

PILLAR 3 ANNUAL REPORT



2024

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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.

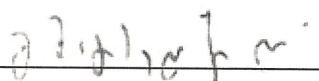
2. JSC TBC Bank's Management Statement

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 1 April 2025 and signed on its behalf by:



Giorgi Megrelishvili

Chief Financial Officer



Nino Masurashvili

Chief Risk Officer

3. Background and Group Structure

Principal activity. TBC Bank JSC (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 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 125 (2023:123) branches¹ 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 TBC Bank JSC as at 31 December 2024 (2023: 99.88%) thus representing the Bank's ultimate and direct parent company. TBC Bank Group PLC's registered legal address is 100 Bishopsgate, C/O Law Debenture, London, England, EC2N 4AG. Registered number of TBC Bank Group PLC is 10029943.

As of 31 December 2024, and 2023 the Bank's shareholder structure was as follows:

Shareholders	% of ownership interest held as of 31 December	
	2024	2023
TBC Bank Group PLC	99.88%	99.88%
Other	0.12%	0.12%
Total	100.00%	100.00%

As of 31 December 2024, and 31 December 2023, the shareholder structure of TBC Bank Group PLC by beneficiary ownership interest was as follows:

Shareholders	% of ownership interest held as of 31 December	
	2024	2023
Dunross & Co.	6.84%	6.50%
Allan Gray Investment Management	4.62%	3.88%
BlackRock	4.60%	4.72%
Vanguard Group	4.24%	4.39%
JPMorgan Asset Management	3.75%	3.81%
Mamuka Khazaradze and Badri Japaridze	15.40%	15.83%
Other*	60.55%	60.87%
Total	100.00%	100.00%

* Other includes individual as well as corporate shareholders.

¹ Excluding pawnshop units.

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

Subsidiary name	Proportion of voting rights and ordinary share capital held as of 31 December		Principal place of business or incorporation	Year of incorporation	Functional Currency	Principal activities
	2024	2023				
United Financial Corporation JSC	99.53%	99.53%	Tbilisi, Georgia	2001	GEL	Card processing
TBC Capital LLC	100.00%	100.00%	Tbilisi, Georgia	1999	GEL	Brokerage
TBC Leasing JSC	100.00%	100.00%	Tbilisi, Georgia	2003	GEL	Leasing
TBC Kredit LLC	100.00%	100.00%	Baku, Azerbaijan	1999	AZN	Non-banking credit institution
TBC Pay LLC	100.00%	100.00%	Tbilisi, Georgia	2008	GEL	Payment processing
TBC Invest-Georgia LLC	100.00%	100.00%	Ramat Gan, Israel	2011	ILS	Financial services
TBC Asset Management LLC	100.00%	100.00%	Tbilisi, Georgia	2021	GEL	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		Principal place of business or incorporation	Year of incorporation	Principal activities
	2024	2023			
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*	17.33%	17.33%	Tbilisi, Georgia	1999	Finance, Service
Kavkasreestri JSC*	10.03%	10.03%	Tbilisi, Georgia	1998	Finance, Service

* The Group has a significant influence on Georgian Stock Exchange JSC and Kavkasreestri JSC with representatives in management board.

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.

Company name	Proportion of voting rights and ordinary share capital held as of 31 December		Principal place of business or incorporation	Year of incorporation	Principal activities
	2024	2023			
TBC Invest International LLC*	100.00%	100.00%	Tbilisi, Georgia	2016	Investment Vehicle
University Development Fund*	33.33%	33.33%	Tbilisi, Georgia	2007	Education
Natural Products of Georgia LLC*	25.00%	25.00%	Tbilisi, Georgia	2001	Trade, Service
TBC Trade LLC*	100.00%	100.00%	Tbilisi, Georgia	2008	Trade, Service
Diversified Credit Portfolio JSC	100.00%	100.00%	Tbilisi, Georgia	2021	Asset Management
Diversified Credit Portfolio JSC 2	100.00%	N/A	Tbilisi, Georgia	2024	Asset Management
Diversified Credit Portfolio JSC 3	100.00%	N/A	Tbilisi, Georgia	2024	Asset Management
Globally Diversified bond fund JSC	100.00%	100.00%	Tbilisi, Georgia	2023	Asset Management

*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.²

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. 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.

² Article 6, subsection “c” of the Rule



Composition of Supervisory Board members of the Company

Biographies of the members of Supervisory Board

		
	ARNE BERGGREN	TSIRA KEMULARIA
POSITION	Chair	Senior Independent Supervisory Board Member
COMMITTEE	Chair of CGN, Member of RemCo	Member of AC, CGN, and RemCo
APPOINTED	Board: 18 July 2019, Chair: 1 March 2021	Board: 10 September 2018, Senior Independent Director: 15 September 2021
NATIONALITY	Swedish	British
CAREER	Arne has worked in the financial services industry for more than 30 years. He has held several senior leadership and advisory positions at prominent financial institutions, including the IMF, World Bank, Swedbank, Carnegie Investment Bank AB and the Swedish Ministry of Finance and Bank Support Authority. Arne played a leading role in the handling of the Swedish banking crisis in 1991-93 and assisted the FRA in Thailand and FSC/ KAMCO in South Korea during the Asian crisis. Arne has also served as an independent Non-Executive Director in asset management companies in Turkey and Slovenia, and in Greece at Piraeus Bank.	Tsira is an experienced finance executive with over 25 years of experience in a broad range of roles. Currently, Tsira is a Vice President for FTSE100 energy major, Shell's, Corporate segment and the UK Country Controller. She is also a member of Shell's UK Management Board and is a Trustee of a BG Pensions Scheme. Over the years, Tsira's management roles have covered a number of finance disciplines such as; Head of Internal Audit for Shell's Commodity business globally, Head of Shell's Group Pension Group Strategy and Standards, CFO of Shell's commodity trading business in the Caribbean, M&A, Commercial Finance Management role for Russia & CIS and Commodity Market Risk Management for crude oil trading in Europe.
SKILLS & EXPERIENCE	Experience in international financial institutions and advising governments; Board membership and committee chairing experience in other UK listed banks; Experience in investment banking activities and in leading bank restructurings; Deep understanding of strategic planning and implementation.	More than 25 years of in-depth experience across the energy sector including regulated commodity trading and financial services; Chartered Director and Fellow with the Institute of Directors in London, UK; Former member of the British-Georgian Society and former Chair of the Georgian Community in the UK; Relevant experience and expertise in information security risk management
CONTRIBUTION TO THE COMPANY	With more than 25 years of international banking experience, coupled with his background and broad experience, Arne provides a valuable perspective as Chair to the Board. Arne plays a pivotal role in supporting the Company's relationship with its major shareholders, and, through his extensive experience in navigating economic uncertainty, is invaluable in meeting the challenges facing the Company and the wider sector. As Chair of the Corporate Governance and Nominations Committee, Arne has secured a number of high calibre appointments in recent years. This has been instrumental in ensuring the composition of the Board matches the culture, strategy and leadership needs of the Company.	Tsira's specialist knowledge in the areas of financial services, risk management and internal audit enables her to contribute to, and constructively challenge on, a wide range of Board matters. As a Chartered Director, Tsira's leadership qualities ensure she can act as a sound advisor to the Chair and represent the interests of the other Directors. Tsira brings significant regulatory, strategic and international financial services expertise and knowledge of financial markets to the Board.
EXTERNAL APPOINTMENTS	Chairman of Hoting Innovations AB	Shell International Ltd - VP Corporate and UK Controller, and director of various Shell Group entities Company Nominated Trustee Director of the British Gas Trustee Solutions Ltd, a closed pension fund (post British Gas acquisition by Shell)

		
	PER ANDERS FASTH	JANET HECKMAN
POSITION	Independent Supervisory Board Member	Independent Supervisory Board Member
COMMITTEE	Chair of AC, Member of RC and CGN	Chair of RemCo, Member of RC
APPOINTED	1 July 2021	26 June 2023
NATIONALITY	Swedish	American
CAREER	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 as a non-executive director and advisor to corporations and governments.	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 as a non-executive director on the boards of Astana International Exchange, Air Astana, Kazakhstan and Citi 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 CEEMEA.
SKILLS & EXPERIENCE	Extensive CEO and senior executive experience, having spent more than 20 years at leading banks and other financial institutions; Over 40 years of accumulated experience as an independent non-executive director; Strong listed corporate governance, leadership and strategic advisory skills; Significant financial reporting, investor relations and internal controls experience; Relevant experience from the financial information technologies (fintech) and credit management industries across Europe.	Over 30 years' experience in corporate, investment and development banking. Extensive expertise in global relationship banking. 15 years' experience in operations management; Relevant experience of developing and delivering business plans and strategic change in a wide range of jurisdictions, including across Central and Eastern Europe, North Africa, the Middle East and Central Asia. This included the establishment of key partnerships with national governments.
CONTRIBUTION TO THE COMPANY	Per Anders is regarded as a financial expert in the context of audit and risk committee work. He has extensive experience of operating in regulatory environments and is widely regarded in both the corporate and financial world. Per Anders's broad leadership and global executive experience brings a wide perspective to his role as Chair of the Audit Committee and in Board discussions and decision-making.	Janet brings her extensive knowledge of financial services and corporate banking to the Board, with her past experiences in the formulation and delivery of strategy for regional operations at the EBRD.
EXTERNAL APPOINTMENTS	Chairman of Lyra Financial Wealth AB Board member of Atle Investment Management/Services AB Board member and audit committee chair of JSB Ukgasbank	Board member and audit committee chair of Astana International Exchange Board member of Air Astana, Kazakhstan Board member of Citibank Kazakhstan

		
	ERAN KLEIN	THYMIOS P. KYRIAKOPOULOS
POSITION	Independent Supervisory Board Member	Independent Supervisory Board Member
COMMITTEE	Chair of ESGE, Member of TD and RC	Chair of RC, Member of AC and TD
APPOINTED	1 July 2021	1 July 2021
NATIONALITY	British	Greek
CAREER	<p>Eran is a Non-Executive Director on the Board of TBC Bank Group plc, where he chairs the ESG and Ethics Committee. He is also a board member at Chapter Zero Uzbekistan and Chapter Zero Ukraine & Caucasus. Until recently, he served as a non-executive director at PrivatBank, the largest bank in Ukraine, where he chaired the Risk Committee during the war. Eran is an experienced international banker. Over a career spanning more than two decades, he held senior roles at leading financial institutions such as Citibank, Deutsche Bank, ING, and Commerzbank. Covering both developed and emerging markets, he has focused on a range of functions within banking, including risk, banking strategy, ESG, technology, corporate governance, geopolitical environment, credit, and financial services regulation. He is particularly enthusiastic about the intersection of ESG, technology (including cyber, AI, and digital), and risk. Eran holds an LLM (Master of Laws) with distinction from Chuo University, Japan's leading law faculty, as well as an MSc (Sloan Masters) from London Business School, UK.</p>	<p>Thymios is a senior banking executive with considerable international experience. He specialises in investment management, operational transformation, balance sheet optimisation, risk management, and financial engineering. He served on the board of the Hellenic Corporation of Assets and Participations, the Greek sovereign wealth fund, as Chairman of its Investment and Risk Committee. He also served as Chairman of the Risk Committee of Attica Bank SA and is a member of the Board of Directors of Agreed Payments SA. 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.</p>
SKILLS & EXPERIENCE	<p>Extensive experience in banking, credit, capital markets and financial regulations; Extensive experience in ESG; Expertise in risk, corporate governance, strategy and structuring; Extensive Emerging Markets banking and stakeholder management experience; Relevant experience and expertise in information security risk management.</p>	<p>Extensive experience in global capital markets, corporate and retail credit, regional banking operations, and financial engineering; Expert risk manager, investment manager, 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.</p>
CONTRIBUTION TO THE COMPANY	<p>Eran brings to the Board extensive and varied risk, ESG, technology, governance, financial regulation and strategy experience that he has gained at large financial institutions and consulting fields in both developed and developing markets, making him an ideal fit to spearhead the ESG and Ethics Committee agenda, on behalf of the Group.</p>	<p>Thymios brings extensive governance, financial and operational experience. His deep knowledge allows him to support and contribute to the strategic direction of the Company while controlling the path used in its implementation. Having led investment and risk functions in internationally listed banks and acted as chair of the investment committee of a national wealth fund, and chair of the risk committee of a listed Greek bank, Thymios's broad multijurisdictional risk expertise enables him to bring innovative and positive insights to his role as Chair of the Risk Committee.</p>
EXTERNAL APPOINTMENTS	<p>Supervisory board member of Chapter Zero Ukraine and Caucasus Advisory board member of Chapter Zero Uzbekistan</p>	<p>Board Member of Agreed Payments SA</p>

		
	RAJEEV SAWHNEY	NINO SUKNIDZE
POSITION	Independent Supervisory Board Member	Independent Supervisory Board Member
COMMITTEE	Chair of TD, Member of ESGE and RemCo	Member of AC, ESGE, RemCo and CGN
APPOINTED	29 November 2021	29 November 2021
NATIONALITY	Indian	Georgian
CAREER	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. Rajeev previously held the positions of Executive Chairman and non-executive director of OXSIGHT Ltd, a medical technology innovation company, and an Oxford University spin off. He was formerly a senior advisor to the CEO at global IT services firm Zensar Ltd in the UK and a member of the advisory board at Garble Cloud Inc., a cybersecurity company in Silicon Valley, USA. Prior to that, Rajeev gained strong operational experience as President of HCL Technologies and at the 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.	Nino is a business lawyer with over 20 years' experience in the Georgian market. She has a deep understanding of, and expertise in, various areas of practice including banking, finance, corporate, regulation, competition and capital markets. Previously, Nino served as general counsel at JSC Bank of Georgia. Before joining TBC Bank Group PLC, she held various positions at the Georgian offices of international law firms Dentons and DLA Piper over a period of more than 11 years. Currently Nino is the managing partner of the law firm Suknidze & Partners LLC.
SKILLS & EXPERIENCE	Strong global corporate leadership experience of more than 40 years; Significant advisory and executive experience with technology and cybersecurity companies in financial services and other industry sectors; Extensive expertise in Human Resource management; Relevant experience and expertise in information security risk management.	Strong financial services background; Extensive experience as a leading legal counsel in major financial services sector transactions and listings; Considerable governance, regulatory and risk management experience, including at an LSE-listed company; Experience in advising companies across a range of sectors, including telecommunications, pharmaceuticals, energy and commerce.
CONTRIBUTION TO THE COMPANY	Rajeev brings the extensive international leadership and general management perspective that he has gained from the technology and fintech sectors to the Board. He provides valuable insights into the Company's increasingly important technological evolution. In line with this, he has been appointed Chair of the Technology and Data Committee, where he provides key support and leadership in these areas.	Nino is an experienced domestic and international lawyer with particular expertise in regulated sectors, where she has counselled on a wide range of legal, regulatory and business issues. Nino's valuable experience brings a considered perspective to the Board, and enriches discussion and strategic thought.
EXTERNAL APPOINTMENTS	No current additional board appointments	Board member at Care Caucasus, a charity organisation in Georgia Member of the Board of Directors of the American Chamber of Commerce in Georgia (AMCHAM) Managing Partner at Suknidze & Partners

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: Corporate Governance and Nomination Committee, Audit Committee, Risk Committee, Human Resources and Remuneration Committee, Technology and Data Committee and ESG and Ethics Committee. The competences of each committee are determined by their Terms of Reference.

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.

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.

Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee leads the human resources and 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 Human Resources and Remuneration Committee is responsible for establishing and overseeing the Group's Remuneration Policy principles and considering and approving the remuneration arrangements of the General Director of the TBC PLC and the Bank and the management board members of the Bank (Directors'). The Human Resources and Remuneration Committee shall also oversee any major changes in employee benefits structures within the TBC PLC. The Human Resources and 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.

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 in relation to Environmental, Social and Governance matters;

Detailed functions of each committee could be found in their Terms of Reference at the following link: <https://www.tbcbankgroup.com/about-us/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 is as follows:

Member	Audit Committee	Risk Committee	Human Resources and Remuneration Committee	CGN Committee	Technology & Data (T & D) Committee	ESG & Ethics Committee
Arne Berggren (Chairman)						
Tsira Kemularia (SID)						
Janet Heckman						
Eran Klein						
Per Anders Fasth						
Thymios Kyriakopoulos						
Rajeev Sawhney						
Nino Suknidze						

 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 recognises the importance of ensuring diversity and sees significant benefits to our business in having a Board and management team drawn from diverse backgrounds, as this brings 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 2024. The Policy allows the Board to ensure that Board appointments contribute to the Group-wide ambitions of diversity and inclusion.

Ethnic and gender diversity

The 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. The Board is mindful of the updated ambitions of the Parker Review, to set targets relating to executive and their direct reports. Although the Board has not yet agreed to set targets, discussions have been held by both the Corporate Governance and Nomination Committee and the Board as to what these targets might look like for the Company given the region that it operates in. Most of TBC Bank Group plc's workforce is based in Georgia and Uzbekistan, and as such it will look to set targets that are meaningful to the countries in which its workforce are located, as well as being suitable for a UK listed company.

The Board is also 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 directors are female, one of the senior board positions is held by a woman. The female representation of the Executive Committee is 23%. The Company was one of 68 companies that met the Alexander Hampton Review target of 33% representation of women on FTSE 350 Boards ahead of the 2025 deadline

The Corporate Governance and Nomination Committee is mindful of the need to ensure the search for any additional Non-Executive Director considers the strengths that diversity, including gender, ethnicity, as well as other diversity characteristics, can bring to boards. The Board will continue to ensure that consideration of all future appointments supports the Board and Company's diversity aims.

Board of Directors and Committee meeting attendance

The PLC Board and Committee attendance at meetings is set out below. During 2024, 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 2024 have been as follows:

Board Member	Board	Corporate Governance & Nomination Committee	Human Resources & Remuneration Committee	Audit Committee	Risk Committee	ESG & Ethics Committee	Technology & Data Committee
Arne Berggren	13/13	5/5	6/6	-	-	-	-
Tsira Kemularia ³	13/13	-	6/6	8/8	-	1/1	-
Per Anders Fasth	13/13	-	6/6	8/8	9/9	-	-
Eran Klein	13/13	-	-	-	9/9	4/4	4/4
Thymios Kyriakopoulos	13/13	-	-	8/8	9/9	-	4/4
Rejeev Sawhney	13/13	5/5	-	-	-	4/4	4/4
Nino Suknidze	13/13	5/5	-	8/8	-	-	-
Janet Heckman	13/13	-	6/6	-	9/9	4/4	-
Vakhtang Butskhrikidze	13/13	-	-	-	-	-	-

Attendance at the Supervisory Board and respective committee meetings in 2024 have been as follows:

Board Member	Board	Corporate Governance & Nomination Committee	Human Resources & Remuneration Committee	Audit Committee	Risk Committee	ESG & Ethics Committee	Technology & Data Committee
Arne Berggren	14/14	5/5	6/6	-	-	-	-
Tsira Kemularia ³	14/14	-	6/6	8/8	-	1/1	-
Per Anders Fasth	14/14	-	6/6	8/8	11/11	-	-
Eran Klein	14/14	-	-	-	11/11	4/4	4/4
Thymios Kyriakopoulos	14/14	-	-	8/8	11/11	-	4/4
Rejeev Sawhney	14/14	5/5	-	-	-	4/4	4/4
Nino Suknidze	14/14	5/5	-	8/8	-	-	-
Janet Heckman	14/14	-	6/6	-	11/11	4/4	-

³ Tsira Kemularia stepped down from the ESG & Ethics Committee on 15 February 2024 and was appointed to the Corporate Governance and Nominations Committee on 15 February 2024.

Division of Responsibilities

There is a clear division between Non-Executive and 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 Board.

Chairman	Senior Independent Member of the PLC Board (SID)
The Chairman's principal responsibility is leadership and the effective running of the Board.	Provides a sounding board to the Chairman, and serves as an intermediary for other directors, as well as being available to shareholders where necessary.

Chief Executive Officer	Non-Executive Members of the PLC Board
The CEO's principal responsibility is running the Group's businesses. He is responsible for all executive management matters affecting the Group	Provide constructive challenge to the executive, as well as being a sounding board to the Chairman where necessary. Additionally, along with the Senior Independent Director, provide entrepreneurial leadership of the Group, and being collectively responsible, with the whole Board, for the long-term success of the Group and delivery of sustainable value to shareholders.

A full breakdown of the division of responsibilities of the Chairman, CEO and the Senior Independent Director is available on the website, <https://www.tbcbankgroup.com/>.

If there is a need for independent advice in exercising any part of its remit, the Board or any of its members may seek this directly at the Company's expense. An established procedure for Directors, in relevant circumstances, allows for them to request to obtain independent professional advice at the Company's expense. No such requests were made in 2024. Directors' and Officers' Liability Insurance is maintained for all Directors.

Company Secretary

LDC Nominee Secretary Limited was the appointed Company Secretary until 1 October 2024. Giorgi Giguashvili was appointed as Company Secretary from 1 October 2024. The appointment and removal of the Company Secretary are at the discretion of the Board, as set out in the Matters Reserved for the Board.

Matters reserved for the Board

The Board is responsible for the long-term sustainable success of the Company by setting its strategy and purpose, promoting the desired culture and ensuring that an appropriate risk management framework is in place. The Board has the following principal roles:

Role	Description
Purpose, values and culture	To help management shape the core values and culture that will best enable the Group to deliver its mission to make life easier.
Corporate strategy setting and monitoring	To agree and approve the strategic plan and objectives. The Board sets and reviews performance indicators to assess progress on the agreed strategy.
Organisation and leadership effectiveness	To ensure that the organisation leadership, design, capabilities and supporting systems match the requirements of the Group and the diverse strategies of the current and future businesses.
Operational and financial performance	Performance of the Group is reviewed in light of strategic aims, business plans and budgets. With the support of the Audit Committee, the Board approves the Group's annual and interim financial statements.
Shareholder and stakeholder engagement	The Company puts the balance of stakeholder interests and the long-term interests of the Group at the heart of all of its decision-making.

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 2021, TBC Bank engaged Lintstock Ltd to review the Board's performance for a three-year period. Lintstock is an advisory firm specialising in Board effectiveness reviews and has no other connection with TBC Bank or any of the company's Directors

In Lintstock's most recent Board evaluation, the findings were positive and encouraging. The Board was found to be confident in discharging its oversight. Significant progress was made in terms of internal control and risk culture. Lintstock also reported that the Board engaged well with the Board evaluation process and provided useful insights. Their assessment was that the Board is performing well against the Lintstock Governance Index. The evolving Board composition and effective committee structure were noted.

Lintstock also undertook an analysis of the TBC Board relative to the Lintstock Governance Index, which comprises around 60 core board performance metrics from over 200 board reviews that Lintstock had recently facilitated, specifically for Financial Services Companies. This helped the Directors to understand how the TBC Board compares with other similar organisations, putting the findings into context.

Following discussion of the evaluation, the Board identified and agreed a number of priorities to enable continuous improvement, including: To meet with both UK and Georgian expectations and requirements of 40% female representation on the Board; to further promote talent management and leadership development; to continue to enhance and strengthen stakeholder engagement and to ensure that strategy aligns with expectations; and to ensure the stability and continuity of the organisation by keeping geopolitical and macro-economic challenges at the forefront of decision making. In addition, the Chairman will meet with all Committee Chairs individually to discuss and agree priorities arising from Lintstock's review, which were directly applicable for their respective committee.

Annual General Meeting

The Notice of Annual General Meeting ("AGM") for 2025 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 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 TBC PLC 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-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
Director, 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.



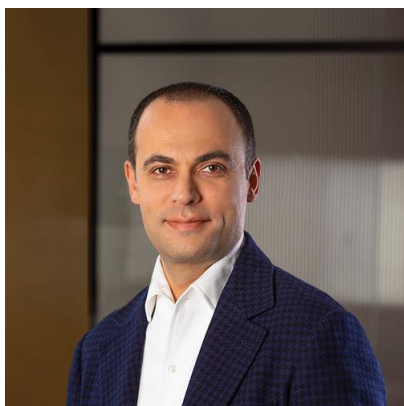
GEORGE TKHELIDZE

Director, Corporate and
Investment Banking, Wealth
Management

George was appointed to his current role at JSC TBC 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 of JSC TBC Bank.

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.



TORNIKE GOGICHAISHVILI

Director, MSME and Affluent
Banking

Tornike was appointed to his current role as Head of MSME and Affluent Banking in July 2024. Prior to that, Tornike was leading Retail, Payments and MSME. He joined TBC in 2018 as Deputy CEO and Chief Operating Officer of JSC TBC Bank.

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.

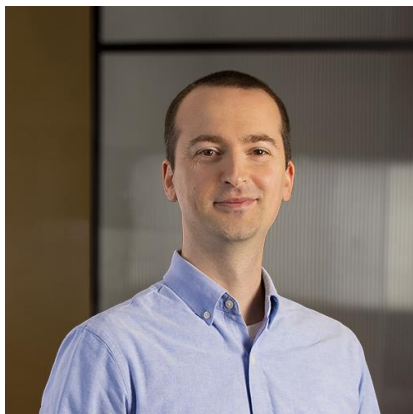


NINO MASURASHVILI
Director, Chief Risk Officer

Nino was appointed to her current role as the Chief Risk Officer 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.

In addition to the Management Board, the people listed below are part of the Bank's Executive committee team.



BIDZINA MATSABERIDZE
Chief Information Officer

Bidzina was appointed to his current role as the Chief Information Officer at JSC TBC Bank in 2020. Prior to that, Bidzina held progressively senior technology positions at TBC after he first joined the Bank in 2008, starting from senior software engineer and team leader, followed by head of software architecture and CIO advisor roles.

Bidzina also serves on the supervisory boards of TBC's key subsidiaries, including UFC, a card processing center, and Space International, TBC's digital banking platform. Bidzina has nearly 20 years' experience in financial services and banking in Georgia. He has over 10 years of teaching experience in leading Georgian universities and is still actively involved in various scientific research projects in the field of computer science.

Bidzina holds a PhD in Computing from Tbilisi State University.



GVANTSA MURGHVLIANI
Head of Human Capital
Management

Gvantsa was appointed as the Head of Human Capital Management at JSC TBC Bank in January 2019. She first joined TBC Bank in 2004, since when she has progressed through various positions within the organization and accumulated over ten years of managerial experience. Prior to her current appointment, Gvantsa held the position of Head of Operations at Corporate and Investment Banking, where she was responsible for overseeing CIB operations, managing customer treatment activities, and addressing human capital issues. Before that, Gvantsa was in charge of the Business Transformation and Lean Management Department, where she led the end-to-end process redesign, implemented a lean methodology across the bank, provided efficiency enhancements, and optimized sales at the bank's branches.

Gvantsa holds an Executive Diploma from the Said Business School, University of Oxford, UK and a Master's degree from Lund University, Sweden. In addition, she holds both a Bachelor's and Master's degree in Computer Science from Georgian Technical University.



NIKOLOZ GVABERIDZE
Retail Lending and Operations
Director

Nika was appointed to his current role as Retail lending and Operations Director at JSC TBC Bank in July, 2024. Prior to that he was Chief Commercial Officer (CCO) at Space International and was leading sales and operations for TBC UZ and Payme, with a centralized approach to cross-country business. His banking career began in 2008 at Bank Constanta, where he developed expertise in lending. This foundational experience laid the groundwork for a dynamic career in the banking sector, where he enhanced skills in product development, team management, customer support, and lending. Nika played key roles in TBC Bank's acquisitions of Bank Constanta and Bank Republic (Société Générale) and was actively involved in launching innovative projects for the Georgian banking sector. In 2022-2023 years As the Chief Commercial Officer (CCO) at TBC UZ he led the creation of a fully digital bank, achieving key milestones in customer acquisition and digital innovation. Nika holds an MBA from the Free University of Tbilisi in Operations Management.

The Bank's Management Board Responsibilities

General Director, Chief Executive Officer

The Chief Executive Officer reports to the Supervisory Board and holds primary responsibility for guiding the bank towards achieving its strategic goals and implementing the strategy. This includes managing the day-to-day operations of the bank and executing operational decisions. The CEO is also responsible for proposing, developing and supervising the Bank's overall commercial objectives. Alongside the executive team, he is accountable for managing all executive matters that impact TBC Bank. All members of executive management report to him and he directly oversees Human Capital, Agile Expertise, Brand Experience and Marketing, Security, Macro Financial Analyses, Data Analytics and Supervisory Board Support directions.

Director, 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 operations 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, and cash center.

Director, 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 the Bank's corporate and investment business. The Director of Corporate and Investment Banking manages the division to ensure the delivery of a 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.

Director, Micro & Small and Medium Sized Entities (MSME) and Affluent

The Director of MSME and Affluent reports to the Chief Executive Officer and to the Supervisory Board, with the key responsibility of formulating and implementing the strategy for the bank's MSME and Affluent banking business, its product range and designated market. The Director is hence responsible of developing new product and service delivery channels as well as planning and managing business activities for the segment, such as sales, customer care, profitability, secured lending and other channels and reporting, budgeting and analysis.

Director, 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 compliance, risk prevention, identification, measurement, mitigation, monitoring and reporting.

In addition to the Management Board, the positions listed below are part of the Bank's Executive committee team.

Director, Retail Lending and Operations

The Director of Retail Lending and Operations reports to the Chief Executive Officer with the key responsibility of formulating and implementing the strategy for the bank's retail business, its product range and designated market. Also optimizing operational processes, enhancing customer experience, and driving digital innovation to support business growth and risk management.

Chief Information Officer

The Chief Information Officer (CIO) reports to the Chief Executive Officer. The CIO is responsible for overseeing the organization's IT strategy, ensuring alignment with business objectives, and driving digital transformation. Key responsibilities include managing IT infrastructure, operations, services and development while optimizing system efficiency and innovation.

Head of Human Capital Department

The Head of Human Capital Department reports to the Chief Executive Officer and is responsible for developing and executing the organization's people strategy to attract, retain, and develop talent while ensuring alignment with business objectives. Key responsibilities include overseeing talent acquisition, performance management, compensation and benefits, employee engagement, leadership development, and compliance with labor regulations. The role also focuses on fostering a strong organizational culture and driving HR initiatives to enhance workforce productivity and well-being.

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)	ESG Committee	Environmental Committee
CEO	X	X	X	X	
CFO			X	X	
CIO		X		X	
CRO	X	X	X	X	X
Director, MSME and Affluent business			X	X	
Director, Retail Lending and Operations			X	X	
Director, Corporate and Investment Banking, Wealth management			X	X	
Head of Operational Risks		X			
Head of Compliance Department	X	X			
Head of Compliance and Controlling Division	X				
Head of Analytic Department of Security Service		X			
Head of Information Security		X			
Deputy CIO		X			
Head of FRM			X		
Head of Capital Risk Management Division			X		
Head of Corporate Finance			X		
Head of ERM			X		
Head of Balance Sheet Management division			X		
Head of IT Operations		X			
Head of ESG Coordination Department				X	X
Head of Corporate Business Credit Risk Division					X
Head of Treasury and Financial Services			X		
Head of Procurement Department				X	
Head of Investors Relations Department				X	
Head of Investment Risk Management Department				X	
Partner, Marketing Legion				X	
Lead of Strategic Communications Knowledge Center				X	
Head of Human Capital		X		X	
Head of Corporate Business Portfolio Management Division (E&S Risks)					X

5. Bank Strategy

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

We achieve this through providing best-in-class financial services to individuals and companies in Georgia.

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

Our 3 Key Strategic Priorities

1. Build on our market leading position

- Strengthen the Bank's position in the mass retail segment and maintain our commanding position in private banking, MSME, affluent retail and corporate segments
- Grow capital-efficient fee and commission income, with a particular focus on payments
- Enhance underwriting quality, powered by advanced AI solutions and data analytics capabilities
- Attract and develop the best talent.

2. Increase digital engagement

- Focus on offloading physical channels and developing digital solutions
- Increase the number of digital active users and their daily engagement
- Drive productivity and efficiency through digital, automatized processes

3. Continue improving our customer experience

- Be a reliable partner for our individuals and business customers
- Design customer-tailored financial services and products seamlessly delivered across all channels
- Accelerate the development of innovative digital solutions enabling AI-based personalised customer experience

6. Risk Management

Risk Management Framework

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

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

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

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

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

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

Risk Governance

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

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

At the Management Board level, committees assume a crucial role in steering effective risk management within the Bank. Whether through a single risk committee or multiple committees with more granular scopes (e.g. financial risks, reputational risk or information security), their responsibilities include closely overseeing risk exposures and making key decisions on risk mitigation and control. While specific duties may differ, the overall mission remains consistent: aligning risk management practices with regulatory requirements and risk tolerance.

Risk Culture And Three Lines Of Defence

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

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

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

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

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

Risk Appetite

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

Considering the ever-changing risk profile of the Bank, the Risk Appetite Framework of the Bank is regularly reviewed, updated and approved by the Supervisory Board to make sure that it remains aligned with the Bank's desired level of risk-taking.

Risk Identification

The identification of risks serves as the foundational step in the Bank's risk management process. This process systematically recognises and documents any potential direct or indirect risks that could impact the achievement of organizational objectives. To ensure comprehensive, anticipatory identification of these risks, this process leverages input both from the Bank's lines of defence within the organisation and from external stakeholders.

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

Risk Measurement

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

Risk Mitigation

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

- Setting standards and guidelines – risk policies outline the standards and guidelines for how risks should be managed within the organisation and provide a structured approach to addressing risks, ensuring consistency and compliance with regulatory and internal requirements.
- Defining roles and responsibilities – risk policies clarify the roles and responsibilities of different individuals and departments in the risk mitigation process.
- Establishing procedures – risk policies provide a guiding framework for developing procedures for risk mitigation activities.

All policies are subject to regular reviews and updates to adapt to new challenges and refine its risk management strategies over time.

Risk Monitoring And Reporting

Risk reporting is a cornerstone of the Bank's robust Risk Management Framework. The Bank is mandated to establish robust risk reporting processes. These processes are designed to regularly communicate material risk exposures and the overall risk profile to the Supervisory and Management Boards and to senior management.

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

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

Internal Control

TBC Bank has established its streamlined Integrated Control Assurance Framework, seamlessly aligning its risk, control, compliance, and internal audit functions for integrity, efficiency, and regulatory compliance. This comprehensive framework ensures meticulous adherence to policies and procedures, catering to the diverse needs of our products and services. It also enables an integrated, unified repository of audit findings and risk-related insights generated from our first, second, and third lines of defence and our regulatory and legal functions, reflecting our commitment to transparency and accountability.

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

Stress Testing And Contingency Planning

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

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

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

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

Key Risks

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

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

A comprehensive Credit Risk Assessment framework is in place with a clear division of duties among the parties involved in the credit analysis and approval process. The credit assessment and monitoring process differ by segment and product type to reflect the diverse nature of these asset classes. The Bank's credit portfolio is highly diversified across customer types, product types and industry segments, which minimizes credit risk at the Bank level. As of 31 December 2024, the retail segment represented 35.5% of the total portfolio, which was comprised of 58.9% mortgage and 41.1% non-mortgage exposures. No single business sector represented more than 11% of the total portfolio in FY 2024.

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 2024, 76% of the Bank's portfolio was secured by cash, real estate or gold.

Currency-Induced Credit Risk (CICR)

The Banking business in Georgia has a significant credit portfolio in foreign currencies. A potential material GEL depreciation is one of the most significant risks that could negatively impact credit portfolio quality. As of 31 December 2024, 46.6% 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 GEL remains in free float and is exposed to a range of internal and external factors that, in some circumstances, could lead to its depreciation. In 2024, the average US\$/GEL currency exchange rate depreciated by 3.5% year-on-year.

Concentration Risk

Although the Bank is exposed to single-name and sectoral concentration risks, the Bank's portfolio is well diversified both across sectors and single-name borrowers, resulting in only a moderate vulnerability to concentration risks. However, should exposure to common risk drivers increase, the risks are expected to amplify accordingly. The Bank's maximum exposure to the single largest industry (Real Estate) stood at 11% of the loan portfolio as of 31 December 2024. At the same time, exposure to the 20 largest borrowers stood at 9.3% of the loan portfolio.

Counterparty 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. 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 treasury, trade finance and other business exposures. As of 31 December 2024, 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.

Credit approval

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

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

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

The decision by the NBG's Financial Stability Committee, dated November 27, 2024, requires commercial banks to increase the unhedged foreign currency loan limit from current 400,000 GEL to 500,000 GEL. This directive mandates that loans or bank credits of up to 500,000 GEL must be disbursed exclusively in the national currency, ensuring greater financial stability and reducing the risk of foreign currency exposure to borrowers. The amendment is planned to come into force on January 1, 2025. This is the second increase in the ceiling on unhedged foreign loan amounts. Previously, the limit was increased from 300,000 GEL to 400,000 GEL on May 1st 2024 in order to promote larization. In addition, in November 2024, the National Bank of Georgia increased the reserve requirement on foreign currency liabilities by 5pp from 20% to 25% to further support larization of the banking system.

Credit monitoring

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

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

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

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

Credit risk appetite

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

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

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

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 collateralisation, or falling debt service capabilities of companies as a result of decreasing sales. Potential political and economic instability in Georgia's neighbouring countries and main trading/economic partners could negatively affect 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). As for 2024, while heightened internal political tensions in Georgia drove GEL-weakening expectations and moderate negative impact on the economic activity, especially at the end of the year, no significant materialization of the abovementioned macroeconomic risks was observed in the country of the Bank's operations.

After expanding by 10.6% in 2021, 11.0% in 2022 and 7.8% in 2023, the Georgian economy remained on this strong growth track in 2024, with real GDP increasing by 9.5%. Consumption, tourism and strong real credit growth contributed the most in this year's high print, unlike the declined FDIs and partially remittances, as well as migration-related inflows that moderated slightly. Despite a higher level of economic activity, elevation in consumer prices was limited, meaning that annual CPI inflation remained below the NBG's 3% target throughout the year, averaging 1.9% in December. Low inflation and signs of a global monetary easing cycle enabled the central bank to deliver three rate cuts in 2024, reducing the monetary policy rate from 9.5% to 8.0%. The NBG was also active in the foreign exchange market. While strong inflows supported the stability of the GEL throughout the year, weakening market expectations due to heightened political tensions in the country drove deposit conversions into foreign currencies, putting pressure on the GEL exchange rate. This prompted the central bank to intervene heavily, selling around USD 917 mln from currency

reserves, mostly prior to the October parliamentary elections, compared to purchases of around USD 483 mln over the year, bringing its gross international reserves down to USD 4.4 bln.

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 neighbouring countries to identify early warning signals indicating imminent economic risks. This system allows the Bank to promptly assess significant economic and political events and analyse 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 and limits, including the limits for each of the most vulnerable industries. Additionally, the credit review and portfolio-monitoring processes informed by stress testing and scenario analysis, enables 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 collateral coverage.

In response to the regional crisis, the Bank relied on its strong Risk Management Framework, leveraging its pre-existing stress testing practices. This included comprehensive and frequent monitoring of the portfolio as well as stress testing, to ensure close control of changes in capital, liquidity, and portfolio quality in times of increased uncertainty.

The Bank inherently is exposed to funding and market liquidity risks

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

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

- a) Funding liquidity risk is the risk that the Bank will not be able to efficiently meet both expected and unexpected current and future cash flows without affecting either its daily operations or its financial condition under both normal conditions and during a crisis.
- b) Market liquidity risk is the risk that the Bank cannot easily offset or eliminate a position at the then-current market price because of inadequate market depth or market disruption.

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 over-reliance on, or an inability to access, a particular source of funding, as well as changes in credit ratings or market-wide phenomena. Access to credit for companies in emerging markets is significantly influenced by the level of investor confidence and, as such, any factors affecting investor confidence (e.g. a downgrade in credit ratings, central bank or state interventions, or debt restructurings in a relevant industry) could influence the price or the ability to access the funding necessary to make payments in respect of the Bank's future indebtedness.

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

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

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

JSC TBC Bank's liquidity risk is managed by the Balance Sheet Management division and Treasury department and is monitored by the Management Board and the ALCO, within their pre-defined functions. The Financial Risk Management (FRM) division is responsible for developing procedures and policy documents and setting risk.

appetites on funding and market liquidity risk management. In addition, the FRM performs liquidity risk assessments and communicates the results to the Management Board and the Risk Committee of the Supervisory Board on a regular basis.

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

To maintain and further enhance its liability structure, the Bank sets targets for deposits and funds received from international financial institution investors in its risk appetite via the respective ratios. The loan to deposit and IFI funding ratio (defined as the total value of net loans divided by the sum of the total value of deposits and funds received from international financial institutions) stood at 97.6%, 94.7% and 87.9%, as of 31 December 2024, 2023 and 2022, respectively.

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

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

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

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

Foreign Exchange (FX) Risk

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

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

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

To assess currency risk, JSC TBC Bank performs a VAR sensitivity analysis on a regular basis. This analysis calculates the effect on the Bank's income determined by the worst possible movements of currency rates against the Georgian Lari, with all other variables held constant. During the years ended 31 December 2024 and 2023, this sensitivity analysis did not reveal any significant potential effect on the Bank's equity: as of 31 December 2024, the maximum loss with a 99% confidence interval was equal to GEL 5.5m, compared to a maximum loss of GEL 5.1m as of 31 December 2023).

Interest Rate Risk

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

The biggest share of the Bank's deposits and part of the loans are at fixed interest rates, while most of the Bank's borrowings are at a floating interest rate. In addition, the Bank actively uses floating and combined interest rate structures in its loan portfolio. Since the assets and liabilities have different re-pricing characteristics, their corresponding interest margins may increase or decrease as a result of market interest rate changes, potentially entailing negative effect on net interest income.

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

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

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

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

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

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

Net interest income accounts for most of the Bank's total income. Potential new regulations, along with a high level of competition in Georgia, may negatively impact the Bank's net interest margin. At the same time, cost of funding is largely exogenous to the Bank and is derived from both local and international markets.

In 2024, the slight decrease 0.4pp YoY in NIM to 5.7% was mainly driven by decreasing NBG Refinance while partially offset by positive increase in foreign currency NIM.

The Bank continues to focus on the growth of fee and commission income, driven by increased efforts towards customer experience-related initiatives and innovative products in the Georgian market. This safeguards the Bank from potential margin compressions on lending and deposit products in the future. To meet its asset-liability objectives and manage the interest rate risk, the Bank uses a high-quality investment securities portfolio, long-term funding, and derivative contracts.

The Bank's operational complexity generates operational risk that could in turn adversely impact profitability and reputation.

One of the main risks that the Bank faces is operational risk, which is the risk of loss resulting from internal and external fraud events, inadequate processes or products, business disruptions and systems failures, human error or damages to assets. Operational risk also implies losses driven by legal, compliance, or cybersecurity risks. The Bank is exposed to many types of operational risk, including fraudulent and other internal and external criminal activities; breakdowns in processes, controls or procedures; and system failures or cyber-attacks from an external party with the intention of making the Bank's services or supporting infrastructure unavailable to its intended users, which in turn may jeopardize sensitive information and the financial transactions of the Bank, its clients, counterparties, or customers. Moreover, the Bank is subject to risks that cause disruption to systems performing critical functions or business disruption arising from events wholly or partially beyond its control, such as natural disasters, transport or utility failures, etc., which may result in losses or reductions in service to customers and/or economic losses to the Bank. The operational risks discussed above are also applicable where the Bank relies on outsourcing services from third parties. Considering the dynamic environment and sophistication of both banking services and possible fraudsters, the importance of constantly improving processes, controls, procedures and systems is heightened to ensure risk prevention and reduce the risk of loss to the Bank. The increased complexity and diversification of operations, coupled with the digitalisation of the banking sector, mean that fraud risks are evolving. External fraud events may arise from the actions of third parties against the Bank, most frequently involving events related to banking cards, loans, and client phishing. Internal fraud events arise from actions committed by the Bank's employees, although 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.

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

The Bank utilises the three lines of defence principle, where the Operational and Investment Risk Management Department serves as a second line of defence, responsible for implementing the framework and appropriate policies and methodologies to enable the Bank to manage operational risks.

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

- the Bank's Risk Assessment Policy, which enables thorough risk evaluation prior to the adoption of new products, services, or procedures;
- the Bank's Outsourcing Risk Management Policy, which enables the Bank to control outsourcing (vendor) risk arising from adverse events and risk concentrations due to failures in vendor selection, insufficient controls and oversight over a vendor and/or services provided by a vendor, and other impacts on the vendor;
- The Risk and Control Self-Assessment (RCSA) Policy, which enables the Bank to continuously evaluate existing and potential risks, establish risk mitigation strategies and systematically

monitor the progress of risk mitigation plans. The completion of these plans is also part of the respective managers' key performance indicators;

- The Bank's Operational Risk Event Identification Policy, which enables the Bank to promptly report on operational risk events, perform systematic root-cause analysis of such events, and take corrective measures to prevent the recurrence of significant losses. A unified operational loss database enhances further quantitative and qualitative analysis. The Operational Risk Event Identification Policy also oversees the occurrence of IT incidents and the respective activities targeted at solving the identified problems;
- The Bank's Operational Risk Awareness Programme, which provides regular trainings to the Bank's employees and strengthens the Bank's internal risk culture;
- The Bank also utilises risk transfer strategies, including obtaining various insurance policies to transfer the risks of critical operational losses.

The Operational and Investment Risk Management Department has reinforced its risk assessment teams and methodologies to further fine-tune the existing control environment.

During the reporting period, one of the key operational risk management focus areas was the RCSA exercise, which reviewed the Bank's top priority processes and identified areas of improvement.

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

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

The Bank's digitally oriented operational footprint faces a growing and evolving threat of cyber-attacks.

The Bank's rising dependency on digital 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. Due to the dynamics and complexity of the current environment, the Bank is continuously monitoring the security threat landscape.

In the past three years, the Bank has not experienced any material cybersecurity breaches, and there have been no significant third-party cybersecurity incidents in 2024.

The Bank has in place a comprehensive information and cyber security management systems to mitigate the risk of cyber-attacks, as described below.

Threat landscape

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

- Attacks against internet facing applications and infrastructure;
- Software supply chain attacks;
- Phishing and other social engineering attacks against our customers;
- Phishing and other social engineering attacks against our employees;
- Insider threats;
- Ransomware and extortion-based cyber threats.

Our vision and strategic objectives

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

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

- To enhance our defence in depth approach by strengthening the team and implementing cutting-edge technologies, in order to maintain resilience against Advanced Persistent Threats, which may come from state-sponsored actors or organised cybercriminals;
- To maintain compliance with industry leading information and cyber security standards, sustain a continuous improvement cycle for our information and business continuity management systems, and be one step ahead of regulatory requirements; and
- To optimise and automate security processes and provide security services seamlessly to the Bank's business (where possible);
- Foster a security-first culture by embedding cybersecurity awareness across the organization, ensuring employees and stakeholders are actively engaged in reducing risk.

Our security in depth approach and cyber-resilience programme

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

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

How we measure and assure an acceptable level of security

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

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

The Bank Remains Exposed to Some Reputational Risk

There are reputational risks to which the Bank may be exposed, such as country risks and compliance risks related to the challenging geopolitical environment in the region, international sanctions regimes, as well as domestic turbulences due to disputed elections and government foreign policy choices. Banks are easy targets for anti-banking narratives in mainstream and social media platforms. These narratives intensify in the run-up to elections. There are also risks related to phishing and other cybercrimes, that come with the increased digitalisation of products and services provided by the Bank. Cyber risks could turn into reputational risk if they negatively impact the Bank's reputation as a provider of the best digital services and products to customers. It should be noted that most of these risks are not unique to the Bank, but apply to the entire banking sector.

To prevent or mitigate reputational risks, the Bank works continuously to maintain strong brand recognition among its stakeholders and engages with them on a constant basis, particularly with customers, employees, media, regulators, business associations, IFIs, and the diplomatic community, among others.

The Bank has put a Task Force in place at the senior management level comprised of the CEO, the CRO, the marketing and brand lead, the strategic communications lead and the general counselor to address and manage reputational risks. Additionally, and in close cooperation with international consultants, the Task Force has developed an overall strategy including communications plans, contingencies, and tools to mitigate, prevent, and respond to any risks.

The Bank complies with all relevant external and internal policies and protocol mechanisms to prevent or minimise the impact of direct and indirect reputational risks. Dedicated internal and external marketing teams monitor the brand value through public opinion polls and studies and by receiving feedback from stakeholders on an ongoing basis. Communications teams actively monitor mainstream media and social media on a daily basis, identifying early warning signs of potential reputational or brand damage to mitigate and, whenever necessary, elevate potential risks to the attention of the Task Force or the Supervisory Board before they escalate.

Communications and Cyber security teams conduct extensive awareness-raising campaigns on cyber-security and financial literacy. The teams also brief the media so that it is aware of potential risks impacting the sector. TBC also has an inhouse financial education platform, Edufin, which is aimed at raising awareness about cyber threats and phishing.

The Bank is Exposed to Regulatory and Enforcement Action Risk

The Bank's operations are subject to a complex regulatory environment, which introduces various regulatory risks. The NBG sets lending limits and other economic ratios (including, but not limited to lending, liquidity, and investment ratios) along with the mandatory capital adequacy ratio. In

addition to complying with the minimum reserves and financial ratios, the Bank is required to submit periodic reports. It is also subject to the Georgian tax code and other relevant laws.

Following the parent company's listing on the London Stock Exchange's premium segment, the Bank became subject to additional oversight by the UK's Financial Conduct Authority (FCA), resulting in increased regulatory scrutiny. In addition to its banking operations, the Bank also offers other regulated financial services products, including leasing, insurance, and brokerage services.

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

The Bank has implemented robust systems and processes to ensure comprehensive regulatory compliance, embedding these practices in all levels of the organisation. The Bank's "three lines of defence" model defines the roles and responsibilities for managing and mitigating regulatory risk.

The first line of defence is responsible for managing compliance risks department risks within their respective areas, with the Bank's operational teams taking ownership of day-to-day risk management. The Compliance Department plays a critical role as the second line of defence, supporting and monitoring compliance efforts across the Bank. The Chief Compliance Officer oversees compliance within the Bank and reports quarterly to the relevant committee of the Supervisory Board, with a managerial reporting line to the CRO. The Bank's Audit Committee is responsible for ensuring regulatory compliance at the Supervisory Board level.

The Bank's compliance programme encompasses a wide range of activities designed to address compliance risks effectively, including the development of compliance policies, employee trainings, risk-based oversight and rigorous monitoring of regulatory adherence.

The Bank's Compliance Department manages regulatory risk through the following key actions:

- Monitoring and ensuring that changes in laws and regulations are implemented in a timely manner by the process owners;
- Participating in the risk approval process for new products;
- Analysing customer complaints, operational risk events, internal audit findings and litigation cases to proactively identify process weaknesses; and
- Conducting annual compliance risk assessments and checks of internal processes.

The Bank's Compliance Department ensures that the results of these activities are addressed in a timely and appropriate manner. Additionally, as part of its oversight role, the department defines key risk metrics and tracks them in accordance with the Bank's Risk Appetite Framework. Any breaches of predefined limits are promptly escalated to the relevant boards for action. In line with the Bank's commitment to safeguarding personal data and ensuring compliance with relevant data protection regulations, the Bank has appointed a Data Protection Officer (DPO). The DPO is responsible for overseeing the Bank's Data Protection Strategy and ensuring that the organisation remains compliant with applicable laws, including the General Data Protection Regulation (GDPR).

The Bank's operating region introduces financial crime risk

Financial crime risk covers money laundering, terrorist financing, bribery and corruption, and sanctions risks. The risks associated with sanctions have increased, particularly in recent years. Therefore the Bank's specific focus in 2024 remained on managing and improving the sanctions risk control environment.

Historically, Georgia has enjoyed close business relations with Russia and Ukraine. The aggression launched by the Russian Federation against Ukraine on the 24th of February 2022 resulted in a vigorous international response which included the imposition of the tough economic sanctions by the US, the EU, the UK and other countries. As a consequence, Russian and Belarusian members of legislative and government agencies, oligarchs, businessmen, state-owned companies, financial institutions and other legal entities have been directly sanctioned, while numerous economic restrictions and trade prohibitions have been enforced on some sectors of activity and categories of goods and services in Russia, Belarus and occupied territories of Ukraine. Leading countries are tightening and expanding the sanctions programme by extending some restrictions and adding new entities and individuals to their list. The growing complexity and scale of sanctions, coupled with the escalating political situation in Georgia, have led to increased scrutiny from international financial

institutions and our partner correspondent banks, which have adopted a more cautious approach driven by a limited risk appetite, resulting in tighter requirements for transaction processing and more frequent, rigorous due diligence procedures. Moreover, as a consequence of the conflict, many Russian citizens have relocated to Georgia. Considering the level of interaction between the Bank, Russia and Russian citizens, and the breadth of the sanctions' prohibitions and restrictions, the risk of being involved in attempts to circumvent sanctions has substantially increased.

In December 2023, the Office of Foreign Assets Control (OFAC), the US sanctioning authority, issued an executive order with which Georgian financial institutions had to comply. Specifically, in accordance with this restriction, the Bank applies increased scrutiny to any transactions involving Russian entities operating in the Russian economy or somehow connected to Russian military-industrial bases.

The adoption of the new decree by the Georgian regulator on controlling the flow of restricted products of EU/UK/US origin to Russia and Belarus (and vice versa) has led the Bank to implement further controls and AI/technology based tools to effectively control the flow of embargoed goods to restricted territories.

In 2024 the NBG conducted an inspection (covering the period of Feb 2022–Nov 2023) of the Bank's processes regarding compliance with sanctions regulations related to Iran, Russia and Belarus. The Bank's measures were deemed effective with some shortcomings, resulting in minor penalties applied to specific clients.

The ongoing political tensions put Georgian high officials and businessmen in spotlight for sanctions by US and UK. In September, the US took action by designating two individuals linked to the spread of disinformation and hate speech, as well as two government officials associated with the response to recent protests. In December, 2024 US and UK have designated members of the Georgian government and US has designated informal leader in response to the political crisis that followed the parliamentary elections. There is a likelihood that individuals with close ties to the government may face sanctions in the future.

In addition to the sanctions risk related to Russia, a significant increase in international shipping costs, the crisis in the Red Sea and the ongoing crisis in the Middle East have led to a surge in freight shipping from China instead of sea routes. This situation has exposed Georgia to the risk of financing transshipments via Iran for its import and export activities with Asian countries, a practice prohibited by the US government. Breaches of the US, EU, and UK sanctions regime would expose the Bank to fines and regulatory actions by both the National Bank of Georgia and the US, EU, and UK authorities and enforcement agencies. In addition to the regulatory risk, the Bank also faces a reputational risk, mainly with its correspondent banks and other financial third party relationships.

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

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

The Bank aims to protect its customers, shareholders, and society from financial crime and any resulting threat. The Bank is fully committed to complying with applicable international and domestic laws and regulations related to financial crime. It has a long-standing ambition to meet the respective industry best practice standards.

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

and other sanctions lists; regular staff training and awareness raising; and procedures for monitoring and reporting suspicious activities by the Bank's customers.

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

- Purchased software and databases that assist the Bank in sanctions risk mitigation;
- Engaged external advisers to produce recommendations on improvements in sanctions risk management;
- Engaged external audits to assess internal policies and procedures;
- Empowered dedicated staff with the relevant, specific knowledge; and
- Made new arrangements within the Compliance Department, as part of which new human resources were added to the divisions.

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

The Bank's Compliance Department works on constantly improving the software to increase operational efficiency and decrease false-positive alerts, to which end a new external consultant company was hired. The Bank performs an enterprise-wide AML/CTF/Sanctions Risk Assessment annually, in line with the approved methodology. Overall Bank's risks for the year 2023 were assessed as medium. The Bank's Compliance Department addresses areas of attention in a timely and proper manner. In response to the ever emerging challenges in sanctions compliance, a new Sanctions Control division has been established within the Compliance Department, which is hiring new staff in order to better address threats of sanctions circumvention.

The Bank underwrites the responsibility to adhere at all times to minimum regulatory requirements on capital, which may compromise growth and strategic targets. Additionally, adverse changes in FX Rates may impact the Capital Adequacy Ratios.

Capital risk is a significant focus area for the Bank. 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's ability to comply with regulatory requirements can be affected by both internal and external factors. Some key concerns include the deterioration of asset quality leading to losses, reductions in income, rising expenses, and potential difficulties in raising capital. Local currency volatility has been and remains a significant risk for the JSC TBC Bank's capital adequacy. A 10% GEL depreciation would translate into a 0.9pp, 0.7pp and 0.6pp drop in JSC TBC Bank's excess CET 1, Tier 1 and Total regulatory capital, respectively.

The Bank undertakes stress testing and sensitivity analysis to quantify extra capital consumption under different scenarios. Such analyses indicate that the Bank holds sufficient capital to meet the current minimum regulatory requirements. Capital forecasts, as well as the results of stress testing and what-if scenarios, are actively monitored with the involvement of the Bank's Executive Management and the Risk Committee of the Supervisory Board to help ensure prudent management and timely action, when needed. These analyses are used to set appropriate risk appetite buffers internally, on top of the regulatory requirements. The Bank regularly performs stress tests serving multiple purposes. They are performed routinely, either under the frameworks listed or on an ad-hoc basis, to assess the magnitude of certain stressful environments. Stress tests are performed for the Internal Capital Adequacy Assessment Process (ICAAP), regulatory stress tests and the Recovery Plan, among other purposes. The key objective of the regulatory stress test is to define the net stress test buffer under the capital adequacy minimum requirement framework. Starting from 2018, regulatory stress tests are performed and submitted to the regulator upon their request. The purpose of the ICAAP is to identify all the material risks faced by the Bank and to have an internal view of the capital needed to cover those risks. The objective of the ICAAP is to contribute to the Bank's continuity from a capital perspective by ensuring that it has sufficient capital to bear its risks, absorb losses and follow a sustainable strategy, even during a stress period. Stress testing under the Recovery Plan assumes more severe stress scenarios, specifically aimed at breaching regulatory requirements and assessing the Bank's ability to recover the capital position with the help of viable recovery options within a reasonable timeframe. Under the risk appetite and the capital planning process, the Bank sets aside capital as a buffer to withstand certain amounts of local currency fluctuation.

Capital Adequacy

The Bank'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 complied with all its internally and externally imposed capital requirements throughout 2024.

In December 2017, the NBG adopted amendments to the regulations relating to capital adequacy requirements. These 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 determination of 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.

The NBG developed requirements for the transition process to International Financial Reporting Standards (IFRS) in 2020 - 2022. In January 2023, the NBG adopted amendments to the regulations relating to capital adequacy requirements, commercial banks to comply with supervisory regulations that use IFRS-based numbers and approaches. Under the IFRS transition process, the NBG introduced a credit risk adjustment (CRA) buffer. The CRA buffer was implemented as a Pillar 2 requirement and was fully set on CET 1 capital.

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

In May 2023, the NBG introduced a new requirement on Minimum Requirements for Own Funds and Eligible Liabilities (MREL) under the Bank Recovery and Resolution Framework. According to the new requirements, commercial banks must hold specific amounts of equity, subordinated debt, and of qualifying non-deposit senior debt that could be subject to bail-in in the event of bank failure. However, this should not affect risks for existing senior creditors because the bank resolution legislation in Georgia already provides a credible mechanism for the bail-in of senior obligations. MREL implementation will be phased in gradually, starting from 10% of Total Liabilities and Own Funds (TLOF) on 1 January 2024, before increasing to 15% at end-2025, and 20% at end-2027. MREL-eligible instruments will include regulatory capital and senior, unsecured non-deposit obligations with maturities of at least one year, subject to the NBG's approval.

	MREL Resource
Own funds and eligible liabilities	7,461,723,910
Own funds ¹	6,861,963,026
Common Equity Tier 1 (CET 1)	4,843,167,106
Additional Tier 1 Capital (AT 1)	1,052,550,000
Tier 2 Capital (Tier 2)	966,245,920
Eligible liabilities	599,760,884
Subordinated Loans (not classified as own funds) ²	128,551,440
Eligible liabilities ³	471,209,444
Total Liabilities and Own Funds	36,596,101,538
MREL ratio	20.39%
MREL requirement	10.00%

¹ Capital Instruments

² Includes the part of the subordinated liabilities that is amortized as well as subordinated liabilities that are not classified as own funds.

³ Includes eligible liabilities with a residual maturity of more than one year that are not classified as own funds. Additionally, contracts of these liabilities may be governed by Georgian law or fully or partially be subject to a law of a foreign country jurisdiction. Contracts of liabilities fully or partially governed by foreign legislation must include a provision for using the bank's liability write-off or conversion resolution tool for recapitalization (bail-in clause).

In November 2023, the NBG introduced the concept of a foreseeable dividend, which should be deducted from retained earnings. According to the regulation, a foreseeable dividend is considered to be the amount of a dividend approved or submitted for approval by the relevant entity defined by the charter of the commercial bank (Supervisory Board).

As another pillar of the NBG's de-dollarisation-oriented policy, in November 2024, the Monetary Policy Committee of the NBG increased the reserve requirement on foreign currency liabilities by 5pps from 20% to 25%.

In December 2024, the NBG also made amendments to the systemic risk buffer calculation methodology. According to the new methodology, the current systemic risk buffer for JSC TBC Bank amounts 2.5% and can be increased by 0.5% if the bank's share of non-bank deposits in the total non-bank deposits of commercial banks and microbanks equals or exceeds 40%, based on the average of the previous three consecutive months. Additionally, for every further 2-percentage-point increase (in multiples of two), the buffer will be raised by an additional 0.5%. The Bank must comply with the increased requirement in a 12-month period. If the bank's share of non-bank deposits over the past 12 consecutive months decreases by any multiple of 2% or falls below 40%, the buffer will be reduced by 0.5% for each such decrease. The upper limit for the systemic buffer is set at 5%.

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

<i>in thousands of GEL</i>	31-Dec-24	31-Dec-23	31-Dec-22
CET 1 capital	4,843,167	4,235,033	3,333,039
Tier 1 capital	5,895,717	4,772,913	3,873,439
Tier 2 capital	966,246	601,388	643,086
Total regulatory capital	6,861,963	5,374,301	4,516,525
Risk-weighted exposures:			
Credit risk-weighted exposures	24,948,193	21,018,445	18,818,597
Risk-weighted exposures for market risk	96,835	69,879	86,250
Risk-weighted exposures for operational risk	3,979,799	3,248,365	2,603,225
Total risk-weighted exposures	28,842,828	24,336,690	21,508,072
Minimum CET 1 ratio	14.4%	14.3%	11.6%
CET 1 capital adequacy ratio	16.8%	17.4%	15.5%
Minimum Tier 1 ratio	16.7%	16.6%	13.8%
Tier 1 capital adequacy ratio	20.4%	19.6%	18.0%
Minimum total capital adequacy ratio	19.7%	19.8%	17.3%
Total capital adequacy ratio	23.8%	22.1%	21.0%

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 falling short in developing and executing a business strategy that ensures sustained value creation while adapting to evolving customer needs, increasing competition and changing regulatory requirements. Additionally, uncertainties from economic and social disruptions in the region may hinder the Bank's timely execution of its strategy, potentially compromising its capacity for long-term value creation.

To mitigate the combined risks from a local and international perspective, the Bank employs a multifaceted approach. The formation of our strategic portfolio is primarily driven by the Bank's strategy to broaden and diversify our business revenue streams. Thorough curation is conducted in the execution of strategy involving the Supervisory Board, the executive management, and middle management. These sessions serve as crucial checkpoints to ensure alignment with our strategic long-term objectives and guiding principles. Moreover, monitoring the performance of strategic projects extends to quarterly analyses and tracking of metrics used to measure strategy execution. In case of significant deviations, corrective or mitigation actions are promptly implemented.

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

As the Bank becomes increasingly digitally focused, it requires more IT professionals in its various departments. This shift accentuates the risk of potentially losing key personnel. In the highly competitive tech job market, this challenge extends not only to retaining these valuable employees but also to attracting, developing, and keeping new skilled workers. Ensuring these employees align with the Bank's objectives is vital. The situation calls for strategic planning in human resources to effectively manage this risk while supporting the Bank's digital evolution.

The aim of the Bank is to adapt to the rapidly changing business environment, increase leadership capabilities, achieve a high level of engagement among employees, and equip them with the necessary skills. Our proactive approach encompasses rigorous monitoring of labour market dynamics in Georgia and beyond. To realize this ambition, we are dedicated to cultivating a world-class talent acquisition and development ecosystem. We create a robust international talent pipeline by regularly engaging with potential candidates, including passive job seekers with diverse profiles. We work on building an attractive international hiring brand. The Bank treats all employees equally and fairly, supporting and coaching them to succeed.

We equip our people with the tools and frameworks for continuous learning, supported by a constant feedback. We give our staff an opportunity to grow and expand internationally. We have developed a Succession Planning Framework for senior positions in order to ensure a smooth transition and to offer promotion opportunities to employees. In addition, we have launched a Talent Management Framework, ensuring the constant identification of talented staff and monitoring their development within the Bank. We monitor human capital risks and measure efficiency using the following metrics: Employee turnover and retention, Quality of hire, Mobility rate, Employee Net Promoter Score (ENPS), Employee Pulse surveys, Key employee metrics, Performance management and Individual Development Plans (IDPs), and Customer Net Promoter Score (NPS). In terms of compensation, we conduct multiple salary market studies to ensure we provide competitive conditions for our employees.

JSC TBC Bank reviews and updates its organisational policies to ensure they are inclusive and equitable. This includes flexible work arrangements, accommodations for diverse needs, and inclusive benefits packages.

Our internal IT Academy has been a hub for tech education, offering courses in front-end, back-end development, DevOps, and more. These courses are accessible at no cost to both our employees and potential candidates. Under the guidance of experienced staff and industry professionals, the Academy has successfully trained over 2,000 individuals from outside the organisation and 2,000 within it.

In 2024, as part of our internal training program, 30 courses were launched across various disciplines such as SQL Basic / Advance, Power BI Basic / Advance, Manual Testing, BABOK etc. These courses aimed to equip over 500 employees with essential technical skills. Additionally, three brand-new courses were introduced: .NET, Python (Basic), and a DevOps course tailored for developers and DevOps Course for Agile Coaches.

The Bank is exposed to Model Risk

In accordance with regulatory guidance and industry best practices, the Bank has developed model identification standards which clearly define what constitutes a model and provide objective criteria for model identification.

The Bank increasingly relies on statistical, machine learning, and artificial intelligence models to enhance important decision-making processes, enabled by access to diverse data sources and the adoption of big data technologies.

Increasing reliance on models requires a robust model risk management framework to prevent adverse consequences related to mistakes made during model development, implementation, or usage. The Bank defines model risk as a risk of potential financial losses, poor business decisions, and reputational damage that may arise from such model-related deficiencies.

The Bank manages model risk through its Model Risk Management (MRM) function which operates as the second line of defence to identify, measure and monitor model risk across the Bank. MRM is structured around two pillars – governance and validation. The governance pillar establishes and maintains the Bank's model risk management framework through policies, standards and risk appetite limits. This framework defines key stakeholder roles and responsibilities throughout the model lifecycle. The governance pillar also maintains the model inventory and oversees adherence to model risk appetite limits. The validation pillar provides independent assessment of models through conceptual and technical validations, evaluating model design, methodology, and performance in accordance with established policies and standards.

The MRM function uses model tiering to drive its risk-based validation approach, systematically identifying and assessing model risks through initial and ongoing validations. Model tiering, along with the nature and severity of identified risks, determines appropriate mitigation measures, which range from increased validation frequency and enhanced testing to model recalibration or redevelopment. All mitigation actions aim to maintain model risk within the Bank's defined risk appetite, with heightened scrutiny applied to higher-tiered models.

The Bank identifies risk in its growing dependence on data

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

Simultaneously, the Bank confronts a second pivotal risk associated with outdated and sometimes obsolete infrastructure. Legacy systems, characterised by outdated hardware and software, present a formidable challenge by impeding the seamless flow of data and obstructing the adoption of cutting-edge technologies. The risk intensifies with the rapid pace of technological advancements, rendering legacy infrastructure susceptible to security vulnerabilities and compliance issues. Moreover, the limited scalability of outdated systems constrains the Bank's ability to process and analyse vast datasets efficiently, thereby impinging on the agility required for informed decision-making in the fast-paced financial landscape.

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

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

The Bank is exposed to legal risk

Legal risk refers to the potential for loss, whether financial or reputational, resulting from penalties, damages, fines, or other forms of financial detriment, which impacts or could impact the Bank and/or its employees, business lines, operations, products and/or its services, and results from the failure of the Bank to meet its legal obligations, including regulatory, contractual or non-contractual requirements.

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

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

The senior management of the legal function oversees, challenges and monitors the legal risk profile and effectiveness of the legal risk control environment across the Bank. The legal risk profile and control environment are reviewed by management through business risk committees and control

committees. The Bank Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of legal risk management across the Bank.

The Bank is exposed to conduct risk

Conduct risk refers to the possibility of not delivering fair outcomes for customers and stakeholders. To mitigate this risk, the Bank has implemented a comprehensive Code of Ethics, which guides staff behavior and establishes clear ethical standards. All employees are expected to carry out their duties with transparency, honesty, and integrity, ensuring that their actions align with the Bank's commitment to maintaining trust and confidence. Upholding core values such as trust, loyalty, prudence, and care is essential, and every employee plays a crucial role in fostering a culture that prioritizes these principles in day-to-day operations.

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

In managing conduct risk, the Bank assigns responsibility to various departments and divisions to oversee, mitigate, and eliminate conduct risk across all interactions with clients and stakeholders. The Compliance, Human Capital, and Operational Risk departments collaborate to develop a cohesive Conduct Risk Management Framework. This framework supports business lines and other departments by providing guidance and assistance in the following ways:

1. **Developing and Maintaining Policies:** Creating and regularly updating policies and procedures to ensure all employees and departments comply with regulatory requirements, industry best practices, the Code of Conduct, and the Code of Ethics;
2. **Ensuring Accurate Product Information:** Ensuring that front-line employees consistently provide accurate, complete, and clear product information, both in writing and verbally, making sure it is easy for clients to understand, regardless of their level of sophistication;
3. **Ongoing Training and Education:** Providing regular training sessions for all employees on evolving compliance standards, and ensuring that new hires are thoroughly educated on the Bank's conduct expectations from the outset;
4. **Fostering a Culture of Openness:** Creating an environment where employees feel empowered to speak up without fear of retaliation. This includes actively preventing and detecting conflicts of interest and promoting moral incentives to encourage ethical behavior;
5. **Effective Monitoring and Surveillance:** Implementing robust monitoring systems to track employee behavior, client interactions, and business operations to identify potential conduct risks. This includes using technology to detect patterns of misconduct, inappropriate behavior, or policy breaches;
6. **Conflict of Interest Management:** Actively identifying and managing potential conflicts of interest, both at an individual and institutional level. This includes ensuring employees disclose personal interests that could compromise their decision-making and implementing procedures to mitigate such risks;
7. **Client-Centric Approach:** Prioritizing the interests of clients and ensuring that products and services provided meet their needs in a transparent and ethical manner. This includes regularly reviewing product offerings and sales practices to ensure they align with customer expectations and regulatory requirements;
8. **Third-Party Vendor and Partner Oversight:** Ensuring that third-party vendors and business partners adhere to the Bank's conduct risk standards, ethical expectations, and compliance regulations. Regular assessments and audits to manage conduct risks associated with external relationships;
9. **Incident Response and Corrective Actions:** Establishing a clear, effective process for addressing and resolving conduct risk incidents. This includes root cause analysis, corrective actions, and preventive measures to minimize the risk of recurrence;
10. **Data Privacy and Security:** Safeguarding client data by ensuring strict adherence to data protection laws and policies. Employees are trained on proper handling of sensitive information, and processes are in place to detect and address any breaches of confidentiality;

11. **Clear Disciplinary Procedures:** Developing transparent disciplinary procedures that are consistently applied to ensure that employees who engage in misconduct face appropriate consequences. This ensures accountability and helps reinforce a strong ethical culture across the organization.

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 is exposed to the potential adverse effects of internal political tensions and uncertainty in its country of operation.

The Bank's performance is highly vulnerable to geopolitical developments in its operational market – Georgia.

The political climate in Georgia has been strained following the parliamentary elections on October 26th, as opposition parties opposed the results, with tensions increasing after November 28th when Government announced a temporary suspension of EU integration talks until the end of 2028. The announcement sparked protests that began in Tbilisi and spread across the major cities of Georgia. Street demonstrations have been ongoing for weeks, followed by interventions by law enforcement and the detention of some participants. Consequently, the United States, the United Kingdom, and several European countries have imposed personal sanctions on some government individuals, whereas the European Union has suspended the visa-free travel for Georgian diplomats. While no further measures targeting the country or its institutions in general have been implemented to date, continuous tensions and general uncertainty in the political environment remain as a potential risk source in 2025 as well.

The most notable economic consequence of political tensions throughout 2024 was increased pressure on the GEL exchange rate. Due to election related expectation of a depreciation in the national currency in October, the Bank's customers began to convert a substantial part of their deposits into foreign currencies in August 2024, as demand for national currency credit increased, causing downward pressure on the GEL and a liquidity deficit in the market. At the same time, while foreign currency inflows remained broadly strong throughout the year, the National Bank of Georgia (NBG) intervened heavily in the foreign exchange market, spending around USD 700 mln in September-October to keep the GEL stable in a range between 2.70-2.75 USD, followed by the purchase of USD 153 mln in November and December. Political tensions peaked at the end of November when the GEL responded by depreciating against the USD, peaking at 2.87 GEL per US dollar on December 4th, while stabilizing at around 2.80 at the end of the year. At the same time, these developments created a buffer against future GEL depreciation, with foreign currency deposits expected to be converted back to the national currency, providing the market with foreign currency liquidity that would support the GEL. More broadly, political tensions at the end of the year had a negative, though rather moderate effect on tourism and consumer spending on durable goods. Overall, while some signs of slowdown have appeared in politically turbulent December, economic and credit activity remained still strong so far as real GDP growth actually accelerated in 2024, averaging a robust 9.5%, following 7.8% in 2023 and consecutive double-digit growth in 2021 and 2022, while total credit increased by 17.0% YoY at the end of December.

The Bank implemented appropriate measures to minimise the potential negative effect on the Bank's performance and the availability of its services to customers. The Bank utilizes a comprehensive stress testing framework and a range of risk measurement and monitoring tools. The effect of more severe stress assumptions is assessed as part of the annual Recovery Plan process. In addition, the Bank has specifically developed several theoretical scenarios analyzing the possible outcomes of the parliamentary elections, and designed stress tests to calibrate the potential effects on the Bank's performance.

The Bank's performance may be compromised by Adverse Developments in the Region, in particular the war in Ukraine, the possible spread of the geopolitical crisis and/or the potential outflow of migrants from Georgia, and further military escalation in the Middle East, which could have a material impact on the operating environment in Georgia.

The Bank's performance is dependent on geopolitical developments in Georgia. Although inflows to the Georgian economy are quite diversified, the country is still vulnerable to geopolitical and economic developments in the region. Risks that are still tangible stemming from the Russian invasion of Ukraine and the consequent sanctions imposed on Russia with the resulting elevated uncertainties, remain major external potential threat to the Georgian economy. The country is also exposed to renewed military conflicts in its breakaway regions occupied by Russia, while some relatively distant conflicts, such as the escalation in the Middle East, might affect the Georgian economy through a stronger US\$, higher oil prices, migration flows, etc.

While the migration effect is moderating, it continues to make an important contribution to economic activity, therefore, 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 be likely create positive economic spillover effects, such as strong rebound growth in Russia and Ukraine.

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

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 minimise the negative impact on the Bank's capital adequacy, liquidity, and portfolio quality. In extreme stress cases, where regulatory requirements may be breached, the Bank has a Recovery Plan in place, which helps to guide the Supervisory Board and the management through the process of recovery of the capital and/or liquidity positions within a prescribed timeframe.

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

In order to increase our understanding of climate-related risks to the Bank's loan portfolio, the Bank performed a high-level sectoral risk assessment, since different sectors might be vulnerable to different climate-related risks over different time horizons. In 2024, we further developed our TCFD framework and measured the Bank's indirect performance against the Paris Agreement targets for the reduction of GHG emissions. The results have been reflected in the Bank's long-term transition plan. Furthermore, we implemented the climate stress-testing approach developed by the National Bank of Georgia. Please see pages 58-82 for more details of our climate-related financial disclosures.

The Bank aims to increase its understanding of climate-related risks and their longer-term impacts over the coming years, which will enable it to further develop its approach to mitigation. Furthermore, the Bank's portfolio has strong collateral coverage, with around 76% 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 2024, the Bank released its full-scale sustainability report for the year 2023 in accordance with the Global Reporting Initiative (GRI) standards. The Global Reporting Initiative (GRI) helps the private sector to understand and realise its role and influence on sustainable development issues such as climate change, human rights and governance. The report is designed for all interested parties and groups in Georgia and abroad and aims to give them clear, fact-based information about the social, economic, and environmental impact of our activities in 2023. It presents our endeavours to create value for our employees, clients, suppliers, partners, and society as a whole. The Sustainability Report 2023 is available at www.tbcbankgroup.com.

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

In January 2022, the Bank established an Environmental, Social and Governance (ESG) and Ethics Committee at the Board level, as well as at the Supervisory Board level in line with the Company's "mirror boards" structure. This reflects the importance of sustainability in TBC's corporate governance and allows Board members to dedicate more time and focus to ESG topics. The Committee provides strategic guidance on climate-related matters and reports to the Board, which has overall oversight. For more details about the management of ESG matters, please see our ESG strategy section on pages 55-58.

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.

Collateral Management & Appraisal Department (CMAD) complies the draft documents: collateral management policy (approved by the Supervisory Board TBC PLC), collateral management procedures manual (approved by Board of Directors of TBC Bank) and other regulations/internal rules (approved by Risk Director of the Bank); purchases an appraisal service that must be in line with International Valuation Standards (IVS), acting NBS regulations and internal rules; authorizes appraisal reports and manages the collateral monitoring process (collaterals with high market value are revaluated annually, while statistical monitoring is used for collaterals with low market value). The CMAD 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.

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 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 2024 per exposure class and collateral type used:

Credit Risk Mitigation		in thousands of 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	-	-	-	336	-	336	336
7	Claims or contingent claims on corporates	173,611	27,280	29,448	-	119,357	110,982	230,340
8	Retail claims or contingent retail claims	55,866	9,080	34,687	-	88,702	10,931	99,633
9	Claims or contingent claims secured by mortgages on residential property	1,069	42	1,591	-	2,464	237	2,702
10	Past due items	6,788	2,210	3,055	-	11,277	776	12,054
11	Items belonging to regulatory high-risk categories	40,343	-	-	-	40,343	-	40,343
12	Short-term claims on commercial banks and corporates	-	-	-	-	-	-	-
13	Claims in the form of collective investment undertakings	-	-	-	-	-	-	-
14	Other items	351,268	22,800	13,179	-	376,698	10,549	387,247
	Total	628,946	61,412	81,960	336	638,842	133,811	772,654

Information on Credit Risk Concentrations According to Mitigation Tools

The Bank's credit portfolio is well secured. 72.4% of the portfolio is secured with real estate, 3.3% is secured by cash deposits and gold (2.29% and 0.98% 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, Financial Institutions Relations Division sends request to Financial Risk Management Division (FRM). 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 model⁴, 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 Counterparty Risk Management Policy, which determines the principles of the process for the counterparty risk management and it regulates the activities of the departments and employees involved.

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

International Ratings

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

⁴If 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.

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

Our commitment to sustainable development derives from our role as the leading financial institution in Georgia's development. We recognise our significant impact on the country's economy and our vital role in fostering business growth, employment, and societal progress.

Our ESG Strategy underscores our dedication to making a lasting, sustainable impact. We are committed to being the foremost advocate of Environmental, Social, and Governance (ESG) principles, not only within our country but also across the broader region. By integrating ESG considerations into our operations, we aim to drive positive change, support sustainable development, and lead by example. A key component of our strategy is the transition to a low-carbon economy. We are actively working to reduce our carbon footprint and promote renewable energy sources. This involves lending to customers who invest in green technologies, supporting low-carbon projects, and encouraging sustainable practices across all sectors.

Raising awareness of ESG principles is also central to our strategy. We engage with stakeholders through educational initiatives, transparent reporting, and collaborative efforts to promote a deeper understanding of sustainability issues. Furthermore, in 2024, we conducted dedicated ESG surveys among our employees, investors, and customers. To ensure our ESG initiatives align with stakeholder expectations and support our strategic sustainability goals, we identified key ESG topics of interest and importance to employees, investors, and customers. Using this feedback, we refine our ESG initiatives to ensure they address stakeholders' expectations and support our strategic sustainability goals.

We prioritise diversity and inclusion within our organisation and in the communities we serve. We believe that diverse perspectives drive innovation and strengthen our ability to address complex challenges. We are committed to creating an inclusive environment where all individuals feel valued and respected. In 2024, we worked on a comprehensive diversity concept covering three main activity streams: physical and digital accessibility of products and services, inclusive employment, and accessibility of marketing events. This one-year project was supported by the Asian Development Bank through the TSCFP Disability Inclusion Project⁵. As a result, we created a solid foundation for our Diversity Action Plan, rolled out in following years.

Our ESG strategy reflects our responsibility to foster economic growth, social well-being, and environmental stewardship, ensuring that our contributions benefit both present and future generations. The ESG Strategy is reviewed and approved by the Supervisory Board annually, while implementation is overseen by ESG-related committees at the Supervisory Board and executive management levels.

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



⁵ As part of the Asian Development Bank Trade and Supply Chain Finance Program's (TSCFP) Disability Inclusion Project for Financial Institutions, ADB is funding the provision of timeboxed consultancy support for banks across Asia and the Pacific. ADB has contracted GDI to provide consultancy services for banks under this programme, and TBC Bank is receiving this consultancy offer free of charge, as funded by ADB. As agreed with TBC Bank, the scope of consultancy support provided by GDI Hub includes technical, training, and advisory services.

Key achievements in 2023:

- The total volume of our sustainable loan portfolio reached GEL 1.73 billion, increasing by 40.5% since the end of 2023, when it stood at GEL 1.23 billion.
- We measured our performance against the Paris Agreement targets for the reduction of GHG emissions.
- We started incorporating the standards of the Science-Based Targets Initiative into our performance measurement methodology.
- The share of renewable energy in our total electricity consumption in the regions grew up to 50%.
- The TBC ESG Academy launched the first green mindset and green financing course for our employees and customers.
- Share of women in ICT Risk and Finance reached 46%.
- The number of participants in our educational programs in ICT areas reached 724, achieving 42% representation for women and 41% for participants from the regions.

The ESG Strategy follows a strategic road map, which reflects the milestones of our sustainability journey for the following years. In 2024, we actively continued to implement our initiatives to fulfil our targets, which are divided into four pillars: direct environmental impact, indirect environmental impact, social impact, and governance.

Pillars 1 and 2: Direct and indirect environmental impact

2022 ESG Strategy target / initiative	2023 status	2024 status
ESG governance framework established at both Supervisory Board and executive management levels Enhance ESG governance and achieve a higher maturity level	Enhance ESG governance and achieve a higher maturity level	The higher maturity level achieved
Regular reporting on key parameters to the ESG-related Committees at Supervisory Board and executive management level established	Increased granularity and automation of reporting, regular reporting on climate-related risks, scenario analysis, stress testing, and ESG risk appetite	A robust reporting framework on environmental and climate-related matters established, including deep-dive sessions on TCFD, Paris Agreement alignment, financed emissions and other relevant topics
Volume of GEL 782 million was achieved ⁶	Volume of GEL 1.23 billion was achieved	Volume of GEL 1.73 billion was achieved
Climate Change Policy developed and approved ⁷	Development of sectoral guidelines in line with the Climate Risk Radar of the National Bank of Georgia (NBS)	Implementation of the ESG guidelines of the National Bank of Georgia ⁸
The NBS introduced the Green and Social Taxonomies, developed in line with the best international taxonomies	The NBS Green Taxonomy implemented; the respective documentation, procedure, calculation tools implemented and training for responsible staff conducted	The Social Taxonomy has been implemented.
The green lending procedure implemented	Harmonisation of the green lending procedure and the green taxonomy of the NBS	Harmonisation of the green lending procedure and the green taxonomy of the NBS
Increase customer loyalty, investor confidence, and employee motivation	Establishment of ESG training framework for all TBC employees Measure ESG awareness among employees and customers Conduct an ESG Survey for investors	ESG awareness index among employees measured ESG surveys among investors conducted ESG matters integrated into customers' surveys

⁶ Renewable energy and energy-efficiency loans, women and youth financing, NBS green and social taxonomy, green bonds and social guarantees. More details are given on page 82.

⁷ <http://www.tbcbankgroup.com/>

⁸ www.nbs.gov.ge, in force starting from January 2025.

ESG strategies in material subsidiaries developed	ESG Strategies implemented and supporting ESG function at the Group level established	ESG Strategies updated to reflect the progress made during 2023
To define the net-zero target for direct environmental performance	The Group's direct performance towards the Paris Agreement targets for the reduction of GHG emissions measured	Develop a plan to enable our direct environmental impact to also reach net-zero
Develop a plan to enable our indirect environmental impact to reach net zero	A methodology to calculate financed emissions based on the PCAF approaches developed and financed emissions calculated for seven asset classes	The Group's indirect performance has been measured against the Paris Agreement targets for the reduction of GHG emissions

Pillar 3: Social Impact

In order to expand our focus on diversity, gender, and inclusion issues, we have developed a Diversity, Equality and Inclusion Policy (available at our website, www.tbcbankgroup.com), which sets targets and establishes a methodology to advance diversity, equality, and inclusion, integrating its approach into the company's operations and management processes and focusing on diverse areas including gender, multicultural, multigenerational, and disability backgrounds. We remain committed to having a gender-balanced workforce and a culture that supports and empowers women. At the Bank level, we defined targets for women participation in different positions. The main target for women in middle manager and agile leaders is set at 43% for 2025. Similar affirmative targets are set at other subsidiaries of the Group, as well. In the coming year, we are going to introduce a target for middle managerial positions at the Group level.

2022 ESG Strategy target / initiative	2023 status	2024 status
Diversity, Equality and Inclusion (DEI) Policy, targets, and action plan defined	Share of women in middle managers and agile leaders at 40%	Share of women in middle managers and agile leaders at 40%
Comprehensive ESG training framework covering all TBC employees and different responsibility levels established	GEL 5 mln target for impact procurement	Measure ESG awareness among employees and customers Development of diversity action plan

Pillar 4: Governance

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

In 2024, we continued implementation of individual ESG strategies in significant subsidiaries of the Group. Several workshops were conducted with staff from the subsidiaries and working groups were established.

2022 ESG Strategy target / initiative	2023 status	2024 status
ESG governance framework established at both Supervisory Board and executive management levels	Enhance ESG governance and achieve a higher maturity level	The higher maturity level achieved
Regular reports on key parameters to the ESG-related Committees at Supervisory Board and executive management level established	Increased granularity and automation of reporting, regular reporting on climate-related risks, scenario analysis, stress testing, ESG risk appetite	On-going process

Separate ESG Strategies developed	Implementation of ESG Strategies in subsidiaries	ESG Strategies updated to reflect the progress made during 2023
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In 2025, we will continue to follow our strategic plan, focusing on the following topics:

Sustainable portfolio

In 2025, we will continue to focus on the growth of our sustainable portfolio. The ESG strategy sets an ambitious target of GEL 2 billion for the sustainable portfolio. The ESG strategy sets aspirational targets, such as net-zero greenhouse gas (GHG) emissions related to our direct environmental impact by 2030 and an increase in the sustainable portfolio, which consists of renewable energy loans, energy efficiency loans, and financing with social components such as women and youth financing, supporting start-ups and rural enterprises.

Transition plan

In 2025, we will focus on the implementation of detailed transition plans, based on the measurement results of the Group's performance against the Paris Agreement targets for the reduction of GHG emissions. To support the process, we contracted an international consultant company and local and international experts and developed a detailed scope of work covering the following activities: development of tailored green products and assessment methodologies, sectoral guidelines for climate risk assessment, footprint assessments of selected customers, and building institutional capacity.

ESG Academy

In 2023, we established the ESG Academy in order to raise awareness and knowledge of ESG topics, including green and social financing, regulatory requirements, diversity and affirmative approaches, sustainable business models and practices among the Bank's customers as well as TBC employees. The first training programme, "The Green Mind-Set and Green Financing", was launched in March 2024, with support from two partner international financial institutions, the Green for Growth Fund (GGF) and the European Fund for Southeast Europe (EFSE). More than 300 employees attended the training course in 2024. The programme will train an additional 600 employees and 300 retail, MSME and corporate customers by the end of 2025.

Implementation of the IFRS S1 and S2

In June 2023, the International Sustainability Standards Board (ISSB) issued IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures. In 2025, we will focus on implementation of these requirements. Since we have published our disclosures in line with the requirements of the Task Force on Climate-Related Financial Disclosures (TCFD) since 2021, we will build on the existing disclosure and reporting framework.

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.

In 2024, we enhanced further our climate-related approach. We reviewed our assessments of climate-related transitional and physical risks on a sectoral level and incorporated the ESG Risk Radar considerations of the National Bank of Georgia (NBG)⁹. Furthermore, we updated our climate stress testing framework in line with the Climate Stress Testing Framework of the NBG in order to incorporate parameters that are better tailored to the local context. We made meaningful progress

⁹ <http://www.nbg.gov.ge/>

in calculating our financed emissions and identifying a pathway aligned with the Paris Agreement targets. The results will provide a foundation to develop our plan to enable our indirect environmental impact to reach net-zero as soon as practicable thereafter. We understand that the transition to a lower-carbon and sustainable economy requires both internal knowledge building and awareness raising among customers, businesses, and the public. We focus on internal capacity building, involving in-house and external experts on a variety of topics: green lending, the NBG green taxonomy, the impact of climate change, climate-related risks, and scenario analysis. As the sustainability landscape evolves with new information and greater standardisation, TBC will continue to refine and expand its disclosures to provide meaningful information to stakeholders

It should be noted that the data we have used provide the best available approach to reporting 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

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.

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

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

It should be noted that the data we have used provide the best available approach to reporting 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.

8.2 Governance

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

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

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

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

The ESG and Ethics Committee met four times during 2024 and covered the following topics: a) a regular review of and status update on the Group's ESG strategy, including its climate action strategy, and implementation plans; b) monitoring of their execution; and c) oversight and recommendations to the Board for approval of the Group's disclosures on ESG matters, including reporting in line with the TCFD principles, in the Annual Report and Accounts. The key topics covered in 2024 by the ESG and Ethics Committee were as follows: tracking progress against the ESG Strategy's targets, such as the volume of the sustainable portfolio; the Group's direct GHG emissions; review of the Environmental and Climate Change Policy, the Human Rights Policy and the Diversity, Equality and Inclusion Policy; review of the Exclusion List¹ and ESG risk appetite definitions; review of the Climate Action Strategy, including the progress reports on the TCFD implementation; the involvement of external consultants in climate-related topics; review of TCFD reporting for the Annual Report 2023 and the Sustainability Report 2023; and the ESG and climate-related training agenda for TBC staff.

The Supervisory Board is supported by the Risk Committee. Progress against the reporting metrics, such as the volume of the sustainable portfolio, is reported to the Risk Committee, which also receives updates four times a year through the Chief Risk Officers' (CRO) report. In 2023, we integrated the ESG Risk Appetite into our Risk Appetite Framework (RAF). As a result, the ESG Risk Appetite results are also reported to the Risk Committee on a quarterly basis. Furthermore, the responsibilities of the Audit Committee include the review of annual reports, including TCFD reporting, as well as following up on compliance through policies, procedures, and regulations.

The Human Resources and Remuneration Committee covered the ESG-related Key Performance Indicators of the executive management. Please see more details in the in the Annual Report of TBCBank Group PLC on the page 206.

The Supervisory Board has established a diverse and comprehensive training agenda, which is reviewed annually. The Group's Secretarial team creates a general training catalogue at the beginning of each year, which covers all relevant areas of Risk, Audit, Remuneration and Governance. The catalogue includes an effective mix of publicly available and client-tailored webinars, analytical materials, and opportunities for live discussion with industry participants. The providers of these training opportunities include the Big Four accounting firms, external legal advisors, chartered institutes (such as the Institute of Directors and the Governance Institute), and, where relevant, senior professionals with specific subject matter expertise. Directors use the training catalogue in order to create their bespoke training calendars and exchange knowledge during Supervisory Board meetings or via the Group's dedicated Supervisory Board platform.

8.2.2 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. The ESG Committee is responsible for implementing the ESG strategy and approving annual action plans and separate, detailed action plans for key projects. The committee meets every quarter to monitor the progress and implementation status of these action plans. In 2024, it covered the following climate-related topics in its four meetings: TCFD reporting; the TCFD implementation action plan; the ESG risk appetite; progress against ESG Strategy targets such as the volume of the sustainable portfolio; the Environmental and Climate Change Policy; direct GHG emissions reports; the ESG and climate-related training agenda for the TBC staff; and the involvement of external international and local experts in

the development of climate-related approaches and methodologies. The ESG Committee's responsibilities also include the review and monitoring of climate-related risks and opportunities as well as the establishment of an effective mitigation and control system to manage identified (material) climate-related risks.

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

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

8.3 Strategy

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

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

Since 2020, TBC has an ISO 14001:2015 certificate for its Environmental Management System. In 2021 and 2022, TBC successfully completed the re-certification process. The renewal of the certificate for 2023 was conducted in December 2023 and the following re-certification in 2024 was also completed successfully. More information about the Environmental Management System can be found in the Risk Management section of this chapter on pages 72 - 77.

In 2021, the Group developed and approved its ESG Strategy. In 2024, we updated our ESG Strategy in order to reflect the progress made during 2023 and adjust the targets and initiatives for future years.

The table below summarises the environmental and climate-related initiatives of the ESG Strategy in 2024:

2022 ESG Strategy target / initiative	2023 status	2024 status
Target volume for 2022 was GEL 750 million; Volume of GEL 782 million was achieved.	Target volume for 2023 was GEL 1 billion; Volume of GEL 1.23 billion was achieved.	Target volume for 2024 was GEL 1.4 billion; Volume of GEL 1.73 billion was achieved.
Climate Change Policy developed and approved ¹⁰ .	Development of sectoral guidelines – Climate Risk Radar of the NBG.	Implementation of the ESG guidelines of the National Bank of Georgia ¹¹ .
The National Bank of Georgia introduced the Green and Social Taxonomy, developed in line with the best international taxonomies. The implementation process has been finalised.	Green Taxonomy implemented.	Social Taxonomy implemented.
Green loan procedure implemented.	Harmonisation of the green loan procedure and the Green Taxonomy of the National Bank of Georgia (NBG).	Harmonisation of the green loan procedure and the Green Taxonomy of the National Bank of Georgia (NBG).
The framework on ESG profiles for corporate customers developed.	Framework on ESG profiles implemented for Top 20 corporate customers.	The ESG Profile Methodology, which was piloted in 2023, has been integrated in the overall risk management process.
Development of ESG risk appetite	Regular reporting, monitoring, and review established.	Definitions of the ESG risk appetite updated.
Establishment of ESG training framework for all TBC employees	Measure ESG awareness among employees and customers. ESG Survey for investors.	ESG awareness index among employees measured. ESG surveys among investors conducted. ESG matters integrated into customers' surveys.
Separate ESG Strategies in material subsidiaries developed.	ESG Strategies implemented and supporting ESG function at the Group level established.	ESG Strategies updated to reflect the progress made during 2023.
Net-zero target for direct environmental performance.	The Group's direct performance has been measured against the Paris Agreement targets for the reduction of GHG emissions.	Develop a plan to enable our direct environmental impact to also reach net zero.
Develop a plan to enable our indirect environmental impact to also reach net zero.	A methodology to calculate financed emissions based on the PCAF approaches has been developed and financed emissions have been calculated for six asset classes.	The Group's indirect performance has been measured against the Paris Agreement targets for the reduction of GHG emissions.

The Group's ambition is to be the leading supporter of ESG principles in Georgia and the wider region. We aspire to make our environmental impact net-zero. By developing our measurement methodologies and improving our data, we have been able to define our net-zero pathway for direct environmental impact (Scope 1 and Scope 2 GHG emissions) more accurately. We aim to achieve a net-zero direct environmental impact by 2030.

¹⁰ <http://www.tbcbankgroup.com/>

¹¹ www.nbg.gov.ge, in force starting from January 2025.

In 2024, we also continued to develop our plan to enable our indirect environmental impact (Scope 3 emissions) to reach net-zero. We developed tools to calculate and model future GHG emissions in line with the Paris Agreement targets. The GHG emissions pathways have been constructed based on the Science Based Initiatives targets¹². Considering the current state and accuracy level of data, we consider ourselves to be on the path towards a net-zero target in 2050. Moreover, we seek to achieve net-zero for our environmental performance earlier and are developing a long-term transition plan to reduce GHG emissions.

In December 2023, the Bank received support from the Technical Assistance of the Global Climate Partnership Fund S.A., SICAV-SIF. The support comprised one year of consultancy services to support the Bank's alignment with the Paris Agreement targets for the reduction of GHG emissions. The project aimed to establish a methodology and suggest a data collection process to measure and monitor the Group's carbon footprint, as well as to ensure these results were reported and clearly communicated to both internal and external stakeholders. The consultancy services, provided by RINA Consulting S.p.A., covered the following sub-projects:

- Calculation of financed carbon emissions and refinement of the carbon assessment methodology;
- Calculation of TBC's alignment with the Paris Agreement targets and elaboration of future emission scenarios; and
- Development of respective guidelines and forecasting tools based on the Science Based Initiative's pathways.

This process was supported by climate-related training to strengthen the Bank's capacity, knowledge, and capabilities to manage decarbonisation action plans and to integrate them in TBC's strategy and activities. In 2024, four different training sessions and workshops were conducted, covering topics such as the Paris Agreement, net-zero targets, transition planning, financed emissions, data collection and accuracy.

Since 2023, TBC has been implementing several different initiatives to support the management of climate-related risks and opportunities:

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

8.3.1 Climate-related risks and opportunities

Climate-related risks

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

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

¹² The Science Based Targets initiative (SBTi) is a corporate climate action organisation that enables companies and financial institutions worldwide to play their part in combating the climate crisis (www.sciencebasedtargets.org)

	Transition risks				Physical risks	
Risk sources	Policy and Legal	Technology	Market	Reputation	Acute	Chronic
Types of risks	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - 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. 	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - 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 	<ul style="list-style-type: none"> - Increased severity of extreme weather events such as floods 	<ul style="list-style-type: none"> - 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 the Bank	Low	Low	Low	Low	Medium	Medium

The overall and sectoral assessments of transitional and physical risks are given below. Each sector that has a share of 1% or greater in the Bank's gross loan portfolio is assessed separately. Furthermore, carbon-related sectors such as metals and mining, oil and gas, are assessed separately, despite of having a share under 1%. The time horizon indicates when the respective risk will start to materialise, while the level of potential impacts gives the level of the risk. It is assumed that the level of risks remains the same in the following periods.



In 2024, we enhanced further our climate-related approaches. We reviewed our assessments of climate-related transitional and physical risks on a sectoral level and incorporated the ESG Risk Radar considerations of the National Bank of Georgia (NBG)¹³, especially for the short-term perspective. The scoring system of the ESG Risk Radar has been applied for all sectors in Georgia classified as main sectors by the NACE sector codes (Eurostat 2008). Currently, the highest score is 9, indicating that no critical sectors have yet been identified in Georgia. However, some sectors with scores of 7, 8, and 9 need to be considered as potentially high risk, while others (scores 5 and 6) render the portfolio vulnerable to climate risks¹⁴. The ESG Risk Radar provides a foundation for the assessment of climate-related risks on a sectoral and customer level. We consider the ESG Risk Radar scores when addressing the risks and opportunities of climate-related activities. We developed our internal ESG profiles

¹³ <http://www.nbg.gov.ge/>

¹⁴ Score 7 - A Agriculture, Forestry and Fishing, Growing of non-perennial Crops, Forestry and Logging, Manufacture of Food Products, Manufacture of Chemicals and Chemical Products, Electricity, Gas, Steam and Air Conditioning Supply, Water Supply, Sewerage, Waste Management and Remediation Activities. Score 6 - Growing of perennial Crops, Animal Production, Fishing and Aquaculture, Manufacturing, Manufacture of Tobacco Products, Manufacture of Coke and refined Petroleum Products, Manufacture of Motor Vehicles, Trailers and Semi-Trailers, Construction, Transportation and Storage (www.nbg.gov.ge).

methodology based on the ESG Risk Radar. More details are given in the section on the overall risk management process on pages 75 - 77. Furthermore, the opportunities related to climate-exposed sectors are given below in the section on climate-related opportunities on pages 68-69.

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

TBC Bank has assessed the potential impact of the policy measures laid out in Georgia's 2030 Climate Change Strategy¹⁵ and Climate Strategy Action Plan¹⁶ on the different economic sectors that it finances. As a summary of the potential impact of the various transition risks identified, the transitional risks in Georgia and on the TBC Bank's activities are low. Given that trade and services dominate the Georgian economy, the policy measures outlined in Georgia's 2030 Climate Change Strategy will have a low overall impact on those economic sectors, especially in the short and medium term. Taking into consideration Georgia's status as a transitional, growing economy, Georgia's 2030 Climate Change Strategy aims not to impede GDP growth with policy measures but rather to support a smooth transition where necessary. It is worth noting that the economic sectors most affected by transitional risks worldwide, such as mining, crude petroleum, natural gas and metal ores, manufacturing coke and refined petroleum products¹⁷, are only present to a very limited extent in Georgia, resulting in the transitional measures having a low overall impact on economic growth, if any.

Technology risk

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

Market risk and reputational risk

Market risk is low, as consumer behaviour in Georgia shows a very slow trend towards lower carbon footprint products. For reputational risk, no material impact is expected, as the Bank has developed Environmental and Social Risk Management Procedures to identify, assess, manage and monitor environmental and social risks which are fully compliant with Georgian environmental legislation and follow international best practices. Please see more information about the environmental management system on pages 72-77.

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

Georgia's geographical location and natural conditions, as a small country with a mountainous landscape, a Black Sea coastal zone, and semi-arid areas in the Southeast, contribute to the country's vulnerability to the physical risks of climate change. The sectors that are thought to be most vulnerable to climate change in Georgia include agriculture, forestry, tourism, and healthcare¹⁸.

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

¹⁵ <http://www.mepa.gov.ge/>

¹⁶ <http://www.mepa.gov.ge/>

¹⁷ Key elements of the 2021 Biennial Exploratory Scenario: Financial risks from climate change | Bank of England

¹⁸ <http://www.unfccc.int/>

Climate-related opportunities

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

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

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

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

We acknowledge the importance of sustainable lending and are actively implementing a standardised approach to sustainable finance, including energy efficiency, renewable energy, and resource efficiency financing for our retail and business clients. The largest part of our sustainable portfolio consists of energy efficiency, renewable energy, and resource efficiency financing and equals GEL 952 million out of GEL 1.73 billion. The remaining part of the sustainable portfolio consists of women and youth financing, affordable housing, and start-up loans. The growth targets of the sustainable portfolio are set in the ESG Strategy annually; the targets are defined after considering customer needs for green financing and discussions with the respective business departments of TBC Bank. For 2025, the target volume of GEL 2 billion was approved by the Supervisory Board.

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

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

- TBC is actively mobilising green funds from partner international financial institutions to promote sustainable economic growth, primarily by financing energy efficiency, resource efficiency, and renewable energy projects. Those facilities will help local businesses and households to become more competitive by investing in high-performance technologies and adopting energy-efficient practices. In addition, financing is coupled with technical assistance programmes, providing know-how and technical expertise to borrowers and ensuring that their green investments are successfully implemented. Several green facilities have grant incentives in place as well. As of year-end 2024, TBC had various green facilities in place, totalling up to GEL 960 million, from which around GEL 460 million has been attracted within 2024 from long-standing international partners, such as EIB, EBRD, GGF, IFC and DEG;
- In addition, in 2022, after receiving accreditation from the Green Climate Fund (GCF) in 2021, the Bank signed an Accreditation Master Agreement (AMA), which is the central instrument setting out the basic terms and conditions to work with the Green Climate Fund (GCF). This authorises TBC Bank to access and mobilise financial resources from the GCF and formalises the Bank's accountability in carrying out GCF-approved projects appropriately.
- The Bank acknowledges the importance of addressing gender equality and the empowerment of women and has in place several facilities that promote women's entrepreneurship by supporting increased access to finance, providing non-financial services as well as knowledge-sharing opportunities. In addition, the Bank has dedicated funds supporting

young borrowers and entrepreneurs, providing loans for education, mortgage loans, as well as loans to start businesses.

The 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.

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

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

To support our transition plan, we have already implemented several different measures:

- We installed solar power plants in two locations with a total capacity of 130 kW. Total investments equal to GEL 23,000. The share of renewable energy in our total electricity consumption in the regions grew up to 50%;
- We are gradually increasing the share of electric and hybrid cars in our car fleet, which is currently equal to 67% of the total car fleet;
- Starting in 2022, we installed energy-efficient heating / cooling systems in all newly renovated branches; total investment, including construction works, amounts to GEL 2.3 million;
- During 2024, we renewed a part of the IT infrastructure with energy-efficient servers. As a result, the computational resources of the servers increased by 20-30%, without leading to any additional electricity consumption, hence these changes led to saving 20-30% in potential energy expenditure;
- Furthermore, we are going to install 36 electric charger stations at our head office and other premises; this planned investment amounts to GEL 450,000

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

- We are increasing the volume of green financing every year;
- In 2024, we exceeded our strategic target of GEL 1.4 billion for the sustainable portfolio volume by 24 % and reached GEL 1.73 billion;
- Acquired green funding from various international financial institutions is increasing every year. As of 2024, it stands at GEL 960 million.

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

Sector	% in standalone Bank's loan book	GHG Emissions Contribution ¹⁹	Climate Risk Score ²⁰	Product Catalogue
Agriculture	4.3%	4	7	Energy-efficiency loans Climate-smart technologies New irrigation systems
Automotive	0.9%	4	5	Hybrid and electric cars, Euro 5, Euro 6 and Euro 7 cars Energy-efficiency loans Industry autos

¹⁹ The Climate Risk Radar assigns a GHG-emissions contribution score according to the National Greenhouse Gas Inventory Report of Georgia 1990-2017.

²⁰ The Climate Risk Radar defines 4 risk categories: 0-3 neglectable, 4-5 vulnerable, 6-7 high risk, 8-10 critical. There are no sectors with a critical risk profile.

Construction	6.4%	3	6	Energy-efficiency loans for construction projects, Production of energy-efficient building materials. Energy-efficiency loans for machinery / appliances Charging stations for electric cars
Energy & utilities	3.7%	4	7	Renewable energy financing Charging stations for electric cars
Food industry	5.5%	4	7	Energy-efficiency loans (warehouses, storage, appliances, cars)
Individuals	37.2%	N/A	N/A	Energy-efficiency mortgages Hybrid and electric car loans
Manufacturing	0.7%	3.5	6	Energy-efficiency loans (machinery, appliances, buildings) Carbon filtering
Metals and mining	0.8%	4	5	Energy-efficiency loans (machinery, appliances, buildings)
Oil and gas	1.2%	4	7	Energy-efficiency loans for building charging stations for electric cars
Real estate	11.5%	3	5	Energy-efficiency loans Renewable energy financing (solar panels)
Transportation	1.6%	3.5	6	Hybrid and electric cars, Euro 5, Euro 6 and Euro 7 cars, buses, trucks

In 2024, we continued to incorporate climate and broader ESG considerations into our financial planning processes. Additional qualitative considerations related to climate and ESG matters were incorporated in the 2024 financial planning cycle. In 2024, the Group also continued aligning loan portfolio growth planning with the risks and opportunities in different business segments: retail, MSME and corporate.

As of the end of 2024, the sustainable portfolio of the Bank, which equals to GEL 1.73 billion, includes exposures with different purposes, such as: energy-efficiency loans, electric car loans, renewable energy financing for solar panels and hydro power plants.

Sector	% in standalone Bank's loan book	Share in the sustainable portfolio	Focus areas for financing in 2024
Retail segment	38%	1%	Energy-efficiency Electric and hybrid cars Mortgages Solar panels
MSME segment	24%	6%	Energy-efficiency Renewable energy Climate-smart technologies Hybrid and electric cars Industry autos
Corporate segment	38%	93%	Energy-efficiency Renewable energy Climate-smart technologies New irrigation systems Industry autos

In 2025, we will focus on integrating tailored sectoral transitions plans and Paris Agreement alignment considerations into the financial planning process, elaborating the respective methodologies and tools and increasing our internal expertise and capacity.

8.3.3 Climate-related scenarios

TBC is taking significant steps to develop its scenario analysis capabilities to better understand and act on the implications of climate-related risks and opportunities for our business and customers. The development of climate related scenario analysis is a challenge, as the availability, accessibility, and suitability of climate data and subsector information for financial risk analysis, as well as climate-related risk modelling capabilities, are very limited in Georgia and still evolving. Despite these limitations, the scenario analysis allows us to test a range of possible future climate pathways and understand the nature and magnitude of the risks they present. The purpose of scenario analysis is not to forecast the future but to understand and prepare to manage the risks that could arise.

In 2024, the National Bank of Georgia (NBG) has developed a comprehensive Climate Stress Testing Framework that integrates multiple analytical modules and specialised tools to assess both acute physical risks and transition risks. By covering both physical and transition risks, the framework provides a holistic view of the challenges posed by climate change. It also uses NGFS scenarios as reference scenarios to align the stress tests with globally recognised standards. The framework is comprehensive, covering both retail (Household sector) and non-retail portfolios (Corporate sector), ensuring that all significant exposures within Georgia's financial sector are evaluated for potential climate-related vulnerabilities.

The Climate Stress Testing Framework

The Climate Stress Testing Framework includes²¹:

- Acute Physical Climate Risk Module²² which focuses on assessing the immediate impacts of extreme weather events on the Georgian economy and financial system. This module utilises historical data, scenario construction, and advanced modelling techniques to project the economic damage associated with specific hazards such as heatwaves, extreme precipitation, and wind events. These projections are then used to evaluate the broader economic impacts, including potential changes in GDP and sectoral outputs.
- Transition Risk and Chronic Physical Risk Module²³, which addresses the longer-term risks associated with gradual climate change and the transition to a low-carbon economy. By analysing scenarios such as delayed transition pathways, this module examines how abrupt policy changes, technological shifts, and market dynamics can affect the financial sector.
- Stress Test Module for Corporate Sector is designed to assess the exposure of corporate loans to climate-related risks, focusing on the potential impacts on non-performing loans (NPLs), loan loss provisions within each sector and banks' capital adequacy. It integrates outputs from both the acute physical and transition risk modules to project sector-specific NPL ratios under various climate scenarios. This approach allows for a detailed analysis of how different industries within the corporate sector might be affected by climate-related risks, particularly those industries that are more carbon-intensive or less able to pass on costs associated with climate policies. The module uses NBG's Top-Down Stress Test Model to simulate the financial impacts on bank capital and overall sector stability.

²¹ <http://www.nbg.gov.ge/>

²² The NGFS does not provide acute climate risk assessments and scenarios specific to Georgia; therefore, alternative sources were needed. The GIZ Study, "Supporting Climate Resilient Economic Development in Georgia," offers essential information on historical and projected climate hazards and their economic effects for Georgia. In particular, it analyses past extreme climate events and the resulting monetary damages. These findings are then utilised to synthesise the anticipated differential effects of heatwaves, extreme precipitation, and extreme wind events on various sectors of the Georgian economy. (GIZ. 2022. Supporting Climate Resilient Economic Development in Georgia: www.giz.de)

²³ For Georgia, these projections are generated using three Integrated Assessment Models (IAMs): REMIND-MAGPIE, MESSAGEix-GLOBIOM, and GCAM. Each of these models produces different projections of key climate-related and socio-economic variables, which are categorized into several scenarios. The REMIND-MAGPIE model was selected as the preferred tool for analysing long-term climate change scenarios relevant to Georgia due to several reasons: a) the REMIND-MAGPIE model groups Georgia into a region that is more aligned with its primary trading partners and economies with similar structures; b) the REMIND-MAGPIE model was found to be closer in its CO2 emissions projections, particularly in the energy sector; c) REMIND-MAGPIE was observed to provide more realistic projections, especially under the Net Zero 2050 scenario, and predicted lower and more plausible carbon prices and government carbon-tax revenues compared to MESSAGEix-GLOBIOM; d) the REMIND-MAGPIE model displayed more logical and consistent relationships between GDP growth and energy consumption, particularly in the industrial sector.

- Stress Test Module for Household Sector evaluates the impact of climate-related risks on household loans, focusing on NPL ratios, loan loss provisions and their effect on banks' capital adequacy. It utilises projections of key variables, such as real estate prices and loan-to-value ratios, under different climate scenarios. By assessing the household sector's vulnerability to both acute physical and transition risks, this module provides insights into the broader impacts on financial stability, enabling a comprehensive evaluation of potential stress factors on household loan portfolios.

A key aspect of this modelling approach is the deviation from traditional Input-Output (IO) models. Typically, in IO models, gross output is determined endogenously from the exogenous final demand. However, in the context of extreme weather events, this assumption does not hold. Such events impose significant supply-side constraints on affected industries, limiting their ability to meet future demand for their goods. As a result, for these industries, final demand can no longer be considered exogenous because it must now account for the supply limitations imposed by the climate shock.

To address this complexity, a Mixed Endogenous/Exogenous Model (MEEM) is employed. This approach accommodates the simultaneous supply and demand constraints that arise when industries face disruptions due to acute physical risks. The MEEM, as described by Miller and Blair (1985), allows for a more accurate representation of the economic dynamics in scenarios where industries cannot fulfil the exogenously set demands due to physical constraints²⁴.

Extreme weather events are treated as one-time shocks, with effects projected for the year following their occurrence, i.e., a one-year projection. However, the impacts of these hazards on subsequent years are also incorporated through frontloading. Frontloading ensures that the cumulative effects of each hazard on GDP and sectoral Gross Value Added (GVA) are captured, providing a more comprehensive picture of the long-term economic impacts.

In addition to GDP projections, additional macroeconomic variables are required as inputs to the NBG's top-down stress test model. ARDL models²⁵ are particularly well-suited for studying the relationships between macroeconomic indicators (such as GDP, inflation, and interest rates) over time. They help to examine how changes in one variable affect another across different time horizons and to forecast future values of variables based on their historical patterns and relationships.

Scenario Selection

The NGFS has designed seven scenarios as part of its Phase IV, all of which share similar socio-economic assumptions and account for the recent energy market implications, such as those arising from the war in Ukraine. These scenarios are categorized into four groups: Orderly Scenarios (three scenarios), Disorderly Scenarios, Hot House World Scenarios (two scenarios), Too Little, Too Late Scenarios. The Delayed Transition with Medium Chronic Physical Risks scenario was chosen from the Disorderly category. This scenario was selected because it represents one of the highest transition risk scenarios, reflecting the substantial challenges that may arise if global climate action is delayed and then implemented abruptly. Delayed Transition assumes global emissions do not decrease until 2030, requiring strong policies thereafter to limit warming to below 2°C. This scenario involves higher transition risks due to delayed and uneven policy implementation across countries. Additional expert judgment was applied to the results to make them more relevant and appropriate to the Georgian context.

Conclusions

Acute Physical Climate Risk Scenario: The results by segments show that the potential impacts on non-performing loans (NPLs) in the retail, micro, SME, and corporate segments are immaterial. A few

²⁴ <http://www.nbg.gov.ge/>

²⁵ The Auto Regressive Distributed Lag (ARDL) model is a key tool for analysing economic time series data, especially when variables may be interrelated over time. The key features of ARDL models include their flexibility in capturing dynamic relationships between variables, their ability to account for both short-term and long-term effects, and their usefulness in analysing complex economic relationships. In the case of a climate stress test exercise, ARDL models are utilised to assess the long-run relationship between various macroeconomic variables—such as the nominal effective exchange rates, real estate prices—and real GDP growth. The results of these assessments are the Long-Run Multipliers (LRMs) for each macroeconomic variable, which are then used to generate projections for each variable. (<https://nbg.gov.ge/en/page/climate-stress-test>)

sectors show negative trends, such as agriculture, construction, industry, and non-renewable energy. However, considering that these are front-loaded effects, the results become negligible

Transition Risk and Chronic Physical Risk Scenario: The results by segments show that the potential impacts on non-performing loans (NPLs) in the retail, micro, SME, and corporate segments are negligible.

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

8.4 Risk management

Processes for identifying and assessing climate-related risks

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

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

Our Environmental and Climate Change Policy is fully compliant with Georgian environmental legislation and follows international best practices. The full policy is available at <https://www.tbcbankgroup.com/media/2951/environmental-and-climate-change-policy.pdf>.

Our EMS is based on four pillars:

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

INTERNAL ENVIRONMENTAL ACTIVITIES

Calculation of greenhouse gas ("GHG") emissions

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

The Bank has established a comprehensive internal environmental system to manage and report on the Group's GHG emissions and is committed to reducing its GHG emissions by closely monitoring its consumption of energy, water, and paper. The guidelines for documenting environmental data have been developed and responsible staff in subsidiary companies have been assigned to collect and provide the required data. More details on the Group's GHG emissions and targets are given in the section on metrics and targets on pages 78-82.

Lending operations

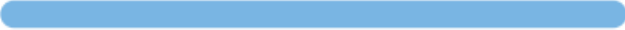





















The risks associated with climate change have both a physical impact arising from more frequent and severe weather changes, and a transitional impact that may entail extensive policy, legal, and technological changes to reduce the ecological footprint of households and businesses. For the Group, both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

As mentioned above, climate risks can materialise through the impairment of asset values and the deteriorating creditworthiness of customers. In order to increase its understanding of climate-related risks on 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 are based on TCFD recommendations, climate-related documents published by the Bank of England, the climate change assessments of Georgia performed as part of the IPCC reports, the Climate Risk Radar of the NBG, and the targets and strategy 2030 defined by the Georgian Government to achieve the National Determined Contribution of Georgia²⁶. 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 Q4 2024 is given in the table below.

²⁶ A nationally determined contribution (NDC) is a national plan highlighting climate change mitigation, including climate-related targets for greenhouse gas emission reductions, policies and measures governments aim to implement in response to climate change and as a contribution to achieve the global targets set out in the Paris Agreement.

Gross loans by sectors for standalone Bank		Total exposure (GEL mln)	% of gross portfolio
Individual		9,126.8	37.2%
Real estate		2,816.1	11.5%
Trade		1,686.9	6.9%
Construction		1,578.8	6.4%
Other		1,391.5	5.7%
Food industry		1,353.3	5.5%
Hospitality & leisure		1,323.6	5.4%
Agriculture		1,044.9	4.3%
Energy & utilities		895.6	3.7%
Healthcare		580.5	2.4%
Services		585.9	2.4%
Financial services		471.3	1.9%
Transportation		380.7	1.6%
Oil & gas		299.9	1.2%
Pawn shops		245.5	1.0%
Automotive		217.7	0.9%
Metals and mining		191.4	0.8%
Manufacturing		176.2	0.7%
Media & publishing		115.8	0.4%
Communication		34.0	0.1%
NGOs & public sector		1.3	0.0%
Government sector		0.1	0.0%
Total loans to customers		24,517.8	100%

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

The maturity distribution of the loan portfolio as of Q4 2024 is given in the table below.

Client IFRS sector name	Total exposure (GEL mln)	% of gross portfolio	Volume of loans <8y	% of loans <8y	Volume of loans <15y	% of loans <15y
Individual	9,126.8	37.2%	4,751.4	52%	8,355.6	92%
Real estate	2,816.1	11.5%	2,141.6	76%	2,816.1	100%
Trade	1,686.9	6.9%	1,510.2	90%	1,686.7	100%
Construction	1,578.8	6.4%	1,394.1	88%	1,578.8	100%
Other	1,391.5	5.7%	1,099.1	79%	1,391.5	100%
Food industry	1,353.3	5.5%	1,183.3	87%	1,353.3	100%
Hospitality & leisure	1,323.6	5.4%	572.4	43%	1,322.3	100%
Agriculture	1,044.9	4.3%	877.9	84%	1,044.9	100%
Energy & utilities	895.6	3.7%	415.0	46%	872.6	97%
Healthcare	580.5	2.4%	485.5	84%	580.5	100%
Services	585.9	2.4%	369.0	63%	585.7	100%
Financial services	471.3	1.9%	458.1	97%	471.3	100%
Transportation	380.7	1.6%	340.3	89%	380.7	100%
Oil & gas	299.9	1.2%	287.3	96%	299.9	100%
Pawn shops	245.5	1.0%	245.4	100%	245.4	100%
Automotive	217.7	0.9%	178.6	82%	217.7	100%
Metals and mining	191.4	0.8%	157.2	82%	191.4	100%
Manufacturing	176.2	0.7%	148.5	84%	176.2	100%
Media & publishing	115.8	0.4%	109.5	95%	115.8	100%
Communication	34.0	0.1%	33.8	99%	34.0	100%
NGOs & public sector	1.3	0.0%	1.1	85%	1.3	100%
Government sector	0.1	0.0%	0.1	100%	0.1	100%
Total loans to customers (gross)	24,517.8	100%	16,759.4	68%	23,721.8	97%

Processes for managing climate-related and environmental risks in lending

Since 2012, the 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. The Bank has developed E&S risk management procedures to identify, assess, manage, and monitor environmental and social risks that are fully compliant with Georgian environmental legislation, follow international best practices, and incorporate appropriate consideration of IFC Performance Standards, EBRD Performance Requirements (PRs), and ADB's Safeguard Requirements (SRs). These procedures are fully integrated into the credit risk management process and are routinely applied to SMEs and

corporate customers. In collaboration with partner IFIs, a clear Environmental and Social risk categorisation matrix was developed. Projects that are to be financed are classified according to E&S categories (low, medium, high and A category) based on analysis; where necessary, deep-dive analysis and due diligence are performed.

In 2024, we have been integrating the ESG Risk Radar scoring approach of the NBS into the environmental and social risk categorisation of the client's business activities. Starting from 2025, our approach will include three components: environmental risk, social risk and climate risk. The risk categories of each component may differ for different business activities. When finalising each transaction's E&S risk category, priority is given to the most important risk component. Additionally, specialised external companies are involved in the detailed E&S risk assessment of Category A projects, such as hydroelectric plants. In 2023, TBC Bank developed an ESG Profile Methodology for its top 20 corporate customers, with the aim of incorporating an ESG Profile scorecard in the overall risk management process. In 2024, the methodology was refined further. ESG factors such as climate adaptation, transition to low-carbon activities, implementation of green technologies, diversity and inclusion, and good corporate governance are considered during the assessment and respective scores are assigned based on expert judgment. The ESG profile consists of four main components:

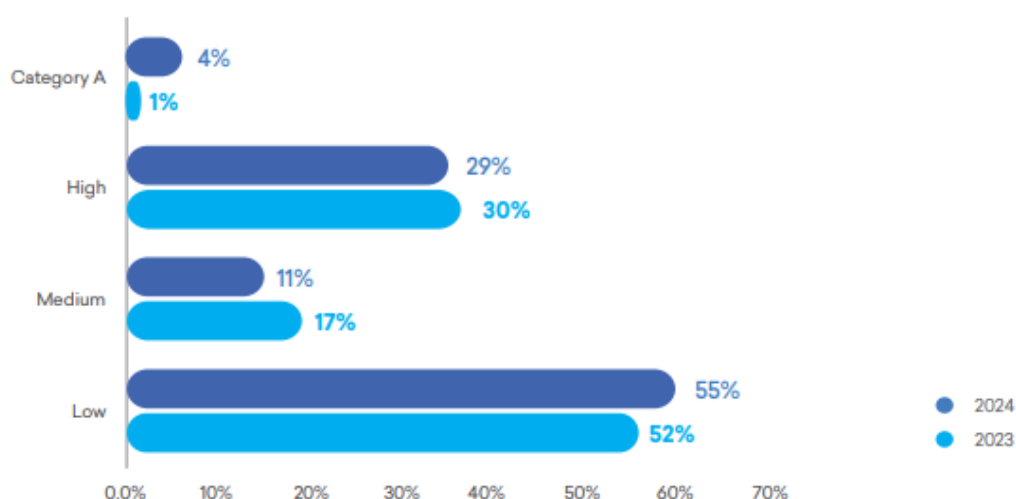
- Climate change – covering physical and transitional risks;

- Environmental – covering environmental and social risks;
- Social – covering diversity, employee benefits and equal/fair pay;
- Governance – covering ESG governance, the Company's disclosures, and diversity at Board and executive management levels.

The results of the assessment will be useful for the development of decarbonisation and transition plans. The ESG Profile Methodology is considered to be at an initial stage and will evolve in the future as TBC's knowledge and expertise and the local regulatory framework for climate-related topics develop. The table depicts the business loan portfolio broken down by E&S categories, by loan volumes.

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

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



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

Medium Risk – transactions with limited potential for adverse social, environmental and/or climate impacts, that are few in number, generally site-specific, largely reversible, clearly evident at the time of the assessment and readily addressable through mitigation measures, which typically require a

limited or focused environmental and/or social assessment, or straightforward application of environmental siting, pollution standards, design criteria, or construction standards.

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

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

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

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	<p>Extreme events that would cause damage to the Group's own sites could affect its ability to provide services to its clients (e.g., lack of electricity supply, inability for employees to work in premises).</p> <p>No material impact expected</p>	No material impact expected
Reputational risk	No material impact expected	<p>Financing to high-emitting borrowers could affect brand image, as perceived by stakeholders.</p> <p>No material impact expected</p>

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:

- Training on environmental and climate change topics for new employees;
- Climate change and green lending training for credit and front office staff;
- An annual mandatory online EMS e-learning course for all staff, followed by a self-evaluation test;
- TBC ESG Academy with the green mindset and green financing course for front- and back-office staff.

In 2024, 92% of all staff, including senior management, successfully passed an online course and a self-evaluation test about TBC's EMS.

EXTERNAL COMMUNICATION

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

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

The Bank has successfully passed the third-year surveillance audit of the Environmental Management System, ISO 14001:2015. This means that TBC's Environmental System is managed in accordance with international standards and requirements. The 2024 certification process was completed successfully.

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

Since 2019, the Group 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 <https://www.tbcbankgroup.com/esg/sustainability-reports/>.

8.5 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 Group's own operations

TBC Bank has established a comprehensive internal environmental system to manage and report on the Group's GHG emissions and is committed to reducing its GHG emissions by closely monitoring its consumption of energy, water, and paper. The guidelines for documenting environmental data have been developed and responsible staff in subsidiary companies have been assigned to collect and provide the required data. TBC Bank also commissioned Bureau Veritas Georgia LLC, an independent consultant and certification company, to verify the measurements of its GHG emissions. The company provided a limited assurance covering historical data and information.

Below is a summary of TBC Group's results in terms of Scope 1, Scope 2, and Scope 3 (flights) GHG emissions, water and paper consumption, performance against 2024 targets, and targets for 2025.

Total GHG emissions (CO₂) (tonnes) and KPIs	Actual 2022	Actual 2023	Actual 2024	2024 target	2024 result	2025 target
Scope 1* Fuel Combustion (heating, vehicles, generators)	2,043	1,834	1,861	Increase below 5%	1%	9%
Scope 2 (Electricity consumption)	1,369	1,352	1,281	Increase below 1%	-5%	0%
Scope 3 (International flights)	498	1444	392	Decrease - 48%	-73%	0%
Total emissions (tCO₂)	3,910	4,630	3,534	Decrease - 13%	-24%	5%
Total emissions per full time employee (tCO₂/pp)	0.52	0.59	0.43	Decrease - 15%	-27%	0%
Water consumption per employee (m ³ /pp)	8.76	8.52	7.45	Increase 1%	-13%	18%
Printing paper per person in reams	10.78	13.39	12.03	decrease -1%	-10%	-7%

Scope 1 - In 2024, this indicator increased by 1% compared to 2023 and remained significantly below the target level of an increase of 5%. The measures implemented by TBC Bank to optimize its Scope 1 emissions are listed on the page 68 of the chapter.

Scope 2 – In 2024, total electricity consumption decreased by 5% compared to 2023 and remained below the target level of an increase of 1%. The measures implemented by TBC Bank to optimize its Scope 2 emissions from electricity consumption are listed on the page 68 of the chapter.

Scope 3 – In 2024, business flights decreased by 73%, surpassing the estimated reduction of 48% for the year.

Overall, total emissions decreased by 24% in 2024 compared to 2023 levels, while total emissions per full time employee decreased by 27% over the same period.

In 2024, water consumption per employee decreased by 13% year-on-year, while usage of printing paper went down by 10%, both results surpassing the planned 2024 targets.

Calculation methodology

To calculate the GHG inventory, we took the following steps: we set organisational boundaries, established the operational scope, and developed a structured approach for data collection and the calculation of carbon dioxide (CO₂) equivalent. This report describes all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 (Scope 1 and 2) and, additionally, the emissions under Scope 3 that are applicable to the business. In preparing emissions data, the UK Government's Greenhouse Gas Conversion Factors for Company Reporting 2017 and National IPCC emission factors for electricity (tCO₂*/MWhe) were used. The required data were collected, and a report was generated for the 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 the Bank's owned and controlled sites, including the combustion of petrol, diesel fuel, natural gas etc. in the Bank-owned transportation vehicles.

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

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

Intensity Ratio - we calculate intensity ratios in line with the Streamlined Energy and Carbon Reporting (SECR) guidelines, www.secrhub.co.uk

Financed emissions (Scope 3)

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

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

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

Seven categories are considered not relevant, as TBC Bank does not cover these activities. Six other categories are assessed as not material, as those activities does not constitute typical activities for TBC Bank as a financial institution. We consider two categories – business travel and investments – to be material based on the materiality threshold of 40%: business travel is a material part of our direct impact, while financed emissions constitute more than 40% of the total GHG emissions (indirect impact).

Financed emissions (Scope 3)

The Partnership for Carbon Accounting Financials (PCAF) has developed methods for different asset classes, which can be used to calculate the financed emissions (PCAF 2022). In total, seven asset classes are considered. Below you can see the financed emissions by asset class as of December 2024.

N.	Asset Type	Financed GHG Emissions GgCO2e/y
	TOTAL	3,443
1	Listed equity and corporate bonds	66
2	Business loans and unlisted equity	2,921
3	Project finance	-15.5
4	Commercial real estate	7
5	Mortgages	36
6	Motor vehicle loans	0.6
7	Listed equity and corporate bonds	426.8

Calculation methodology

- Listed Equity and Corporate Bonds - consists of securities for which verified emissions data are available
- Business loans²⁷ -consists of business Loans and unlisted equity asset class
- Project finance - consists of projects for which verified project emissions / reductions data are available
- Retail mortgages -consists of all retail mortgages
- Commercial real estate - consists of all commercial I mortgages
- Motor vehicles - consists of all car loans
- Sovereign debts²⁸ - consists of all sovereign papers which are on the balance of the Bank SA.

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

Sustainable portfolio

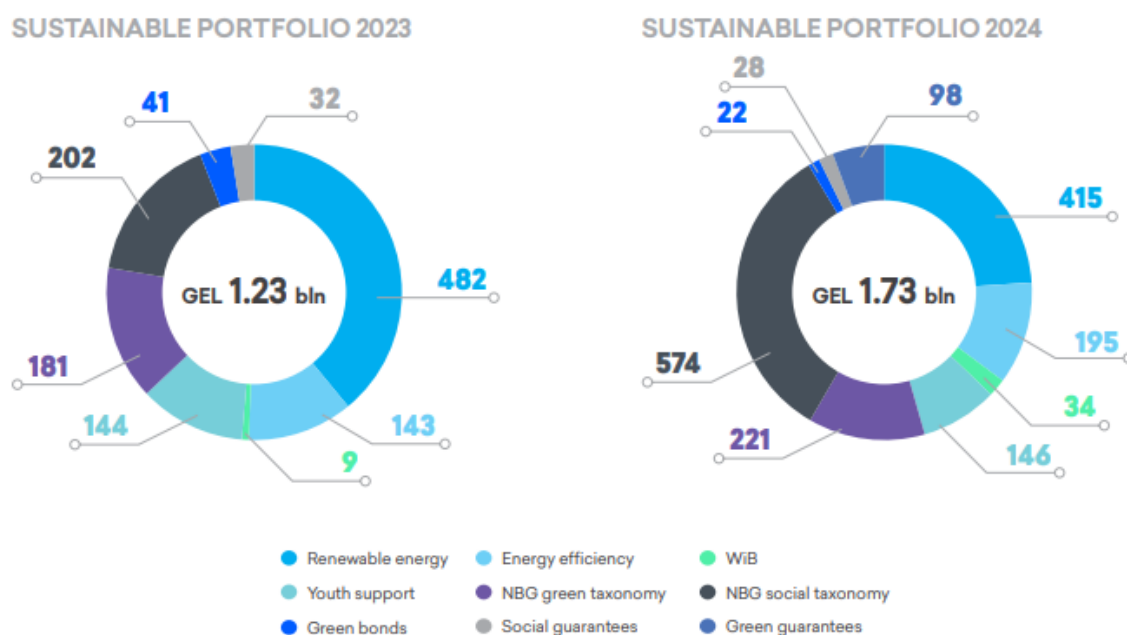
The climate action initiatives are part of TBC's overall ESG strategy, which is reviewed and approved by the Supervisory Board annually. The ESG Strategy 2025-2027 reflects the Paris Agreement alignment considerations that were developed in 2024. We evaluated the existing portfolio to understand its carbon footprint and identify areas for improvement. This process enabled us to understand our Paris Agreement alignment and define our way forward, based on the Science Based Initiative's standards. We developed a transition plan which includes divesting from high-carbon

²⁷ ww.nbg.gov.ge - The calculation methodology for business loans was developed by the National Bank of Georgia within the project "Promotion of Rural Finance for Sustainable MSE Development in the South Caucasus and Ukraine", implemented by DSIK and funded by the German Ministry for Economic Cooperation and Development (BMZ).

²⁸ The calculation methodologies for the other five asset classes were developed by TBC in cooperation with the consultant company RINA, supported by the Global Climate Partnership Fund. The calculation methodologies consider the PCAF approach.

assets, investing in green technologies, and engaging with our customers to improve their sustainability practices. We continuously monitor the portfolio's performance against the set goals and regularly report the progress to our stakeholders.

The ESG strategy sets sustainable portfolio volume targets, which consists of renewable energy loans, energy efficiency loans, and financing with social components, etc. As of 31 December 2024, the total sustainable portfolio²⁹ stood at GEL 1.73 billion, which exceeds the 2024 target volume of GEL 1.4 billion by 24%. The target for 2025 is set at GEL 2 billion. The table below depicts the sustainable portfolio development as of 31 December 2024.



In 2024, our renewable energy portfolio impact (avoided GHG emissions) amounted to 7,616 tCO₂, according to the electricity generation data and estimates of the external consultant under the Green for Growth Fund (GGF) Technical Assistance Facility represented by Finance in Motion GmbH and financed by the European Union under the EU4Energy Initiative.

Since 2022, ESG-related KPIs have been included in the long-term incentive plans for executive remuneration. Executive management KPIs are linked to the target volumes of the sustainable portfolio and other sustainable assets. For more details, please see the Human Resources and Remuneration Committee Report in the Annual Report of TBC Bank Group PLC, page 206.

²⁹ Our sustainable portfolio includes: a) energy efficiency, youth support, and women in business loans financed by special purpose funds received from IFIs; b) loans financing renewable energy, which include all hydro power plants financed by the Bank; c) financing of startup companies and affordable housing which are categorised based on the Social Taxonomy of the National Bank of Georgia (NBG); d) green loans, which are assessed based on criteria defined by the Green Taxonomy of the NBG; e) social guarantees supporting affordable housing projects, which are categorised based on the Social Taxonomy of the NBG (www.nbg.gov.ge); and f) green and sustainability-linked bonds aligned with the ICMA (International Capital Markets Association) Green Bond Principles and Sustainability-linked Bond Principles.

9. 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 Human Resources and Remuneration Committee, approves the remuneration and benefits of the Group CEO deputy CEOs 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 respective Deputy CEO in charge and HR business partner.

In light of the evolving strategy, business maturity, and local market practices, a decision was made to revise the incentive structure. This entailed replacing the previous policy framework, which included separate annual bonus and LTIP schemes, with a unified approach—the "Combined Incentive Plan." This new plan integrates both short- and long-term performance components and incorporates a substantial long-term share-based deferral.

The Directors' Remuneration Policy is effective from 1 January 2024 and is approved for next 3 years. Full details of this can be found in the 2023 Annual Report, which is available at our website at www.tbcbankgroup.com and below.

Directors Remuneration Policy (the "Policy") of TBC Bank Group PLC applies to the Group CEO (the same principles are applied to Deputy CEO's of the Bank) Policy was approved by the shareholders of TBC Bank Group PLC at the 21 May 2024 AGM, effective 1 January 2024.

Policy table: Top Management (hereinafter 'Director')

The total remuneration level and structure for all Directors are aligned with that of the CEO, with the sole exception of the Chief Risk Officer (CRO). For the CRO, the allocation between fixed and variable compensation differs from other deputies, in accordance with NBG guidance, which stipulates that the CRO's remuneration should not be excessively dependent on variable pay. Additionally, for the CEO, the share salary component must constitute at least 50% of total fixed remuneration, whereas no specific requirement applies to the share salary proportion in fixed pay for CEO Deputies.

Fixed Pay	
Salary – delivered as cash and shares	
Purposes and link to the strategy of the Group	<p>Salaries are determined to provide CEO and Deputy CEOs with a competitive fixed income to efficiently retain and reward them and are based upon each Director's roles and responsibilities within the Group and relative skills and experience and are set based on market practice.</p> <p>Salary in cash</p> <p>The cash part of the salary is aimed to provide fixed cash remuneration.</p> <p>Salary in shares</p> <p>Part of the salary is delivered in the form of shares to align CEO and Deputy CEOs' and shareholders' interest. These are subject to a holding period released in three equal annual tranches after one, two and three years (not subject to any continuing service requirements malus or clawback).</p>
Operation	<p>CEO and Deputy CEOs 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. The aggregate is disclosed in the Remuneration Report.</p> <p>Salaries are reviewed annually by the Human Resources and Remuneration Committee.</p> <p>Delivery of shares</p> <p>Shares are usually delivered during the first quarter of the second year (i.e., the year after the work is performed) with the exact date determined by the Remuneration Committee. The number of shares is calculated based on the average share price over the year worked. All shares must be held for one year, two thirds for a second year and one third for a third year. The Committee has discretion to determine alternative holding periods should they consider this appropriate. The shares are registered in the trustees' name as nominee for the participants. An Executive Director is entitled to receive dividends and have voting rights from the delivery date.</p>
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 Human Resources and Remuneration Committee, taking account his skills, performance and experience.
Performance Measures	Not performance based
Malus / clawback	Malus and clawback provisions are not applicable to salary delivered in cash or shares.
Pension	
Purposes and link to the strategy of the Group	To assist our employees in providing for their retirement and to maintain a market competitive benefits package to attract and retain executives. .
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. ³⁰
Maximum Opportunity	In line with the workforce, the maximum employer contribution will not exceed 2% of total compensation.
Performance Measures	No performance measures apply to the contribution level.
Malus / clawback	Malus and clawback provisions are not applicable.
Benefits	
Purposes and link to the strategy of the Group	Benefits are in line with Georgian market practice and are designed to be sufficient to attract and retain high calibre talent.
Operation	Benefits available to 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 Human Resources and 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.
Performance Measures	Not performance based
Malus / clawback	Malus and clawback provisions are not applicable.

³⁰ 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	
Combined Incentive Plan ("CIP")	
Purposes and link to the strategy of the Group	<p>The CIP has been designed to (i) be attractive and appropriately positioned against the market; (ii) be aligned with performance and shareholders; (iii) be transparent and easily understood; and (iv) takes into account best practice and meet regulatory requirements.</p> <p>It provides a strong motivational tool to achieve the annual KPIs which are set in accordance with the strategic objectives, with the payment in shares delivered over the long-term, and subject to the TSR alignment mechanism, providing alignment with sustained shareholder success.</p>
Operation	<p>There will be a three-step performance assessment process for the CEO and Deputy CEOs <u>Performance Step One – Performance Gateway</u> Eligibility for payments under the Combined Incentive Plan is subject to passing gateway criteria, measured over the Annual KPI Performance Period. The Gateway criteria are based on measures of financial soundness (including capital, liquidity and profitability).</p> <p><u>Performance Step Two - Annual KPI performance scorecard</u> KPIs will be set at the beginning of each year in relation to that year. The majority of the weighting will be based on Financial KPIs but other KPIs will also cover Customer, ESG and Leadership.</p> <p>Targets for each KPI will, where possible, be set with a threshold, target and maximum level with, pro-rata payouts between points. Each KPI will be assessed independently.</p> <p>At the end of the annual KPI performance period, the Committee will review the performance against the targets and agree the overall payout level. The formulaic level may be adjusted if it is not considered in line with underlying performance, the shareholder experience, or risk appetite.</p> <p><u>Payout process</u> Based on the performance against the Annual KPI targets, the Committee will determine an overall payout percentage between 0% and 200% of salary. The payout is split between:</p> <ul style="list-style-type: none"> – A "Share Award" – 40% of the total will be paid in shares which must be held for at least three years (subject to 3-year clawback) – A "Long-Term Share Award" – 60% of the total will be granted as a deferred award of shares which will vest after five years. (subject to malus and 3-year clawback) <p><u>Performance Step Three - TSR shareholder alignment mechanism</u> The grant value of a Long-Term Award has been determined by the stringent performance assessment in Performance Step 1 and Performance Step 2.</p> <p>At Performance Step 3, the number of shares comprising a Long Term Share Award may be scaled back by up to 50% if TBC's Total Shareholder Return ("TSR") is not at least in line with a weighted TSR index created by the Euro Stoxx 600 Banks (50% weighting) and Bank of Georgia (50% weighting). If TBC's TSR performance is less than the TSR of the Weighted Index, a Long-Term award will be scaled back proportionately from 100% to 50% if TBC's TSR is between 100% to 77.5% or below, the performance of the weighted index. TSR performance will be measured over the annual performance period for Performance Step 2 and the following two years. The Committee may use a different TSR benchmark or different measure of long term performance for future awards for Performance Step 3.</p> <p>The Human Resources and Remuneration Committee also has the discretion, any time after the Long-Term Share Award has been granted, to reduce (including to zero) an award if the Human Resources and 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.</p> <p><u>Form of awards</u> A Share Award and LongTerm Share Award are delivered in shares or share awards with the number of shares typically calculated based on the average share price during the 10 days after the Human Resources and Remuneration Committee decision date, which shall be after the preliminary annual results. The Share Award is delivered in shares which are registered in the trustees' name as the nominee for</p>

	<p>the participants and the participants are entitled to receive dividends.</p> <p>The Long-Term Share Award may be granted in the form of conditional share awards, options or restricted share awards.</p> <p>To the extent permitted by the NBG regulations the Committee may decide that Awards may benefit from dividend equivalents at vesting or may use a discounted share price to determine the number of shares comprising an Award after Performance Step 2, broadly equivalent to the dividend yield on such basis as determined by the Committee. No dividends or dividend equivalents will be paid on any Award (or part therefore) that lapses on or before vesting.</p> <p><u>Dilution</u></p> <p>For newly issued and treasury shares, the CIP 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 Human Resources and Remuneration Committee decide will be satisfied by existing shares.</p> <p><u>Administration</u></p> <p>The plan will be administered by the Human Resources and Remuneration Committee. Key discretions the Human Resources and Remuneration Committee has with respect to the plan are summarised further on in this Remuneration Policy.</p>
Maximum Opportunity	<p>The Maximum opportunity under the Combined Incentive Plan is 200% of salary. Subject to achieving the Gateway criteria, under the annual KPI assessment:</p> <ul style="list-style-type: none"> – For achieving maximum performance, 100% of the maximum opportunity being payable – For achieving Target performance, no more than 70% of the maximum opportunity being payable – For Threshold performance, no more than 10% of the maximum opportunity is payable. <p>The vesting of the Long-Term Share Award is subject to the TSR alignment mechanism whereby the vesting may be scaled back by up to 50%.</p>
Performance Measures	<p>The Gateway criteria are based on measures of financial soundness (capital, liquidity, profitability).</p> <p>The Annual KPIs are a mixture of corporate and individual performance measures. The majority of the weighting will be based on Financial KPIs but other KPIs will also cover Customer, ESG and Leadership.</p> <p>The Human Resources and 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.</p> <p>The TSR alignment mechanism will be based on performance against a relevant Georgian and / or international banking comparators.</p>
Malus / clawback	<p>Awards are subject to the operation of malus at any time before the end of the vesting period (Long-Term Share Award) and clawback at any time before the third anniversary of the end of the holding period (for the Share Award).</p> <p>The precise powers of the Human Resources and Remuneration Committee to operate malus and clawback are set out in the terms and conditions governing the awards.</p>

The remuneration policy was last approved by shareholders of TBC Bank Group PLC at Annual General Meeting (AGM) on 21 May 2024, 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.

Following the approval of the Policy at the 2024 AGM, the Committee has established procedures for implementing the policy. The following gateway KPIs were met as at the end of 2024, confirming the Directors eligibility for variable award pay outs:

- **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):** Red zone limit (lower end of Amber zone) of the RAF at 31 December each year as approved by the Risk Committee. This is currently 3pps above the regulatory ratio per the existing risk appetite;
- **Profitability (IFRS Group Net Income):** The Group shall not run a loss after incurring Variable Compensation expenses.

As shown in the next table, the status against the gateway was above the respective targets as at the end of 2024:

		2024
CET 1 ratio	CET 1 Reg Requirement	14.4%
	Red zone limit (lower end of <u>Amber</u> zone)	15.0%
	Actual CET1 Capital Ratio	16.8%
NSFR	NSFR Reg Requirement	100.0%
	Risk Appetite Amber Zone	103.0%
	Actual NSFR	123.9%
(IFRS Group Profit)	Group IFRS Profit in FY 2024	GEL 1.308 billion
Top Management Variable Comp in 2024 at grant gateway target		GEL 24.9 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	<p>The Group pays fees to Non-Executive Directors. The fees are determined by the Board.</p> <p>The Chair is paid an all-inclusive fee for all Board responsibilities. The other Non-Executive Directors receive a basic Board fee, with additional fees for additional responsibilities such as where individuals serve as the Senior Independent Director, member or Chair of a Committee of the Board.</p> <p>Fees are generally paid monthly in cash. However, the Board reserves the right to pay the fees on a different basis.</p>
Maximum Opportunity	The Board (excluding any Executive Directors) 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. The maximum aggregate fees that may be paid to the Non-Executive Directors under article 81 of the Company's articles of association shall be USD 1,750,000.
Performance Measures	Not performance based
Malus / clawback	Malus and clawback provisions are not applicable.
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	Not performance based
Malus / clawback	Malus and clawback provisions are not applicable

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 64 identified MRTs as of December 2024. Only 1 employee received remuneration exceeding GEL 1 million during the year, except for 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 Board of 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, 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 Executive 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 Director 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 gather comprehensive feedback, including input 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

The Bank's remuneration policies and procedures are designed to balance its business objectives, talent attraction and retention efforts, and the desired risk profile. Variable remuneration serves as a performance-driven incentive, aligning employee rewards with expected behaviors and outcomes while considering specific performance requirements at both the business unit and individual levels.

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

The new remuneration policy, which came into force from 1 January 2024 and was approved by the Company's shareholders at the 2024 AGM, is presented in TBC Bank Group Plc's annual report 2023.

10. Transactions with shareholders

Below is the revenue received for 2024 by shareholders or beneficiary owners who hold 2% or more interest in the Bank:

In thousands of GEL

Name of shareholder/beneficiary owner	Interest received on deposits	Interest received on loans	Interest received on subordinated loans
TBC Bank Group PLC	2,661	-	-
Mamuka Khazaradze	1	-	-
Badri Japaridze	1	-	-
EBRD	17,298	17,523	9,360
IFC	-	11,833	-

11. Definition of Terms

- AGM – Annual General Meeting
- ALCO – Assets and Liabilities Committee
- Bank – JSC TBC Bank
- CEE – Central and Eastern Europe
- CEO – Chief Executive Officer
- CFO – Chief Financial Officer
- CRO – Chief Risk Officer
- CIO – Chief Information Officer
- CGN – Corporate Governance and Nomination Committee
- CIB - Corporate investment banking
- CIS - The Commonwealth of Independent States
- EBRD – European Bank for Reconstruction and Development
- EMEA – Europe, Middle East and Africa
- ERM – Enterprise Risk Management
- ESRM - Environmental and social risk management
- FDI - Foreign direct investment
- GDP - Gross domestic product
- GEL - Georgian lari, national currency 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
- LSE - London Stock Exchange
- MBA - Master of Business Administration
- MRT – Material risk taker
- MSME – Micro, small and medium sized enterprises
- NBG – National Bank of Georgia
- NIM - Net interest margin
- PLC - Public limited company
- SME – Small and medium sized enterprises
- UK - United Kingdom of Great Britain and Northern Ireland
- US\$ - The US dollar, national currency of the United States

THANK YOU



TBC