Head of International Business

The Director of, Brand Experience, Marketing and the Group's International Business reports to the Chief Executive Officer and holds the primary responsibility for designing and delivering the strategy for the Bank's product range, designated market, and space banking. The Director of Brand Experience, Marketing, and Group's International Business is hence responsible of developing new product and service delivery channels digital and other channels, budgeting and analysis.

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

The Director of Retail Banking, MSME and Payments 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)	Operational Risks Committee	ESG Committee	Environ-mental Committee
CEO	X	X	X	X	X	
CFO			X	X	X	
CIO		X				
CRO	X	X	X	X	X	X
Deputy CEO, Retail and MSME, Payments			X	X	X	
Deputy CEO, Brand Experience, Marketing & International Business				X	X	
Deputy CEO, Corporate, Investment Banking and wealth management			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
Head of Treasury and Financial Services			X			
Environmental Coordinator						X
Head of Human Capital		X				

5. Bank Strategy

Our strategic priorities serve our mission to make people's lives easier.

By delivering superior financial services to both individuals and companies in Georgia, we can achieve our mission.

Each of our priorities has been carefully selected and thought through to ensure that they all contribute towards maintaining the Group's robust profitability and strong growth profile.

Our 3 Key Strategic Priorities

1. Build on our leading position in Georgian Banking

- Grow in specific segments: consumer and micro loans.
- Grow our fee and commission income.
- Increase efficiency by utilizing our data analytics capabilities and achieving higher automation levels.
- Attract and develop the best talent.

2. Strengthen our advanced digitalization levels

Increase digital engagement across the Group in terms of both transactions and sales:

- Grow the number of digital monthly and daily active users.
- Maintain retail transactions offloading ratio at high levels.
- Increase sales offloading for major products.
- Increase productivity through fully digital processes.

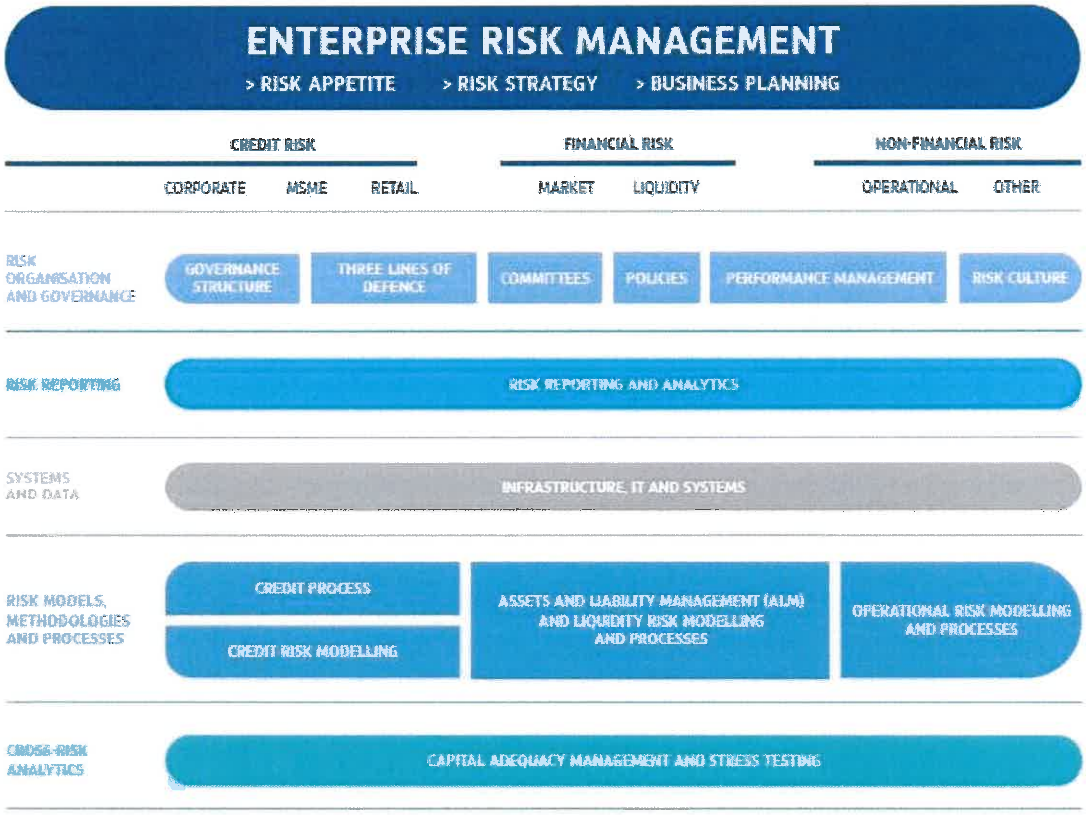
3. Take our customer experience to the next level

- Develop tailored financial services and products coupled with lifestyle offerings and deliver these in the most convenient way.
- Create a seamless customer experience across all channels within the Group.

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.

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.

There are four committees at the Management Board level:

- **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.

Sustainability risk management is done within a framework of established processes for risk management. According to the Bank's vision, a sustainable bank is a profitable institution that offers adequate, affordable and need-based services to its clients, treats its employees, suppliers and all other stakeholders with a high sense of responsibility, and strongly supports the development of society. It is also a technologically advanced and environmentally aware bank that is trusted by society. The sustainability risks are related to the Bank's different roles as a lender, asset manager, service provider, purchaser and employer. Of particular interest in the area of sustainability are risks related to compliance, conduct and digitalisation, as well as human rights, working conditions, the environment, climate change, financial crime, and information and IT security. Sustainable development policies and management structures are represented in various policy documents and management domains.

The Bank has developed several thematic policies and codes that regulate various social and environ mental protection issues related to company activity. They include: the Code of Ethics, the Incident Management Policy, the Anti-Corruption Policy, the Personal Data Protection Policy, the Conflict of Interests Management Policy, Green Purchase Recommendations etc. In 2021, the ESG Coordination Department was created in order to support the establishment of an integrated ESG framework synergizing business, social, environmental and governance aims. The department reports to the Chief Risk Officer.

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 that the Bank is principally engaged 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. In addition, credit risk also includes counterparty credit risk, as the Bank engages in various financial transactions with both banking and non-banking financial institutions.

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 product type to reflect the diverse nature of these asset classes. 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 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, 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 2022, the retail segment represented 37.9% of the total portfolio, which was comprised of 62.9% mortgage and 37.1% non-mortgage exposures. No single business sector represented more than 9% of the total portfolio in FY 2022. Collateral represents the most significant credit risk mitigation tool for the Bank, making effective collateral management one of the key risk management components. The Bank has a largely collateralised portfolio in all its segments, with real estate representing a major share of collateral. As of 31 December 2022, 74.7% of the Bank's portfolio was secured by cash, real estate or gold. To manage counterparty risk, the Bank internally defines limits on an individual basis for each counterparty, by limiting the expected loss from both treasury and trade finance exposures. As of 31 December 2022, the Bank's interbank exposure was concentrated among high A-grade credit rating' banks, assigned by external agencies, such as Fitch, Moody's and Standard and Poor's. Additionally, the Bank actively performs stress testing and scenario analysis in order to check the resilience of borrowers under various stress conditions.

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 2022, 48.2% 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 FY 2022, with the average currency exchange rate of GEL strengthening by 14.6% year-on-year. The GEL remains in free float and is exposed to many internal and external factors that, in some circumstances, could lead to 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 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. At a consolidated level, the Bank's maximum exposure to the single largest industry (Real Estate) stood at 9% of the loan portfolio as of 31 December 2022. At the same time, exposure to the 20 largest borrowers stood at 8.3% 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. Stringent monitoring tools are in place to ensure compliance with the established limits. In addition, the Bank has dedicated restructuring teams to manage borrowers who face financial difficulties. Also, the concentration buffer under Pillar 2 helps to ensure that the Bank remains adequately capitalised to mitigate concentration risks.

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 2022, 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.

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. 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 Georgia's neighboring countries and main trading/economic partners could negatively affect its 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 Georgian economy recorded very strong growth of 10.1% in 2022, notwithstanding the negative impact of Russia's invasion of Ukraine. The adverse spillover appears to be more than balanced by the positive migration impact. Moreover, exports, remittance inflows and to a large extent FDIs performed strongly. In addition, the GEL also showed a significant improvement, with the US$/GEL exchange rate standing at around 2.70 at the end of December, compared to 3.2 in early March. Meanwhile, similar to many other countries worldwide, inflation remains a challenge, with the CPI growing by 9.8% YoY in December 2022. Therefore, in line with the tightening internationally, the domestic monetary policy stance has been hawkish, leading to a moderate demand for credit when adjusted for inflation, taking into account the second year of continuous double-digit economic growth in a row.

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 events 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 conducted 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 regional crisis, the Bank has adjusted its risk management framework leveraging its pre-existing stress testing practices. This included more thorough and frequent monitoring of the portfolio as well as stress testing, to ensure close control of changes in capital, liquidity, and portfolio quality in times of increased uncertainty.

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. 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 2022, the net loan to deposits plus international financial institution funding ratio stood at 88.5%, the liquidity coverage ratio at 146.6%, and the net stable funding ratio at 135.3%. These figures are all comfortably above the NBG's minimum requirements or guidance for such ratios.

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. Stress testing is a major tool for managing liquidity risk. Stress testing is performed within the ILAAP and Recovery Plan frameworks. The former assesses the adequacy of the liquidity position and relevant buffers and whether they can sustain plausible severe shocks, while the latter provides a set of possible actions that could be taken in the unlikely event of regulatory requirement breaches to support a fast recovery in the liquidity position. The liquidity risk position and compliance with internal limits are closely monitored by the Assets and Liabilities Management Committee (ALCO) of the Bank.

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 2022, the Bank maintained an aggregate balance open currency position of 1.91%.

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 weekly 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 periodically. 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. 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.

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

Net interest income accounts for most 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 2022, the NIM increased by 0.9pp year-on-year to 5.9%, 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. As of 31 December 2022, GEL 5,190 million in assets (19%) and GEL 3,380 million in liabilities (14%) were floating in GEL currency, compared to GEL 4,867 million in assets (18%) and GEL 850 million of liabilities (4%) that were floating in relation 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 7.1% by 31 December 2022.
The Bank continues to focus on fee and commission income growth to safeguard itself 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 a high-quality investment securities portfolio, long-term funding and derivative contracts. In 2022, the Bank seized the opportunity to improve funding structure and redeemed US$ 54.68m from outstanding 2024 senior bonds.

External and Internal Fraud Risks are Part of the Operational Risk Inherent in the Bank's Business, and, unless proactively managed, could materially impact the Group's profitability and reputation.

The increased complexity and diversification of operations, coupled with the digitalization of the banking sector, mean that fraud risks are evolving. 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. The rapid growth in digital crime has exacerbated the threat of fraud, with fraudsters adopting new techniques and approaches to obtain funds illegally. Therefore, unless properly monitored and managed, the potential impact could become substantial.

The Bank actively monitors, detects and prevents risks arising from fraud events and has permanent monitoring processes 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. Through our continuous efforts to monitor and mitigate fraud risks, coupled with the high level of sophistication of our internal processes, the Bank ensures the timely identification and control of fraud-related activities. The Bank is currently working on a strategic initiative to further enhance fraud prevention systems and plans to utilize client behavioral analytics to further minimize external fraud threats.

The Bank faces a growing and evolving threat of cyber-attacks.

No material 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. Given their increasing sophistication, potential cyber-attacks may lead to significant security breaches. Such risks change rapidly and require continued focus and investment.

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. It strives to evolve its mitigation mechanisms, covering 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. Moreover, at least once a year a detailed examination of information security matters is presented to the Technology and Data Committee of the Board. 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. Employees play a crucial role in information security. As a result, annual mandatory training sessions are conducted for all employees, comprised of remote learning courses on security issues, fraud and phishing simulations and 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 management processes are continuously improved. Moreover, disaster recovery plans are in place to ensure business continuity in case of need.

In 2022, a Red Team exercise was carried out, results are assuring high effectiveness of the Bank's security in-depth capabilities.

In 2021, the Bank achieved ISO 27001 certification for its information security management system, which 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. In 2022, an ISO 27001 surveillance audit was completed, and the Bank maintained the certification. Also in 2022, two more audits were conducted to assess the Bank against the Cyber Security Management Framework and the SWIFT Customer Security Controls Framework (CSCF). No critical findings and major non-compliances were identified during these exercises. Cyber Security Management Framework is defined by National Bank of Georgia, based on the National Institute of Standards and Technology (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 international sanctions imposed on Russia in response to the war in Ukraine, isolated cases of anti-banking media narratives, cases of phishing and other cybercrimes, as well as risks associated with the process of digitalization. However, none of the 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 and indirect reputational risks. The Bank monitors its brand value through public opinion studies and surveys and by receiving feedback from stakeholders on an ongoing basis. Dedicated internal and external marketing and communications teams actively monitor mainstream media and social media coverage on a daily basis. These teams monitor risks, 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. A special Task Force is in place at the top management level, comprised of strategic communications, marketing and legal teams, to manage reputational risks when they occur. Communications and Cyber-security teams conduct extensive awareness-raising campaigns on cyber-security and financial literacy, involving the media, the Banking Association of Georgia and Edufin (TBC's 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 sets lending limits and other economic ratios (including, but not limited to lending, liquidity, and investment ratios) along with the mandatory capital adequacy ratios. In addition to complying with minimum reserves and financial ratios, the Bank is required to submit periodic reports. It is also subject to the Georgian tax code and other relevant laws. Following the 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 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 Bank's "three lines of defence" model defines the roles and responsibilities for risk management. The dedicated compliance department, acting as second line of defence, reports directly to the Chief Executive Officer and has a primary role in the management of regulatory compliance risk. The Bank's Audit Committee is responsible for ensuring regulatory compliance at the Supervisory Board level. The Bank has processes and tools in place to identify, assess, monitor, report and manage the risks in order to remain within the risk appetite limits.

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 Audit Committee of the Supervisory Board.

The Bank is exposed to financial sanctions risk.

Historically, Georgia has enjoyed close business relations with Russia and Ukraine. The aggression launched by the Russian Federation against Ukraine on the 24th of February 2022 resulted in a vigorous international response which translated among others into the imposition of the tough economic sanctions by US, EU, UK and other countries. As a consequence, Russian and Belarusian members of legislative and government agencies, oligarchs, businessmen, state-owned companies, financial institutions and other legal entities have been directly sanctioned, while numerous economic restrictions and trade prohibitions have been enforced on some sectors of activity and specific categories of goods and services in Russia, Belarus, Crimea and other occupied territories. Also as a consequence of the conflict, many Russian citizens have relocated to Georgia. Considering the level of interactions of the Bank with Russia and Russian citizens, and the amplitude of the sanctions prohibitions and restrictions, the risk of being involved in attempts of sanctions circumvention has substantially increased.

In addition to the sanctions risk related to Russia, and due to the significant increase in international shipping costs, Georgia is exposed to the risk of transshipment via Iran for its import and export activities with Asian countries.

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

In line with the risk appetite of the Group and the instructions of the National Bank of Georgia, the Group implemented processes and procedures designed to ensure compliance with local, UN, US, EU and UK sanctions regimes. The Group seeks to avoid any transactions of any nature with direct or indirect sanctioned parties, goods or services, and to not facilitate in any manner the circumvention of UN, US, EU and UK sanctions programmes.

To this effect, the Group has recently strengthened its sanctions programme via a number of actions with the support of external advisors: performance of an enterprise-wide sanctions risk assessment, issuance of a new Sanctions Policy and Procedure, and reinforcement of client on-boarding and relationship management, while it continues to strengthen its close transactions monitoring and additional due diligence in case of Russian related transactions or potential transshipment via Iran, to review and fine-tune its screening tools and conduct enhanced sanctions training.

The Bank Faces the Capital Risk of not Meeting the Minimum Regulatory Requirements, 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 2022, the Bank and the Bank complied with all regulatory capital requirements.

Regulatory Framework

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. Since March 2023, countercyclical capital buffer increased from 0% to 1%. The increased requirement will be in force from March 2024. In 2023, NBG made amendments to the Regulation of the Systemic Risk Buffer (The amendments will enter into force in April 2023). According to the amendments, the systemic risk buffer is set at 2.5% for the Bank, and if the Bank's average market share in consecutive 3 months in non-bank deposits (excluding the secured deposits of state institutions and secured deposits from organizations under state control) exceeds 40%, the buffer amount will increase to 3.0%. If the systemic buffer is increased, the Bank will have to comply with the updated requirement in one year.

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 will be required to fully restore the CICR buffer by the end of 2022 and the conservation buffer by the end of 2023.

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

In thousands of GEL	31-Dec-2022
CET 1 capital	3,333,039
Tier 1 capital	3,873,439
Tier 2 capital	643,086
Total regulatory capital	**4,516,525**
Risk-weighted exposures	
Credit Risk-weighted exposures	18,818,597
Risk-weighted exposures for Market Risk	86,250
Risk-weighted exposures for Operational Risk	2,603,225
Total Risk-weighted exposures	**21,508,072**
Minimum CET 1 ratio	11.6%
CET 1 capital adequacy ratio	15.5%
Minimum Tier 1 ratio	13.8%
Tier 1 capital adequacy ratio	18.0%
Minimum total capital adequacy ratio	17.3%
Total capital adequacy ratio	21.0%

IFRS Transition

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

Parallel reporting will be maintained along with the transition to IFRS, from January 1, 2023, until another decision is made by the NBG. During parallel reporting, commercial banks are obliged to provide supervisory reports in accordance with both the IFRS and the local GAAP, although compliance will be monitored by IFRS standard only.

The following table presents the capital adequacy ratios by IFRS standard and relevant regulatory requirements:

In thousands of GEL	31-Dec-2022 (IFRS)
CET 1 capital	3,835,846
Tier 1 capital	4,376,246
Tier 2 capital	407,853
Total regulatory capital	**4,784,099**
Risk-weighted exposures	
Credit Risk-weighted exposures	18,488,516
Risk-weighted exposures for Market Risk	93,833
Risk-weighted exposures for Operational Risk	2,636,659
Total Risk-weighted exposures	**21,219,008**
Minimum CET 1 ratio	14.0%
CET 1 capital adequacy ratio	18.1%
Minimum Tier 1 ratio	16.2%
Tier 1 capital adequacy ratio	20.6%
Minimum total capital adequacy ratio	19.6%
Total capital adequacy ratio	22.5%

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. Several stress tests are carried out each year as part of ICAAP framework, but also the Recovery Plan framework and other regulatory or internal ad-hoc requirements. The results of the stress tests 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.

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 stemming from the major economic and social disruptions caused by the COVID-19 pandemic and the war in Ukraine, 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 principal driver for the formation of the portfolio of strategic initiatives is the diversification of the Bank's revenue and value pockets and the optimization of enterprise value evolution over the strategy time horizon. Notwithstanding the aforementioned, the Bank conducts annual strategic review sessions involving the Supervisory Board, the Executive Management and the 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. Furthermore, 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 key personnel or failing to attract, develop and retain skilled or qualified employees based on its objectives. The transformation into a digital company leads to increased demand for IT professionals across the Bank. To adapt to the rapidly changing business environment, the Bank needs to develop an "Agile" culture and increase leadership capabilities, achieve a high level of engagement among employees and equip them with the necessary skills.

The Bank actively monitors the labour market both in Georgia and abroad, proactively recruiting the best candidates and expanding the networks of key personnel. The Bank treats all employees equally and fairly, supporting and coaching them to succeed. Ensuring equal opportunity in all areas of human resource management such as selection, promotion, training and development, is critical to retaining employee engagement and satisfaction across our workforce. We are also actively working on developing a succession planning framework for senior positions in order to ensure a smooth transition, as well as offer promotion opportunities to employees.

The Bank established an IT academy which offers courses in front-end and back-end development, Android and iOS mobile development, as well as user experience research and strategy, DevOps, Java, Test Automation, Outsystems and Data Engineering. This programme is free of charge for selected candidates and is run by experienced staff members and leading professionals from relevant fields.

Top management regularly conducts online meetings with employees to share the Bank's strategy and information on recent achievements with employees. The Bank was one of the first companies in Georgia to allow its back-office employees to work remotely. Importantly, this initiative not only resulted in improved employee satisfaction levels, but also opened up the possibility of attracting new talent from beyond Georgia.

Emerging Risks

Emerging risks have significant unknown components and may affect the performance of the Bank over a longer-term 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 and possible spread of the geopolitical crisis and/or the potential outflow of migrants from Georgia.

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, the consequent sanctions imposed on Russia and the resulting elevated uncertainties have an adverse impact on the Georgian economy. At the same time, just as the migration effect made an important contribution to economic growth in 2022, any sizeable outflow could lead to a deterioration in the business environment. The reverse would probably be the case in any rapid conflict resolution scenario, which would create positive spill overs, such as the likely faster recovery of growth in Russia and Ukraine, that should also be taken into account.

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 both a physical impact, arising from more frequent and severe weather changes, and a transitional impact that may entail extensive policy, legal and technological changes to reduce the ecological footprint of households and businesses. For the Bank, both risks could materialize through impaired asset values and the 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 because 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 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, 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).

In order to increase our understanding of climate-related risks to the Bank's loan portfolio, in 2021 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 focused on economic sectors such as energy, oil and gas, metals and mining, tourism, agriculture, food industry, healthcare, construction and real estate. In 2022, we advanced our TCFD framework further, especially in strategic planning and risk management.

The Bank aims to increase its understanding of climate-related risks and their longer-term impacts over the coming years, which will enable it to further develop its approach to mitigation. Furthermore, the Bank's portfolio has strong collateral coverage, with around 75% of the loan book collateralised with cash, real estate or gold. Since the collateral evaluation procedure includes monitoring, any need to change collateral values arises from our regular collateral monitoring process.

In June 2022, the Bank released its full-scale sustainability report for the year 2021 in reference to Global Reporting Initiative (GRI) standards. The Global Reporting Initiative (GRI) helps the private sector to understand and realize 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 and abroad and aims to give them clear, fact-based information about the social, economic and environmental impact of our activities in 2021. It presents our endeavours to create value for our employees, clients, suppliers, partners and society as a whole. The Sustainability Report 2021 is available at www.tbcbankgroup.com.

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

The majority of the Bank's US$ floating portfolio is still linked to the 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 transition process 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 impacts 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 Secured Overnight Financing Rate (SOFR) 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.

In 2021, The Bank formed a steering committee to ensure a smooth transition away from LIBOR including the efforts to introduce term SOFR rates on the Bank's loan agreements. The steering committee raises awareness of the transition, both internally and externally, to ensure that the availability of the necessary tools to facilitate the transition and the fair treatment of all the Bank's customers during the process. Since April 2022, the Bank has applied Term SOFR rates to newly disbursed US$ floating-rate loans. The transition from LIBOR to the Term SOFR benchmark is expected to be finalized by the end of June, 2023.

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 Bank's Collateral Management and Appraisal Department (CMAD) defines collateral management policy and procedures, which are approved by the 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 2022 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	-	-	-	-	-	-	-
2	Claims or contingent claims on regional governments or local authorities	-	-	-	-	-	-	-
3	Claims or contingent claims on public sector entities	-	-	-	-	-	-	-
4	Claims or contingent claims on multilateral development banks	-	-	-	-	-	-	-
5	Claims or contingent claims on international organizations/institutions	-	-	-	-	-	-	-
6	Claims or contingent claims on commercial banks	11	-	-	15,569	32	15,548	15,580
7	Claims or contingent claims on corporates	225,992	17,563	41,994	20,331	234,680	71,200	305,880
8	Retail claims or contingent retail claims	54,166	-	2,289	-	46,148	10,308	56,455
9	Claims or contingent claims secured by mortgages on residential property	9,802	1,064	100	-	9,275	1,691	10,966
10	Past due items	478	755	195	-	216	1,213	1,428
11	Items belonging to regulatory high-risk categories	56,013	18	-	-	56,013	18	56,031
12	Short-term claims on commercial banks and corporates	-	7	-	-	-	7	7
13	Claims in the form of collective investment undertakings	-	-	-	-	-	-	-
14	Other items	125,694	26,200	7,164	-	142,423	16,636	159,059
	Total	**472,157**	**45,606**	**51,743**	**35,900**	**488,786**	**116,620**	**605,406**

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

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 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[15], 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.

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 "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 FRM department. Limit violations are analysed with Treasury and Settlements departments 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.

[15]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.

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 team of the 2nd line of defence 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 teams of the 2nd line of defence 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.

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 risk results;
- 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) Strategy

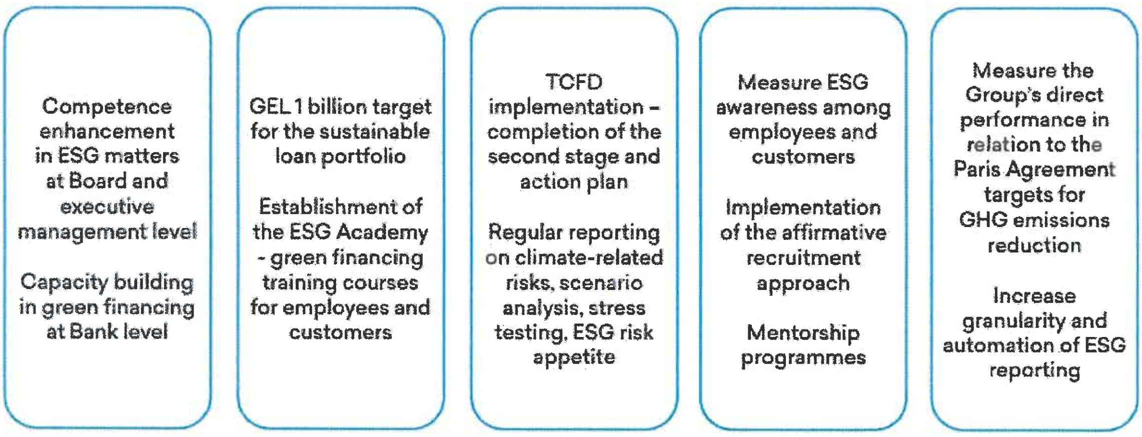
Our ESG Strategy reaffirms our commitment to making a long-term, sustainable contribution and to be the leading supporter of ESG principles in the country and region.

The ESG Strategy is reviewed and approved by the Board of Directors annually, while implementation is overseen by ESG-related committees at the Board and executive management level.

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

Key achievements in 2022:

• GEL 750 million sustainable loan portfolio target for 2022 met. Furthermore, the total volume of the sustainable portfolio reached GEL 782 mln, which constitutes a growth of 15.6% in comparison with the end of 2021 (GEL 676 mln).
• Climate-related framework in line with the TCFD (Taskforce on Climate-related Financial Disclosures) requirements established.
• Comprehensive ESG training framework covering all employees and different responsibility levels established.
• Diversity, Equality and Inclusion (DEI) Policy, targets and action plan defined.
• ESG strategies in all significant subsidiaries developed. In 2023, we continue to follow our strategic plan and will focus on the following topics:



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

Sustainable loan portfolio growth KPIs

In 2021, ESG KPIs were linked to senior management remuneration over the medium term to reflect our mid-term strategy. In 2022, we continued to incorporate ESG-related KPIs for bank-level positions and established sustainable loan portfolio growth targets for business segments – retail, MSME and corporate: the target for green and social loans for 2023 has been set at a total volume of GEL 1 billion.

The ESG Academy

In 2022, we developed the concept of the ESG Academy which was established in February 2023 to raise awareness and knowledge of ESG topics, including green and social financing, regulatory requirements, diversity and affirmative approaches, sustainable business models and practices among the Bank's customers as well as TBC staff. The first training programme 'Green mind-set and green financing' will include extensive training over two days for 900 employees and one-day's training for 300 retail, MSME and corporate customers. The programme will be supported by the partner IFIs – the Green for Growth Fund (GGF) and the European Fund for Southeast Europe (EFSE) and will run for 22 months.

Science-based targets

In 2022, we built internal capacity on relevant GHG emissions calculation methodologies and approaches. This was achieved via training and the use of external consultancies. As the next step, we aim to measure our performance in line with internationally established standards and align with science-based targets.

Measure ESG awareness among employees and customers

In 2022, 98% of TBC Bank employees participated in ESG-related training. In 2023, we aim to develop a framework for measuring ESG awareness among employees in order to track the results regularly and identify areas for further improvement. Furthermore, we will seek to establish an approach for customer engagement on ESG topics.

Talent programmes for Information and communication technologies (ICT)

Our diversity targets focus on the empowerment of women, girls, talented young people from regions and rural areas as well as on age-diverse recruitment. As technology is key to TBC, ICT is a priority area. In 2023, through the support of the USAID Industry-led skills programme, we will commence a new ICT programme, consisting of eight new training courses in programming, information security and other technologies. Around 750 people from a diverse range of backgrounds, ages and genders are expected to participate in the programme over the next 24 months. A number of the graduates will be employed by TBC and TBC's partner companies.

8. Climate-related Financial Disclosures

In 2021, we published our first disclosure to demonstrate our commitment towards taking active measures to mitigate climate change, to assess and mitigate climate risks and to identify climate opportunities. In 2022, we advanced our TCFD framework further, especially in strategic planning and risk management. These developments are described in this report. As the sustainability landscape evolves with new information and greater standardisation, TBC will continue to refine and expand its disclosures to provide meaningful information for stakeholders.

It should be noted that the data we have used provide the best available approach to reporting progress made, notwithstanding the challenges that exist given the incompleteness and novelty of the data sets and methodologies required for the Georgian environment, which bears the largest part of our activities.

We expect the availability and reliability of required data to improve over time, and we intend to integrate applicable improved data into our reporting as it becomes available.

8.1 Governance

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

The Board of Directors (Supervisory Board of Joint Stock Company TBC Bank) approves and oversees the Bank ESG Strategy in order to address specifically the Bank's targets and initiatives that relate to climate change, its direct and indirect environmental impact and sustainable development across the Bank. The ESG Strategy also covers customers, employees, suppliers, wider society, financial inclusion, employee relations and talent management, workplace diversity and inclusion. The Board of Directors 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.

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

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

The ESG and Ethics Committee met four times during 2022 and covered the following topics: a) regular review of and status update on the Bank's ESG strategy, including climate strategy, as well as implementation plans; b) monitoring of their execution; c) oversight and recommendation to the Board for approval of the Bank's disclosures on ESG matters, including reporting in line with the TCFD principles, in the Annual Report and Accounts. Key topics covered in 2022 by the ESG and Ethics Committee are as follows: review of the newly developed Policy on Climate Change, Human Rights Policy and Diversity, Equality and Inclusion Policy, review of the TCFD reporting for the Annual Report 2021 and the Sustainability Report 2021, the ESG and climate-related training agenda for TBC staff and the ESG Strategy 2023.

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

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

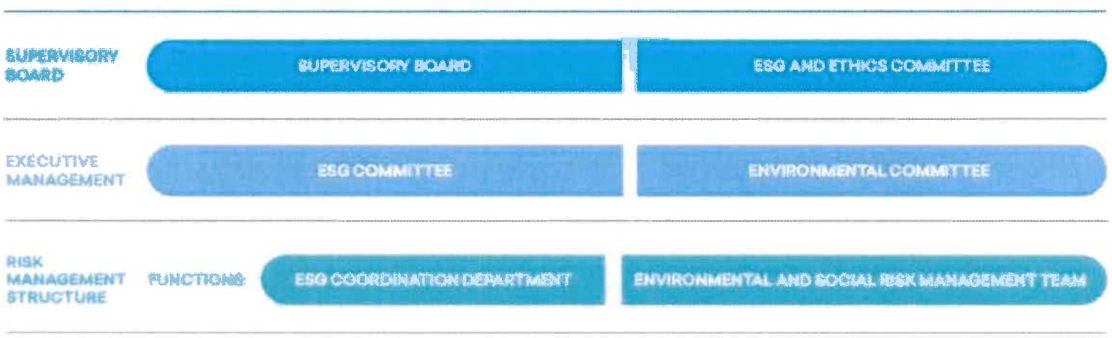
8.1.2 Executive management's role

At the executive level, responsibility for climate change-related risks and opportunities is assigned to the ESG Committee, which was established by the executive management in March 2021 and is responsible for implementing the ESG strategy and approving the annual as well as separate, detailed action plans for key projects. The progress and implementation status of action plans are monitored at the ESG Committee's meetings. During 2022, the ESG Committee met four times and covered various climate-related topics: TCFD reporting, TCFD implementation action plan, Policy on Climate Change. The ESG Committee's responsibilities also include the review and monitoring of climate-related risks and opportunities as well as the establishment of an effective mitigation and control system to manage identified (material) climate-related risks. The ESG Committee meets on a quarterly basis.

The implementation of the ESG strategy is supported by the various organisational functions responsible for ESG matters: Environmental and Social Risk Management Team, the ESG Department and the ESG competences centre – a working group initiated in order to support the enhancement of the TCFD framework.

Furthermore, the Environmental Committee meets on a quarterly basis and oversees the implementation and operation of the Environmental Management System, which includes addressing the resource consumption and other environmental impacts of TBC Bank's daily operations. 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[1]



8.2 Strategy

The Banks's objective is to act responsibly and manage the environmental and social risks associated with its operations in order to minimise 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 climate change.

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 the impact for each of the categories, we have developed a comprehensive evaluation methodology and applied it to the whole Bank. Based on this, annual goals are defined and specific initiatives and programmes are developed to attain them.

In 2020, TBC obtained an ISO 14001:2015 certificate for its Environmental Management System. In 2021 and 2022, TBC completed the re-certification process successfully. More information about the Environmental Management System can be found in the Environmental Management System section.

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

Summary table on ESG Strategy progress during 2022:

2021 ESG Strategy target / initiative	2022 status	2023 target
Establish ESG governance framework until the end of 2021	ESG governance framework established at both Board and executive management levels	Enhance ESG governance and achieve a higher maturity level
Set up a system for measuring impacts on sustainability across the Group, customers, employees and society	Regular reports on key parameters to the ESG-related Committees at Board and executive management level established	Increased granularity and automation of reporting, regular reporting on climate-related risks, scenario analysis, stress testing, ESG risk appetite
Increase sustainable loan portfolio	GEL 750 million	GEL 1 billion
Increase customer loyalty and employee motivation	Establishment of ESG training framework for all TBC employees	Measure ESG awareness among employees and customers
Implementation of the green loan framework	Green loan procedure implemented	Harmonisation of the green loan procedure and the green taxonomy of the National Bank of Georgia
Green Taxonomy of the National Bank of Georgia	The National Bank of Georgia introduced the Green Taxonomy, developed in line with the best international taxonomies. The implementation process has been finalised	The Green taxonomy is in force starting from 1st January 2023
Group's Policy on Climate Change	Climate Change Policy developed and approved[1]	Development of sectoral guidelines
ESG profiles for corporate customers	The framework on ESG profiles for corporate customers developed	Starting implementation with existing Top 20 corporate customers
Incorporation of ESG matters in risk appetite	Development of ESG risk appetite	Establishment of regular monitoring and review
ESG strategies in material subsidiaries	Separate ESG Strategies developed	Implementation of ESG Strategies

TBC Bank's ambition is to be the leading supporter of ESG principles in Georgia and the wider region. We aspire to make our direct environmental impact net zero 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 2023 and 2024 are listed below:

• Development of a methodology to calculate financed emissions;
• Measure the Bank's direct performance towards the Paris Agreement targets for the reduction of GHG emissions;
• Excluding/limiting high-carbon activities (please see our Exclusion List at https://www.tbcbankgroup.com/media/1928/exclusion-list.pdf)

• Increase ESG awareness and knowledge about the risks and opportunities of climate change among employees, customers and the wider public;
• ESG Academy - green financing training courses for employees and customers;
• Forecasting methodology and tools for supporting medium and long-term targets for GHG emissions reduction;
• Develop a methodology for the calculation of the GHG emissions of the total loan portfolio and define the action plan for implementation.

8.2.1 Climate-related risks and opportunities

Climate-related risks

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 three years, medium – up to eight years, long - above eight 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 relative to other sectors, as well as in comparison with other risk categories. Furthermore, it is to consider, that the assessment - low, medium and high – within a subcategory of transitional or physical risk was assigned relative to other subcategories within the same climate risk category. Thus, the assessment results are not comparable with the same impact categories in other countries or regions.

The overall assessment of transitional and physical risks is given below.

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

The overall assessment of the impact of transitional policy measures

Georgia's 2030 Climate Change Strategy and Climate Action Plan lays out different policy measures on which TBC Bank based its identification of the potential impact of the policy measures on different economic sectors, 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 Georgia's 2030 Climate Change Strategy will have an overall low impact on the economic sectors, especially in the short and medium term. Georgia's 2030 Climate Change Strategy takes into consideration that Georgia is a transitional and growing economy, and therefore government strategy is not to impede GDP growth with policy measures but rather to support a smooth transition where necessary. It is worth noting, that the economic sectors most affected by transitional risks worldwide such as mining, crude petroleum, natural gas and metal ores, manufacturing coke and refined petroleum products are present only to an extremely limited extent in Georgia, resulting in a low overall impact of transitional measures on economic growth, if any.

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

Market risk is low, as the consumer behavior in Georgia show a very slow trend towards lower carbon footprint products. For reputational risk, no material impact expected, as 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.

Please see more information about the Environmental Management System in the Chapter of Environmental Management System.

The overall assessment of the impact of the physical risks

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

The impact of physical risks on economic sectors which are financed by TBC Bank will materialized over time. For the Bank, the risks can materialize through the impairment of asset values and the deterioration in the creditworthiness of customers operating in Georgia. Certain geographic areas and economic sectors such as winter resorts and agricultural land are already partially affected and might deteriorate further in the medium time horizon. The overall assessment of the potential impact on Georgia and on TBC Bank's activities is medium on a 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 opportunities

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

Opportunity	Description	Anticipated financial impact
Products and services	Energy-efficiency loans	Revenue increase
Products and services	Renewable energy financing	Revenue increase
Products and services	Green lending procedure - a standardised approach to sustainable finance, including energy efficiency, renewable energy and resource efficiency financing	Revenue increase
Green / climate-related funding	Global Climate Fund (GCF) accreditation, enabling the Bank to have direct access to GCF funding	Revenue increase / cost optimisation
Resource efficiency	TBCs sustainability strategy seeks to decouple the Company's growth from its impact on the environment, while increasing the efficiency and resiliency of its operations. Finding innovative ways to run its operations with renewable energy, lower emissions, and reduce waste, among other efforts, reduces TBC's environmental impact	Cost reduction or optimisation

The list depicts products and loan purposes which are relevant for sustainable loan portfolio growth in TBC Bank.

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

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

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

In 2022, we continued to incorporate climate and broader ESG considerations into our financial planning processes. Some qualitative considerations that related to climate and ESG matters were incorporated in the financial planning cycle for 2022. In 2022, the Bank aligned loan portfolio growth planning with risks and opportunities in different sectors and defined relevant products on a sectoral level, thus supporting sustainable portfolio growth and the transition to a lower-emission economy in Georgia.

The table below depicts the sectors which were assessed to have a climate-related risk scoring of three and above according to the recommended guidelines of the National Bank of Georgia. The scoring system uses range from 0 to 10. As no sector is completely risk free and – for the time being – no sector is at absolute risk, the extremes can be neglected. In practice, the results range from 2 to 7. In order to identify products relevant for a sector, separate meetings were conducted with representatives of the various business lines and the potential for greening a sector was assessed. As of end of 2022, the sustainable loan portfolio of TBC Bank (which equals to GEL 782 mln) includes exposures with different purposes, such as: energy-efficiency loans, electric car loans, renewable energy financing for solar panels and hydro power plants. Overall sustainable loan portfolio growth volume was distributed by sectors in line with existing product catalogue and opportunities identified. Some products and services listed below are in process of development and will be available throughout 2023.

Sector	% in standalone Bank's loan book	Climate Risk Radar Score	Product Catalogue
Agriculture	4.6%	4	Energy-efficiency loans Climate-smart technologies New irrigation systems
Automotive	1.7%	4	Hybrid and electric cars, Euro 5, Euro 6 and Euro 7 cars Energy-efficiency loans Industry autos
Construction	6.0%	3	Energy-efficiency loans for construction projects, Production of energy-efficient building materials. Energy-efficiency loans for machinery / appliances Charging stations for electric cars
Energy & Utilities	5.3%	4	Renewable energy financing Charging stations for electric cars
Food Industry	5.9%	4	Energy-efficiency loans (warehouses, storage, appliances, cars)
Individuals	38.3%	3	Energy-efficiency mortgages Hybrid and electric car loans
Manufacturing	0.9%	3.5	Energy-efficiency loans (machinery, appliances, buildings) Carbon filtering
Metals and Mining	1.0%	4	Energy-efficiency loans (machinery, appliances, buildings)
Oil and Gas	1.1%	4	Energy-efficiency loans for building charging stations for electric cars
Real Estate	8.8%	3	Energy-efficiency loans Renewable energy financing (solar panels)
Transportation	1.3%	3.5	Hybrid and electric cars, Euro 5, Euro 6 and Euro 7 cars, buses, trucks

8.2.3 Climate-related scenarios

TBC Bank 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 the availability, accessibility and suitability of climate data and subsector information for financial risk analysis, as well as climate-related risk modelling capabilities, in Georgia are very limited and still evolving. Despite these limitations, the scenario analysis allows us to test a range of possible future climate pathways and understand the nature and magnitude of the risks they present. The purpose of scenario analysis is not to forecast the future but to understand and prepare to manage risks that could arise. In 2022, we continued working with the external consultant and developed a stress testing model covering different economic sectors in Georgia in order to capture the stress testing impact on the whole credit portfolio of TBC Bank.

Scenario Selection

Multiple scenarios were used to explore different plausible scenarios and trade-offs and to gain a more holistic view of the risks: Below 2°C (B2C), Net Zero 2050 (NZ2050), Delayed Transition (DT). The selected set of scenarios span across the timeframe from 2020 to 2050. The scenarios reflect different assumptions about the likelihood and timing of government actions, technological developments, and their spillover effects on productivity. Each scenario combines assumptions related to i) the introduction of a public policy measure (a higher carbon tax); (ii) productivity shocks resulting from the insufficient maturity of technological innovations (higher energy prices), and the effects on investments in non-energy sectors. The input for scenario analysis comes from the GCAM model used to derive the NGFS scenarios. The data was sourced from the NGFS Phase II database and the GCAM5.3 (GCAM-USA) model – an Integrated Assessment Model for the evolution of energy and socio-economic systems.

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

Scenario Implementation

To complement the output from the GCAM model three additional transition channels have been included: i) Increased Capex - Transitioning towards a decarbonised economy requires the replacement of "traditional" or carbon-intensive technology by sustainable technology. These new technologies are more expensive implying higher Capital Expenditure / Leverage/ debt-servicing burden for TBC's borrowers; ii) Direct Emissions - Energy prices are the main transition channel for Carbon tax, but direct emissions (own heating, own fuel use, livestock emissions, etc.) might also be taxed. That's not captured by the energy biased IAMs; iii) Transition Winners - certain sectors can be considered sector winners because they are likely to benefit from higher and accelerated investment cycles. Some of these include Construction, Automotive, Trade, Manufacturing due to the move to carbon-light activities.

For physical risk, firstly, models and scenarios provided by NGFS for physical risks were examined. It was also preferred to be compatible with scenarios in transition risks. In this context, available data sources made it appropriate to use physical risk indicators only for the REMIND-MAgPIE5 model under three scenarios (i.e., Current Policies, Net Zero 2050, and Delayed Transition). Secondly, among various indicators, the indicators that could affect Georgia and the sectors were selected. Physical risks, which are divided into two as acute and chronic, are examined through two indicators. Considering Georgia's natural disaster history, it was observed that the most harmful physical event with high risk within the scope of acute risk was flooding, and therefore "Annual Expected Damage from River Floods" was used as an acute risk indicator. In the context of chronic risk, the "Mean Air Temperature" was used as a fundamental indicator.

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

Conclusions

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

For the scenario Delayed Transition, the results differ slightly: climate shocks impact the payment capacity of customers in retail, Micro and SME segments insignificantly; few corporate customers show negative trends (as the collateral value is not considered initially), however, after considering collateral value, the result becomes negligible.

Even if the climate stress tests are not forecasting tools, they indicate the level of resilience towards climate shocks, especially in the short and medium term; furthermore, climate stress test show that the most vulnerable sectors are energy (non-renewable) & utilities, and oil and gas, if the transition risks materialise. However, as mentioned above, transition risk is rather low in Georgia.

8.3 Risk management

Processes for identifying and assessing climate-related risks

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

As mentioned above, climate risks can materialise, first of all, through the impairment of asset values and deteriorating creditworthiness of customers. Therefore, as a first step, we looked at the largest subsidiary of the TBC Group PLC by assets, constituting 96% of the Group's assets – TBC Bank standalone, 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. 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. The assessment of levels and impacts might change in the future, based on further reviews of the methodology, deep-dive analysis and increased understanding of the impact of climate change risks.

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

The sectoral distribution of the loan portfolio as of 31 December 2022 is given in the table below.

Gross loans by sectors for standalone Bank	Total exposure (GEL mln)	% of Gross Portoflio
Individuals	6,839.5	38.3%
Real Estate	1,564.3	8.8%
Hospitality & Leisure	1,147.1	6.4%
Construction	1,073.8	6.0%
Food Industry	1,060.0	5.9%
Trade	1,050.0	5.9%
Energy & Utilities	947.4	5.3%
Agriculture	822.8	4.6%
Healthcare	451.3	2.5%
Services	383.6	2.1%
Automotive	297.6	1.7%
Transportation	240.5	1.3%
Pawn Shops	196.5	1.1%
Oil and Gas	191.9	1.1%
Metals and Mining	179.4	1.0%
Manufacturing	151.8	0.8%
Financial Services	150.8	0.8%
Media & Publishing	84.6	0.5%
Communication	30.8	0.2%
NGOs and Public sector	1.1	0.0%
Government sector	0.2	0.0%
Other	994.2	5.7%
Total Loans to Customers (Gross)	**17,859.2**	**100.0%**

The maturity of assets is essential when defining the different time horizons for the analysis and when 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 horizons than the timeframe in which the impacts of climate change, especially of physical risks, may arise in Georgia.

Processes for managing climate-related risks

Since 2012, TBC Bank has had in place a process to consider environmental and social risk, which was established in line with industry guidelines, that aims to mitigate climate change. TBC Bank has developed E&S risk management procedures to identify, assess, manage and monitor environmental and social risks 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 categorisation matrix was developed. Projects that are to be financed are classified according to E&S categories (low, medium, high and A category) based on analysis; where necessary, deep-dive analysis and due diligence are performed. When categorising the transaction according to E&S risk category, priority is given to the higher risk. Additionally, external specialised companies are involved in the detailed assessment of E&S risks for A category projects, such as hydroelectric plants. The Environmental Management Policy and Procedure provides TBC with a good description of assessing environmental risks related to clients. More information about the Environmental Management System can be found in the Environmental Management System section.

It is worth noting that processes related to climate risks will continue to evolve as TBC develops its approaches further. Work is continuing to embed climate-related risks and opportunities within our business further. TBC is supported by the Technical Assistance Trust Fund (EPTATF)1 through its Climate Action Support Facility (CASF) for Promoting Climate Action for SMEs in Georgia. The EPTATF comprises one year of consultancy support for the implementation of TBC's climate action strategy, provided by the Frankfurt School of Finance and Management, covering:

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

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

ESG profiles

In 2022, TBC Bank developed ESG Profile Methodology. The aim is to define Environmental, Social and Governance (ESG) components for ESG Scorecard in order to assess and consider them during assessment of TBC's clients.

ESG profile consists of three main components:

1. Environmental – covering a) environmental and social risks and b) physical and transitional climate change risks (based on National Bank of Georgia's Climate Risk Radar).
2. Social – covering diversity, employee benefits and equal/fair pay;
3. Governance – covering ESG governance, the Company's disclosures and diversity in staffing process.

Due to the fact that the assessment of climate change risks is a relatively new direction, there is lack of generalized data and relevant expert knowledge at the country level. To gain the experience and the knowledge, the first pilot assessment of ESG profiles will be done for TBC's TOP20 client group portfolio.

Policy on Climate Change

In 2022, the Bank developed the Policy on Climate Change, which was approved by the Board of Directors. This Policy is largely an internal guidance document, supporting the implementation of the Bank's ESG Strategy. The Policy applies to TBC's staff and provides broad strategic orientation for implementation, including institutionalizing climate-related matters in the organizational culture, and advancing climate actions in all areas of operations. The Policy on Climate Change has to be implemented with strong commitment, high-level leadership and an institutional mandate, supported by the enhanced capacity to implement the climate action strategy, allocate sufficient resources and achieve greater accountability.

Other risk categories

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

Banking risk types	Impact from Physical Risk	Impact from Transition Risk
Market risk	No material impact expected	No material impact expected
Liquidity risk	No material impact expected	No material impact expected
Operational risk	Extreme events that would cause damage to the Group's own sites could affect 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

8.4 Metrics and targets

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

The metrics related to the Bank's own operations are given in more detail in the section of Environmental Management System. Please see below the summary of Scope 1, Scope 2 and Scope 3 GHG emissions, 2022 targets versus actual results, as well as targets for 2023.

The climate action initiatives are part of the overall ESG strategy, which is reviewed and approved by the Board of Directors annually. The ESG strategy sets aspirational targets, such as achieving Net-Zero GHG emissions1 related to 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 31 December 2022, the total sustainable portfolio stood at GEL 782 million, which exceeds the 2022 target volume GEL 750 million by GEL 32 million. Further details about the sustainable portfolio breakdown can be found on page 139. The target for 2023 is set at GEL 1 billion.

Total GHG emissions (CO2) (tonnes) and KPIs	Actual 2022	2022 target increase	2023 target increase
Scope 1 - Fuel Combustion (heating, vehicles, generators)	2,043	Below 4%	Below 6%
Scope 2 - (Electricity consumption)	1,369	Below 2%	Below 7%
Scope 3 - (International flights)	498	-	-
Total emissions (tCO2)	3,910	Below 3%	Below 6%
Total emissions per full time employee (tCO2/pp)	0.52	Below 3%	Below 6%
Water consumption per employee (m3/pp)	8.76	Below 1.5%	Below 2%
Printing paper per person in reams	13.78	Below 0.4%	Below 4%

From 2022 onwards, ESG-related KPIs are included in the long-term incentive plans for executive remuneration. The executive management KPIs are linked to the target volumes of the sustainable loan portfolio and other sustainable assets. For more details, please see the director's remuneration committee report on pages 188-205.

The Bank's ESG strategy is evolving. The Bank continues to develop additional targets and metrics to measure all identified risks and opportunities. In 2023, the focus will be on commencing the establishment of science-based targets and the measurement of direct impacts in line with Paris Agreement targets.

9. Environmental Management System (EMS)

TBC Bank has a comprehensive Environmental Policy in place, which governs our Environmental Management System ("EMS") within the Group. Our Environmental policy ensures that we:

- comply with applicable environmental, health and safety and labour regulations;
- use sound environmental, health and safety and labour practices;
- take reasonable steps to make sure that our customers also fulfil their environmental and social responsibilities.

Our Environmental 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 2022, TBC Bank has successfully passed the third year surveillance audit of the environmental management system, ISO 14001:2015. This means that TBC's environmental system is managed in accordance with international standards and requirements.

Continual development of our environmental staff is crucial for the proper implementation of EMS. In this regard, the ESRM team members attended several training sessions during the year including EBRD's e-learning training course on Environmental and Social Risk Management for Financial Intermediaries, Green for Growth Fund's (GGF) Green finance expert online course, as well as Webinar – TCFD for the Financial Sector -focus for Banks provided by United Nations Sustainable Stock Exchanges initiative.

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) (tonnes) and KPIs	**Actual 2020**	**Actual 2021**	**Actual 2022**	**2022 target increase**	**2023 target increase**
Scope 1 - Fuel Combustion (heating, vehicles, generators)	2,029	1,936	2,043	Below 4%	Below 6%
Scope 2 - (Electricity consumption)	1,415	1,319	1,369	Below 2%	Below 7%
Scope 3 - (International flights)	103	17	498	-	-
Total emissions (tCO2)	3,547	3,272	3,910	Below 3%	Below 6%
Total emissions per full time employee (tCO2/pp)	0.55	0.47	0.52	Below 3%	Below 6%
Water consumption per employee (m3/pp)	11.24	9.98	8.76	Below 1.5%	Below 2%
Printing paper per person in reams	14.59	14.70	13.78	Below 0.4%	Below 4%

Scope 1 - according to KPI's for 2022 it was expected to increase this parameter by 4%. In fact, this indicator slightly increased at TBC Bank (5%).

Scope 2 – Total electricity consumption of TBC Bank was increased by 4% (planned KPI was 2%). Main driver is TBC Bank's new data center premise including its ventilation and air-conditioning service which brought additionally 532765 kWh per year (equivalent to 50 080 kgCO2/y).

Scope 3 - Due to the recovery from Covid19 pandemic environment business flights are increased dramatically.

Overall, total emissions increased by 19% in 2022 compared to 2021 levels, while total emission per full time employee increased by 11% over the same period.

In 2022, the water consumption per employee decreased by 12% year-on-year, while usage of printing paper went down by 6%.

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 (CO_2) 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 (tCO_2*/ 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 (tCO_2*/MWhe) was used.

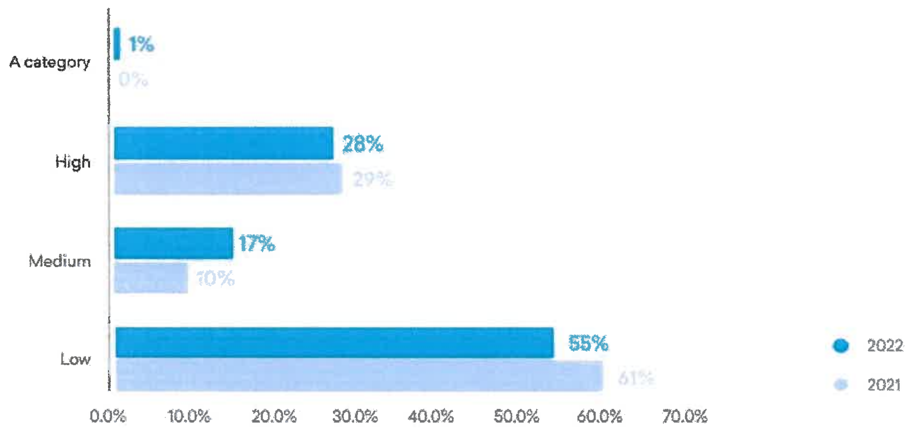
Scope 3 includes emissions from air business travels (a short haul, a medium haul, a long haul and an international haul); it should be noted that information on the travel class was considered and an "economy class" conversion factor has been used for the emissions calculation from the following link: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

Environmental and Social Risk Management in Lending

We are committed to ensuring that our customers fulfil their environmental and social responsibilities. For this purpose, we have Environmental and Social Risk Management (ESRM) Procedures in place. These are fully integrated into the credit risk management process and ensure that environmental and social risk assessments, which are appropriate, risk-based and sector specific, are 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 manage effectively credit and reputational risks that could arise from our clients' non-compliance regarding environmental and social matters.

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.

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



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 standardised 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.

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

- The Bank acknowledges the importance of addressing gender equality and the empowerment of women and has in place several facilities that promote women's entrepreneurship by supporting increased access to finance, providing non-financial services as well as knowledge-sharing opportunities. In addition, there are dedicated funds supporting young borrowers and entrepreneurs, providing loans for education, mortgage loans, as well as loans to start businesses.
- TBC Bank has in place several guarantee facilities with a special focus on start-ups, women and regional entrepreneurs. These risk-sharing instruments serve as a partial substitute for collateral and enable the Bank to increase access to financing for underserved target groups, granting them better growth and development opportunities.
- Moreover, TBC is actively mobilising green funds from partner international financial institutions to promote sustainable economic growth, primarily by financing energy efficiency, resource efficiency and renewable energy projects. Those facilities will help local businesses and households to become more competitive by investing in high-performance technologies and adopting energy-efficient practices. In addition, financing is coupled with technical assistance programmes, providing know-how and technical expertise to borrowers and ensuring that their green investments are successfully implemented. Several green facilities have grant incentives in place as well.

During the year, TBC attracted various facilities totalling up to GEL 280 millon for these purposes from several long-standing international partners, such as EBRD, DEG, FMO, DFC.

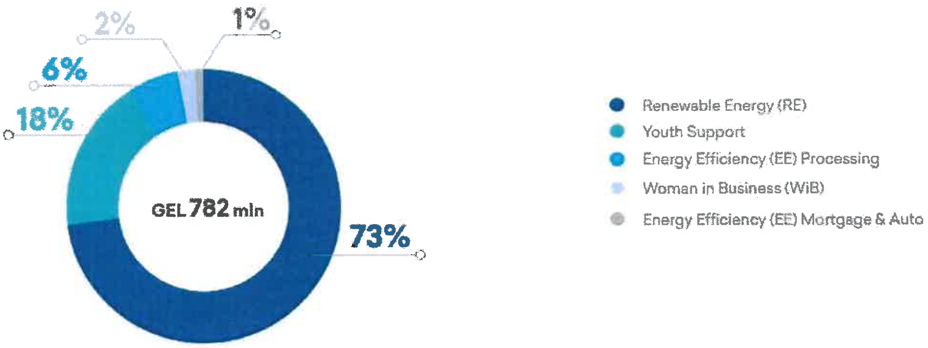
In addition, in 2022, after receiving accreditation by the Green Climate Fund (GCF) in 2021, TBC signed the Accreditation Master Agreement (AMA), which is the central instrument setting out the basic terms and conditions to work together with the GCF. This authorises TBC Bank to access and mobilise financial resources from the GCF and formalises TBC's accountability in carrying out GCF-approved projects appropriately.

Furthermore, our partners – FMO, Dutch Entrepreneurial Development Bank, Symbiotics, Deutsche Investitions und Entwicklungsgesellschaft mbH (DEG) and Global Climate Partnership Fund (GCPF) - all conducted E&S due diligence, which included the review of our ESRM approaches, practices and plans related to the development of green financing. In addition, on-site visits were conducted with our corporate clients. The results of the due diligence were positive.

In order to support the implementation of Green Lending procedures within the Company and for better understanding of the importance of Green Lending, the ESRM team conducted "Green Lending training" sessions for 91 employees including SME credit officers, credit analysts, credit risk managers and business SME lending/sales coordinators.

During 2022, our sustainable portfolio achieved 8 874.4 tCO_2/a in CO_2 savings according to the data provided by our green facility fund providers. Over the same period, our renewable energy portfolio impact (avoided GHG emissions) amounted to 10 002 tCO_2/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 includes 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. 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 our employees

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

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

- E&S Training for new employees;
- Green Lending training for credit staff;
- An annual mandatory online EMS e-learning course for all staff, followed by a self-evaluation test;

In 2022, 97% of all staff, including senior management, successfully passed an online course and a self-evaluation test about TBC's EMS.

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

External Communication

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.

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

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

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

In 2022, TBC Bank released its third full-scale Sustainability Report, which was prepared in accordance with Global Reporting Initiative (GRI) standards. The Sustainability Report helps the Company to understand its role and influence on sustainable development issues such as climate change, human rights and social welfare. The report is available at www.tbcbankgroup.com

10. Remuneration Policy for Top Management and Non-executive members of the Supervisory Board

Board of Directors of TBC Bank Group PLC, based on the recommendation of the Remuneration Committee, approves the remuneration and other benefits of the CEO and Deputy CEO's (hereinafter 'Top Management'[16]) 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 and below.

[16] Top Management refers to Executive Directors as defined in the Directors' Remuneration Policy.

Policy table: Top Management (hereinafter 'Director')

For all Deputy CEO's total remuneration level and structure is the same as for CEO with only difference in relation to the Chief Risk Officer ("CRO"). In case of CRO, the split between fixed and variable compensation is different from other deputies in line with the requirements of the applicable regulations and in particular, that in CRO's compensation structure fixed component shall be higher. Hence, CRO's variable compensation has higher fixed component compared to CEO and other deputies (37% fixed component of total compensation for CEO and other Deputy CEO's while CRO's fixed component is 48% of the total compensation at target).

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 each executive Director with a competitive fixed income to efficiently retain and reward the Director and are based upon each Director's roles and responsibilities within the Group and relative skills and experience. **Salary in cash** The cash part of the salary is aimed to provide fixed cash remuneration. **Salary in shares** Part of the CEO's salary is delivered in the form of shares to align executive Directors' and shareholders' interests.
Operation	An executive Director may be paid separate salaries for roles and responsibilities at different entities within the TBC Group as set out in a separate service contract with any relevant entity. Currently the Executive Director receives a salary from JSC TBC Bank and TBC Bank Group PLC. The aggregate is disclosed in the Remuneration Report. 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** 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. All shares must be held for one year and 50% of the shares must be held for a second year. They are registered in the trustees name as nominee for the participants. The participants are entitled to receive 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. Salary for the Executive Director is 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 no absolute 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.
Amendments to previous policy	Removal of deferral (with a requirement for continued employment), malus and clawback on salary delivered in shares. This is to ensure salary delivered in shares is treated as fixed pay for regulatory purposes.
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 Executive Directors.
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.[17]
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.
Amendments to previous policy	Reduction of maximum employer contribution from 3% to 2% to align pension with workforce pension arrangements.
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 Executive Directors 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. Executive Directors 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 Executive Director is 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.
Amendments to previous policy	No Changes proposed

[17] 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.

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 our Executive Directors' interests 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). 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 summarised further on in this Remuneration Policy.
Maximum Opportunity	The maximum value of the Annual Bonus for the Chief Executive Officer, 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. For threshold performance, no Annual Bonus is paid. 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 misleads 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 claw 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 summarised in the Policy in effect from 1 January 2019.
Amendments to previous policy	Move to basing maximum award on a percentage of salary rather than a monetary amount. Removal of continuing employment requirement for the annual bonus. Introduction of a minimum of 60% of annual bonus determined by financial KPIs. Setting target performance to provide 50% of maximum bonus opportunity compared to 63% per current policy. Extension of malus and clawback trigger events in line with the requirements of NBG CG Code.

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 our Executive Directors' interests 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 three 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 further vesting period and continued employment requirements before vesting at the end of 5 years. 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 summarised further on in this Remuneration Policy.
Maximum Opportunity	The maximum value of the award for the Chief Executive Officer 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 are approved by the Board 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 and a target award will be calculated on a straight line basis. 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 an event which causes the Remuneration Committee to reasonably consider that it would be appropriate to amend them, 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 misleads 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 summarised in the Policy in effect from 1 January 2019.
Amendments to previous policy	In line with NBG requirements, introduction of Remuneration Committee assessment that there has been satisfactory performance over the prior year before grant. Move to basing maximum award on a percentage of salary rather than a monetary amount. Reduction of the threshold LTIP to 25% of maximum award. Extension of malus and clawback trigger events in line with the requirements of NBG CG Code.
Shareholding Requirement	
Purposes and link to the strategy of the Group	To further enhance the alignment of shareholders' and Executive Directors' interests in long-term value creation and sustainability of results.
Operation	The Company has a minimum shareholding requirement of 200% base salary, built up within five years of appointment. Until it is met, Executive Directors 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 Executive Director's shareholding 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 Executive Director's shareholding at termination or 50% of the minimum shareholding requirement.
Performance Measures	Not performance based
Amendments to previous policy	Introduction of a timeframe within which to build minimum shareholding requirement.

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.

In order for variable pay to be made to the Executive Directors, "gateway" KPIs - agreed with the Board Risk Committee annually - need to be met, with the Annual Bonus and Long-Term Incentive Plan ("LTIP") then being awarded, and the LTIP then vesting in due course if the ex-post medium-term KPIs are also achieved. Following the approval of the new Remuneration Policy in 2021 and in line with the new National Bank of Georgia Governance Code requirements on Executive remuneration, a process with respect to the granting of LTIP awards has been adopted to incorporate gateway KPIs into the award process. These gateway KPIs also apply the potential granting of an Annual Bonus award. Whether or not an Annual Bonus and/or LTIP award is granted to the CEO and the senior management of JSC TBC Bank is subject to whether certain gateway KPIs are met. If these gateway requirements are met, the Committee may then determine the size of LTIP award based on the achievement against the applicable KPIs for the performance year (The "base Year"), based on the Remuneration Policy.

For the 2023-2025 cycle, the following gateway KPIs were met as at the end of 2022, confirming the Directors eligibility for variable pay grant (both Annual Bonus and/or LTIP) in 2023:

- 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.;
- Liquidity (NSFR ratio): The lower end of the amber zone of the RAF at 31 December each year as approved by the Risk Committee.
- Profitability (IFRS Group Net Income): The Group shall not run a loss after incurring LTIP and Annual Bonus expenses.

As shown in the next table, the status against the KPIs set with respect to the LTIP grant gateway was above the respective targets as at the end of 2022:

		31-Dec-22
CET 1 ratio	NBG CET 1 Reg Requirement	11.6%
	Min Range of Amber Zone, regulatory +0.6%	12.2%
	Actual CET1 Capital Ratio	15.5%
NSFR	NBG NSFR Reg Requirement	100.0%
	Risk Appetite Amber Zone	103.0%
	Actual NSFR	135.3%
(IFRS Group Net Profit)	Group IFRS Net Profit in FY 2022	GEL 1.003 billion
	Top Management Variable Comp in 2022 & 2023-2025 LTIP at grant gateway target	GEL 23.1 million

Policy table: Non-Executive Directors

In the same way as the executives, the Non-Executive Directors receive their compensation both from the Company and the main subsidiary, JSC TBC Bank, proportionate to the time spent working on the respective entity's Boards and committees.

Fees	
Purposes and link to the strategy of the Group	To provide appropriate compensation for a Non-Executive Directors of the Group, sufficient to attract, retain and motivate high calibre individuals with the relevant skills, knowledge and experience to further the Group's strategy.
Operation	The Group pays fees to Non-Executive Directors. The fees are determined by the Board. The Chairman is paid an all-inclusive fee for all Board responsibilities. The other Non-Executive Directors receive a basic Board fee, with additional fees where individuals serve as the Senior Independent Director, member or Chairman of a Committee of the Board. The Board (excluding the executive directors) reserves the right to structure the Non-Executive Directors' fees differently in its absolute discretion. The Board's (excluding the executive directors) discretion will be exercised fairly and reasonably and with regard to appropriate comparable market practice and business strategy. Fees are generally paid monthly in cash. However, the Board reserves the right to pay the fees on a different basis. Fees are periodically reviewed and adjusted by the Board, having regard to external comparators such as the Group's peer group, the chair or committee roles and responsibilities and other market factors.
Maximum Opportunity	The Board will review the amount of each component of fees periodically to assess whether, individually and in aggregate, they remain competitive and appropriate in light of changes in roles, responsibilities and/or time commitment of the Non-Executive Directors, and to ensure that individuals of the appropriate calibre are retained or appointed. Current fee levels are set out in the Annual Report of Remuneration.
Performance Measures	Not performance based
Malus / clawback	Malus and clawback provisions are not applicable.
Amendments to previous policy	N/A
Benefits and Expenses	
Purposes and link to the strategy of the Group	To compensate Non-Executive Directors for expenses incurred in connection with the performance of their Non-Executive Directors duties and to ensure the Group has the appropriate Non-Executive Directors input as and when required.
Operation	The Group may reimburse Non-Executive Directors for their expenses incurred in connection with the performance of their duties including attending Board and committee meetings (such as, for example, travel, accommodation, other subsistence expenses and personal security arrangements), Board/committee dinners and functions, Board training sessions, Director's and officers' liability insurance, advice in respect of professional duties and corporate hospitality events (or the Group may pay such expenses directly).
Maximum Opportunity	The maximum amount payable depends on the cost of providing such expenses in the location at which the Non-Executive Director is based. Shareholders should note that the cost of providing comparable expenses in different jurisdictions may vary widely.
Performance measure	N/A
Malus / clawback	N/A
Amendments to previous policy	N/A

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 (Executive Directors);
- 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 Executive Directors and the Supervisory Board members of the Bank, based on the instructions of National Bank of Georgia, there were 34 positions identified as MRTs as of December 2022. MRT Employees whose remuneration exceeded GEL 1 million during the year was only 2 employee except Directors.

Middle Management, Other Material Risk Takers (MRTs Except Directors and Supervisory Board) and Other Employee Remuneration

The remuneration of the Other Material Risk Takers (the "MRTs"), as well as Executive Directors and the Supervisory Boardof the Bank are subject to the National Bank of Georgia Corporate Governance Code for the Commercial Banks (the "NBG CG Code").

Middle management across the Bank, 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, Deferred Share Plan awards are subject to 3 years holding period 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, Other MRT employees (except Execcutive Directors and Supervisory Board) variable remuneration structure is subject to additional regulatory requirements:

1. In line with NBG CG Code, 40% of annual variable remuneration of the MRTs (or at least 60% of it, provided annual variable remuneration exceeds 100% of the annual salary and/or exceeds 500,000 GEL) shall be deferred for 3 years;
2. a ratio of fixed to variable pay of MRTs shall be set at a maximum of 1:1 (which can be increased by TBC PLC Board Directors, in its capacity as a Bank's shareholder, to 1:2);
3. Maximum 50% of the deferred variable remuneration and maximum 50% of non-deferred part of the variable remuneration can be paid in cash and the remaining part shall be paid in shares;
4. From 1st January 2022, the deferred part of variable remuneration is paid fully in shares.

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.

The Control functions' remuneration is designed to:

1. ensure effectiveness and independence of decision-making process without being influenced by business lines;
2. prevent conflict of interest, including compromising independence of control function employees;

3. ensure that variable remuneration of the control function employees, does not depend on the achievement of certain financial results of those business lines the control function employees are required to monitor and check.

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 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.

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.

11. 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