Pillar 3 Annual Report

Terabank

2021

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JSC Terabank

The Terabank was established in Georgia as a joint stock company on 30 December 2007 under the legal name of JSC Kor Bank. On 23 May 2016 the Bank changed its legal name to JSC Terabank.

The Bank's principal activities are deposit taking, customer account maintenance, credit operations, issuing guarantees, cash and settlement operations, and securities and foreign exchange transactions. The Bank's activities are regulated by the National Bank of Georgia (NBG). The Bank has a general banking license issued by NBG on 25 January 2008.

The Bank's registered legal address is 3, K. Tsamebuli Avenue, Tbilisi 0103, Georgia. The Bank operates through 27 branches, service centres and service desks, which are located in all major cities of Georgia.

Terabank Strategy

Strategic market segments for Terabank, where it continues an ambitious acquisition strategy in the coming years are Micro, Small and Medium businesses as well as Retail Banking.

Terabank has the following Strategic Business Objectives to achieve:

- Maintain specific profitability targets annually;
- Increase market share in SME, Micro and Retail lending;
- Become a benchmark for excellence in SME banking and active player in Retail banking

Terabank defines its vision, mission and values as part of the strategic planning process. The vision and mission are the guidelines of the Bank's activities that speak for what the Bank wants to become and in which direction wants to go. The values establish the main coordinates of behavior towards customers, shareholders, competitors and/or colleagues.

VISION STATEMENT

"Our vision is to become the benchmark for excellence in SME Banking and active player in Retail banking in Georgia; We aspire to be a bank of choice and a trusted partner for entrepreneurs and individuals; a valuable investment for our shareholders; a preferred employer for our staff, and a good corporate citizen for society. "

MISSION STATEMENT

"Our mission is to improve the lives of entrepreneurs and individuals by fulfilling their business and personal financial needs. We achieve this by providing solutions, exceptional service and personal attention. By supporting entrepreneurs in a responsible, flexible and efficient way, we contribute to the growth and development of business sector and overall economy of Georgia. "

Governance

The Bank's corporate bodies are General Meeting of Shareholders, Supervisory Board and Board of Directors. The General Meeting of Shareholders is the highest internal governing body of the Bank and elects members to the Supervisory Board, which is responsible for supervising the Board of Directors. The Supervisory Board appoints the members of the Board of Directors, which is the executive body of the Bank directly responsible for day-to-day operations.

Shareholders' structure

Owners	**Ownership interest, %**
Sheikh Nahayan Mabarak Al-Nahayan	65%
Sheikh Mohamed Butti Alhamed	15%
Sheikh Mansoor Binzayed Binsultan Al-Nahayan	15%
Investment Trading Group LLC	5%
	100%

Shareholders' rights

The shareholders of the bank have following rights:

- Attend or be represented at the general meeting of shareholders (Personally or through a proxy) and participate in the voting procedure, express own views regarding issues of the agenda, ask questions and raise suggestions;
- Participate in the distribution of profit and receive dividends on the basis of the decision of the General Meeting of Shareholders;
- Request from the Board of Directors and/or the Supervisory Board to clarify issues in the agenda of the General Meeting, as well as explanations regarding each of the aforementioned agenda items;
- Dispose their own shares in accordance with the legislation and the Charter of the Terabank.

Shareholders or a group of shareholders holding five (5%) or more percent of the share capital are entitled to:

- Request that an extraordinary general meeting of shareholders be convened;
- Request the special audit of the Bank's economic activities or complete annual balance sheet, implemented by the specialist with the relevant knowledge and experience, selected by the Shareholders;
- Request copies of agreements executed on behalf of the Bank and/or the information related to the transactions to be executed.

Shareholder Engagement

General Meeting of Shareholders is convened either for ordinary or extraordinary meetings. The decision about calling General Meeting of Shareholders is made by the Supervisory Board or the Board of Directors. An ordinary General Meeting of Shareholders shall be convened by the Supervisory Board or by the Board of Directors annually, within two months following the completion of the annual audited financial report and in any event within six months from the end of the preceding fiscal year. An extraordinary General Meeting of Shareholders may also be called from time to time by either the Supervisory Board or the Board of Directors on their own initiative or pursuant to the written request of the shareholders holding at least 5% of the Bank's shares.

The General Meeting of Shareholders is authorized to make decisions if a quorum is constituted. A quorum is constituted if a meeting is attended by holder(s) of more than half of the voting shares or representatives thereof. If the General Meeting of Shareholders is inquorate, a new General Meeting of Shareholders shall be convened by the Supervisory Board or Board of Directors with the same agenda and with the period determined by the Supervisory Board or Board of Directors. The General Meeting of Shareholders shall be quorate if attended by the holder(s) of at least 25% (twenty-five percent) of the voting shares. If the General Meeting of Shareholders is still inquorate, a new General Meeting of Shareholders shall be convened by the Supervisory Board or Board of Directors with the same agenda and with the period determined by the Supervisory Board or Board of Directors. Such General Meeting of Shareholders shall be deemed quorate irrespective of the number of attending voting shareholders.

The General Meeting of Shareholders is presided over by the chairman of the Supervisory Board or in his absence by deputy chairman of the Supervisory Board. In absence of the deputy chairman of the Supervisory Board, the General Meeting of Shareholders shall be presided over by one of the directors. In the absence of the directors, the General Meeting of Shareholders shall be presided over by the person elected by the simple majority of attending voting shareholders.

General Meeting of Shareholders is authorized to take decisions on the following issues:

- Approving and changing/amending (including authorized capital, company name, etc.) Charter of the Bank;
- Merger, division or reorganization, along with the issue of winding up of the Bank;
- Cancelling completely or partially shareholder's right of the pre-emptive purchase of the shares upon the increase of the charter capital, sale of the shares by the other shareholders or the issuance of other securities by the Bank;
- Accepting or rejecting proposals of the Supervisory Board and/or the Board of Directors concerning the utilization of profit; Making decisions concerning the utilization of net profit;
- Electing and dismissing the members of the Supervisory Board, making decision regarding their remuneration;
- Making decision on the participation in court proceedings against the Supervisory Board and the Board of Directors members, to appoint its representative for the above actions;
- Approval of the annual report.

Supervisory Board

The supervisory board consists of six members. None of them is also a member of Board of Directors. On 31 December, 2021, three out of six Supervisory Board members were independent members. Supervisory board is appointed by the General Meeting of Shareholders. Information about Supervisory Board Members' professional experience as at 31 December, 2021 is given below:

H.H. Sheikh Nahayan Mabarak Al Nahayan (Chairman)

His Highness Sheikh Nahayan Mabarak Al Nahayan is the Minister of State for Tolerance, being a member of the Federal Government of the United Arab Emirates since 1992.

Initially, he was the Minister of Higher Education and Scientific Research and has headed the Ministry of Culture, Youth and Community Development since 2013; then Minister of Culture and Knowledge Development from 2016 to 2017.

His Highness Sheikh Nahayan Mabarak Al Nahayan is also Chairman of the Board at The Centre of Excellence for Applied Research and Training, President of the National Council of Tourism and Antiquities of the United Arab Emirates and Honorary President of the Future Centre for Special Needs.

In 1983-2013, His Highness Sheikh Nahayan was the Chancellor of the United Arab Emirates

University and held the same post at the Higher Colleges of Technology in 1988-2013. Also was the Chancellor of Zayed University.

He has been a Chairman of United National Bank (UNB, Abu Dhabi, UAE), Chairman and director of United Bank Limited (Pakistan), Chairman of Bank Alfala.

His Highness Sheikh Nahayan studied in the United Kingdom. He attended the Millfield School and Magdalen College at the Oxford University. He has obtained numerous degrees at a variety of universities around the world.

H.E Sheikh Mohamed Butti Al-Hamed (Deputy)

He has an experience of working as director of Warid Telecom International LLC(UAE), Warid Telecom Limited (Pakistan) and Warid Telecom Bangladesh Limited. He is vice-chairman and managing director of Al Hamid Group of Companies, chairman of Al Wathba Insurance, board member of Bank of Sharajas.

Samy Edward Adam Khalil – (member)

General Manager of Dhabi Contracting (UAE), Samy Edward has 40 years of experience in the engineering and constructing fields.

His professional career encompasses projects with a variety of profiles, including tourism (hotels and resorts), commercial (business parks, trade centers), residential (skyscrapers, multi-storey buildings) and recreational (public parks).

Samy Edward obtained an Engineering degree from Cairo University.

He was a Senior Constructing Engineering and Project Manager at Al Muraikh General Construction.

Seit Devdariani (independent member)

He has a 15-year international experience of working in non-banking financial institutions and managing financial projects. He has been a Shorbank Consulting Company Manager in Georgia, Advisor (Kazakhstan), Risk Director (Azerbaijan), CEO of SOAKredit (Azerbaijan), CEO of Belarus Bank of Small Businesses, Deputy CEO of Belarus Public Bank. He currently works as independent consultant and advisor to different banking and non-banking organizations. He graduated from Indiana University Business School – MBA in strategic management, as well as Pennsylvania University specialized in Banking and also American University of Banking (Washington), specialized in Financial Management of Banks.

Geert Roelof De Korte (independent member)

He is a banking and finance professional with 15 years' international experience. He has been a consultant of World Vision, CEO of MFC Credo, and Regional director of VisionFund International. Currently he works as a Senior Project Manager of Triple Jump BV. He has also been a chairman of KosInvest, Member of the Board of Directors of EKI MCF (Bosnia and Herzegovina), Member of the Board of Directors of AgroInvest (Serbia & Montenegro), Member of the Board of Directors of SEF International UCO, (Armenia). He has graduated from Amsterdam University of Applied Sciences – Business Administration Faculty, Herriot-Watt University, Edinburgh – specialized in Business Administration, as well as Vrije University Amsterdam – MA in Culture, Organization & Management.

Nana Mikashavidze (independent member)

Nana Mikashavidze has 20 years of experience in the financial sector. In addition to being a member of the terabank Supervisory Board, she is also directing the Georgian ICT Cluster, is the Founding Director of Wizard Ltd. and, simultaneously, the Head of the Management Concentration at the Georgian-American University Business School.

Nana has previously managed investments for Finance in Motion GmbH and held the Chief Executive Officer position at TBC Leasing. She was also a member of the Rhea and Credo Microfinance supervisory boards and the Deputy Corporate Banking Director at TBC Bank.

Nana Mikashavidze graduated from the European School of Management. She has taken part in numerous professional conferences and has attended a variety of trainings.

Role of Supervisory Board

The supervisory Board of the bank is actively engaged in day to day activates of the bank. The Board receives information and gives approval with regard to bank's financial performance and other important issues related to bank's activity on a monthly basis.

8 supervisory board meeting had been convened during year of 2021. The issues discussed included: attracting financial facilities, approving significant transactions, approving financial performance of the bank, approving annual budget , discussions of various kind of strategies, appointment of CCO etc.

Competence of Supervisory Board

The Supervisory Board competence include the following:

- Appointment and dismissal members of the Board of Directors, executing and terminating contracts with them;
- Discussion on Annual financial results and Profit distribution;
- Approval of the annual budget;
- Approval of the Bank structure;
- Appointment and dismissal of audit committee members;
- Electing and approving external auditor;
- Approving profit and loss plan as well as the investment plan.

The following activities may be carried out by consent of the Supervisory Board only:

- Establishment of a new company or purchase of a share in an existing company;
- Making decisions to purchase, sell or exchange assets, if the value of such assets exceeds 10 000 000 (ten million) GEL;
- Making investments, if the value of such agreement exceeds 10 000 000 (ten million) GEL;
- Commencement of new bank activities or termination of existing activities;
- Taking loans and credits if the value of such agreement exceeds 10 000 000 (ten million) GEL;
- Provision of securities for the credits and loans if they are beyond the daily operation framework of the bank;
- Appointing and dismissing General Trade Representatives (procurator);
- Making decisions about establishment and liquidation of branches, divisions (service centres/service desks);
- Setting remuneration and/or additional benefits for the members of the Board of Directors and other managers appointed by the Supervisory Board;
- Determination and approval of inner policies for credit, investment, currency, assets and liabilities management, assets evaluation, their classification, adequate reserves creation for possible losses;
- Redemption of the shares issued by the Bank in the cases established by the legislation;

- Making decision to place shares and other securities of the Bank on the share exchange market;

The Supervisory Board has an advisor, who is independent form Executive management of the bank. He provides independent opinion to the Supervisory board in the area defined by the Supervisory Board from time to time. Advisor is appointed and dismissed by the Supervisory board.

Supervisory Board Induction

On appointment, each Supervisory Board member receives information about the role of the Supervisory Board, Board of Directors and board Committees and the powers delegated to these Committees. The new member is also advised of the legal and other duties. The independent members of the Supervisory Board upon appointment participated in the trainings regarding their rights and obligations. If requested, the Bank promotes on acquiring additional professional qualification by the members of the supervisory board. The Bank also ensures that all of the Supervisory Board members have access to the advice of Departments, as well as independent professional advice, at the Bank's expense, on any matter relating to their responsibilities.

Supervisory Board Diversity

Diversity of skills, backgrounds, knowledge, and experience is important for the Supervisory Board to effectively govern the business. The Bank believes that its size and composition, as well as the size and composition of the Bank's Supervisory Board are appropriate. Each of the Bank's Supervisory Board member occupies, and/or has previously occupied senior positions in a different directions of business, in different countries. When making each decision, all above mentioned, gives the Supervisory Board the opportunity to rely on the personal and varied experience of the Supervisory Board members. The equal number of the independent and non-independent members ensures independent and unbiased judgements when making decisions.

There are three are independent members at the Board: Mr. Seit Devdariani, Mr. Geert Ruelof De Korte and Mrs. Nana Mikashavidze. Their independence was assessed during their appointment and they fully complied with independency requirements set by National bank and Terabank's internal regulation.
There had not been any changes with that regard as of December 31, 2021 and all of them fully qualified independency criteria.

Audit Committee

The audit committee is established under the Supervisory Board. All three members of the committee are independent members of the supervisory board. Competence of the audit committee contains:

- Development of the internal audit functions, organization and monitoring of the Internal Audit department activities;
- Development of staff schedule of the Internal Audit department and submit it for approval of the Supervisory Board;
- Consideration of the issue of appointment and dismissal of the Head and Deputy Head of the internal audit department and submission to the Supervisory Board for approval;
- Ensuring presence of the adequate resources for the Internal Audit department and proper remuneration and motivation systems for the members thereof;
- Evaluation of quality and efficiency of the Bank's reporting and accounting records, inner control, management of risks and management systems and processes through the Internal Audit department;
- Consideration and approval of the activities plan of the Internal Audit Department for each fiscal year according to quarters; Contribution to the external audit activities;

Audit committee meets on quarterly basis. During 2021 the committee meetings had discussed internal audit plan, approving recommendations prepared by internal audit, supervising performance of internal audit etc.

Risk Committee

All three members of the committee are independent members of the supervisory board. Competence of the Risk committee contains:

- Discusses all risk strategies and make recommendations to the supervisory board thereon, and on the bank's overall current and future risk appetite;
- Reports on the state of risk culture in the bank and reviews the bank's risk policies
- Oversees that management has in place processes to promote the bank's adherence to the approved risk policies;
- Cooperates and monitors the activities of CRO;

- Provides recommendations to the Supervisory board regarding the risk strategies and effectiveness of the policies, including distribution and keeping adequate level of capital for identified risks;
- Monitors the strategies for capital and liquidity management; additionally, all other types of risks in order to ensure adequacy with risk appetite.

The following issues were discussed during risk committees held during 2021: discussion of bank's risk profile, dissuasion of the loan portfolios, discussions and approval various risk related policies.

Evaluation of the Board, its committees and members

The evaluation of the Board is conducted according to existing evaluation policy. The policy provides guidance on evaluation of the performance, on an annual basis, of: individual Supervisory Board Members; the Board as a whole; and different committees of the Board. The evaluation in performed annually by the Board and once in every three years, by external evaluator.

According to the Supervisory Board evaluation report 2021, the Supervisory Board's conclusion is that overall, that the Board activities are conducted effectively. Supervisory Board's diversity of skills, backgrounds, knowledge, and experience is important for the Supervisory Board to effectively carry out its duties and responsibilities. In Board's opinion its size and composition is appropriate.

According to the Report the Board member fully complies requested fit and proper criteria and their involvement at the supervisory board was assessed positively. The Board members attendance at Supervisory Board meetings during year 2021:

Member	Members availability for meetings
Sheikh Nahayan Mabarak Al Nahayan	Participated in 6 SB meetings held during 2021 through representative
Samy Edward Adam Khalil	Participated in all SB meetings held during 2021
Saif Mohamed Bin Butti Al-Hamed	Did not participate held during 2021
Seit Devdariani	Participated in all SB meetings held during 2021
Geert Ruelof De Korte	Participated in all SB meetings held during 2021
Nana Mikashavidze	Participated in all SB meetings held during 2021

According to the Report, the Board meetings are always organized properly, in accordance to the effective charter of the bank. The frequency of the conducted meetings was adequate to the urgency and necessity of the issues.

According to the evaluation, the risk and audit committees functions effectively.

Board of Directors of the Bank

As at 31 December 2021, the board of directors of the bank consists of following members:

- Thea Lortkipanidze-CEO,
- Sophie Jugeli- Financial Director,
- David Verulashvili-Commercial Director,
- Temur Abuladze-Risk Director,
- Vakhtang Khutsishvili – Operations Director.

The banks' day-to-day activities are carried out by the Board of Directors. Its members (directors) are appointed by the supervisory board for the term not exceeding 4 (four) years. After expiration of this term, the authority of the Directors shall be extended until the new Directors are appointed by the Supervisory Board. Reappointment of the Director is unlimited. Director can be dismissed by the Supervisory Board any time.

The representation power of the Bank is granted to the member of the Board of Directors – directors, who are registered in the entrepreneurial register.

When Chief Executive Officer is absent, one of members of the |Board of Directors is authorized to act for and on behalf of the Chief Executive Officer by virtue of a power of Attorney or another document issued by Chief Executive Officer on behalf of the Bank.

The Bank's Board of Directors shall:

- Conduct and carry out the Bank's current activities;
- Review all items prior to putting them on the agenda of the general meeting of shareholders or supervisory board meetings, obtain all the necessary information, prepare proposals and recommendations in respect of the issues on the agenda;
- Supervise lending, settlements, financing, cash services, security, accounting and reporting of cash and valuables of the Bank, internal controls and accounting, ensure that the Bank provides proper service to the customers and supervise other major activities of the Bank;

- Supervise the functioning of the Bank's branches and service centres, ensuring that the managers of such branches and service centres fulfil their tasks and functions;
- Review the information obtained from internal audit or external inspections as well as the reports submitted by the branch managers and heads of the service centres, and make appropriate decisions based on the above information;
- Ensure the fulfilment of resolutions made by the general meeting of shareholders and supervisory board;
- Develop policies, office rules and any other regulations, which are approved by the supervisory board and ensure compliance with such policies, rules and regulations;
- Decide on the issues of selection, dismissal, training and remuneration of staff;
- Deal with any other issues assigned to the Board of Directors (or its individual members) by the supervisory board and/or the general meeting of shareholders;
- Carrying out any other activity required for attaining the Bank's goals, except for the functions imposed on the general meeting of shareholders or the supervisory board.

Meetings of Board of Directors may be held via telephone or video conference calls.

Member of the Board of Directors is not authorized to participate in any consideration or a decision making related to any subject or transaction, in which a member has a conflict of interests against the Bank.

Board of Directors make decisions by majority of votes. In the case of equal votes Chief Executive Officer exercises the decisive vote right. Meeting of Board of Directors is called/convened by the Chief Executive Officer or with the initiative of another member of the Board of Directors. The Chief Executive Officer sets the agenda, and chairs the meeting. The minutes of the meeting of Board of Directors are drawn up and signed by the Chairman of the meeting. Members of the Board of Directors are entitled to raise the issue to the Chief Executive Officer to be included in the Agenda.

Responsibilities of the members of the Board of Directors

CEO is the head of Board of Directors. Departments responsible directly to her include: Marketing and PR, Legal and Compliance, Financial monitoring and Security Departments.

The responsibility of the **commercial director** covers: corporate banking, MSME Banking, retail banking, call center, product development, Auto loans department and branch network management

Under the **risk director** is following units: credit risks and analysis, controlling, credit administration, operational risks, collection and recovery.

Operations director's responsibility is Analysis & Reporting, operations, bank cards, IT, logistics, procurements, documentation management and project management.

Under the control of the **financial director** are following units: Financial Accounting and Analysis, which covers: accounting, tax, budgeting, analysis and IFRS reporting; Financial Risks and Reporting, and Treasury.

Qualifications of the Members of the Board of Directors

The board of director consists of highly qualified persons, equipped with relevant skills and education for their positions.

CEO - Thea Lortkipanidze

She holds the position of the Chief Executive Officer of JSC Terabank since May 2014. She has an extensive work experience in a financial institutions. In 2008-2013 she was Chief Risks Officer of TBC Bank. In 2007-2008 she was Deputy Chief Risks Officer and in 2004-2006 – CEO of TBC Leasing. At various times she was the member of the Supervisory Board of Credit Info Georgia, Micro-Finance Company "Credo", TBC Leasing and Real Estate Management Fund. She also served as the President of Leasing Association of Georgia. In 1993-2003 Thea worked at various positions at the TBC Bank.

Thea studied and graduated from Tbilisi State University, faculty of Engineering Economics, in 1988-1993. In 1999-2000 she continued studying for her Master's Degree at ESM and in 2008-2013 she successfully graduated from Banking School of American Business Association.

Risk director - Temur Abuladze

Temur Abuladze has been the Chief Risks Officer of Terabank since January 2015. He joined with the team in November 2014, as an acting Chief Risks Officer. He has 15 years' experience in banking and finances. In 2009-2014 he was in charge of the risks management at Liberty Bank and in 1999-2006 he worked at the Bank of Georgia in the sphere of credit risks management at various positions including the position of credit risks analyst (1999-2000), Manager of Credit Risks Analysis Unit (2000-2001) and as a Deputy Director of Credit Risks Management Department (2001-2006). In 2006-2009 Temur worked at "Geopromining Group", which owned the enterprises in mining sphere in Georgia (JSC "Madneuli and LTD

Kvartsiti") and in Armenia. In 2007-2009 he was the Chief Financial Officer of the JSC "Agaraki Copper-Molibden Combinate".

Temuri holds Master's Degree in Economy from Tbilisi State University.

Commercial director - David Verulashvili

David Verulashvili was appointed as Chief Commercial Officer of Terabank in November 2020. His extensive career in banking began in 2000 at MBG Bank (ProCredit Bank) where he held positions of Team Leader, Senior Loan Officer and Head of Credit.

In 2003, he transitioned into a new role at ProCredit Bank where he was initially Head of Credit of the central branch and later acting Branch Manager.

Between 2006 and 2008, David Verulashvili was the Deputy Head of Corporate and Investment Banking at the Bank of Georgia after which he returned to ProCredit Bank as Head of Corporate Banking. A year later, he moved to Liberty Bank where he worked for 11 years, initially as Deputy Head of Corporate Banking and Trade Finance, and later, from 2013 onwards, as Deputy CEO and Head of Corporate Banking.

David obtained his Master's Degree in Informatics and Enterprise Management from Tbilisi State University in 2001.

The Operations director - Vakhtang Khutsishvili

Vakhtang Khutsishvili was appointed as a Chief Operating Officer of Terabank from October 2014. In 2013 he worked at the Bank Republic, as a Head of Central Back Office service and in 2009-2013 he was in charge of Planning and Controlling Department of Liberty Bank. In 2009 he has in charge of Banking Channels Development Department of Liberty Bank. In 2005-2008 he was at various leading positions in various departments. In 2003-2005 he was the Financial Manager of the company – "Cardio-Express''.

Vakhtang is the Master of International Business Management of Tbilisi State University of Ivane Javakhishvili. In 1998-2002 he also studied at Tbilisi State University of Ivane Javakhishvili and has the Bachelor's Degree in Organizational Management and International Economic Relations.

Financial director – Sophie Jugeli

Sophie Jugeli was appointed as the Chief Financial Officer of Terabank in August, 2016. She joined the team in April, 2015 as the Deputy CFO. Sophie has many years of experience at financial management positions. From 2001 she held different positions at TBC Bank, including Chief Accountant, Head of Strategic Planning and Control Department, Head of Financial Department and Deputy Chief Financial Officer. Sophie manages Treasury, Financial Accounting and Analysis, and Financial Risks and Reporting Departments. She is also in charge of relations with international financial institutions.

Sophie Jugeli holds MBA from ESM and MA in Physics from Tbilisi State University.

Code of Ethics

Board of Directors has approved and implemented Ethics Policy that is designed for Terabank's staff and aims to regulate the internal and external business relations, which are based on the universally recognized standards of conduct and business ethics norms. The Code of Ethics is based on the Bank's core values. The Code consists of provisions, which define the personal responsibility of each employee. It covers most of the issues that may arise during daily work.

Adherence to high ethical standards described in the Bank's Code of Ethics is very important, since unethical behavior may damage the Bank's reputation or even result in harmful lawsuits. This will hinder the Bank's growth and profitability prospects, reduce trust to a financial services industry as a whole and may even reduce the growth of an economy.

The Code of Ethics is the Bank's policy of professional, honest and fair actions, which is in line with the Bank's corporate culture, applicable laws and the Bank's internal regulations. The Bank communicates on an equal and non-discriminatory basis with employees, clients and third parties - regardless of race, nationality, religion, citizenship, marital status, sex, sexual orientation, age and/or disability. The Code of Ethics requires employees of the Bank to adhere to high professional standards. It is their personal responsibility to know law and the Bank's internal rules and regulations that apply to the activity of their structural unit. All employees are required to ensure that their work environment is free of violence, discrimination and unethical practices. The Bank recognizes staff members' individuality and wishes to offer equal opportunities. The staff recruitment, assessment and award system is implemented, according to staff qualifications, merits and performance. The Bank respects each employee's personal life, social consciousness and religion.

Compliance with the rules of conduct determined in the Code of Ethics is the responsibility of the Human Resources Department. In case of violation of the provisions of the Bank's Code of Ethics by any employee, he or she may be subjected to disciplinary measures, including dismissal from employment.

Risk management

Management of risk is fundamental to the business of banking and forms an essential element of Bank's operations. Risk management policies aim to identify, analyze and manage risks faced by Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, regulations, products and services offered and emerging best practice. Bank has developed a system of reporting on significant risks and capital.

Bank identifies and manages following risks related to its business:

- **Credit risk**- arises from the possibility that counterparty to a financial instrument may fail to meet its contractual obligation and this failure may cause a loss to Bank. Credit risk arises as a result of the Bank's lending operations and other similar transactions.
- **Market risk**- is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk, interest rate risk and other price risks. Market risk mainly arises from open positions in interest rate financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates.
- **Liquidity risk**- arises from the mismatch of the maturities of liabilities and assets. This mismatch may affect on the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due.
- **Operational risk**- is the risk of loss arising from systems failure, human error, fraud or external events (such as cyber attack risks, etc). Such events and/or failure may cause damage to bank's reputation, have regulatory or legal implications, may result in financial losses.
- **Compliance risk**- is a risk that Bank may not act in compliance with existing regulations, laws and agreements and may incur financial loss as part of such non-compliance.
- **Macroeconomic risk**- arises from the possibility that any adverse developments at country, regional or global level (such as fluctuation in commodity prices, increase in unemployment, decrease of GDP of a major trade partner, etc.) may have a negative impact on Bank's performance.

Bank has approved risk management policies, procedures and established governance structures to manage these risks.

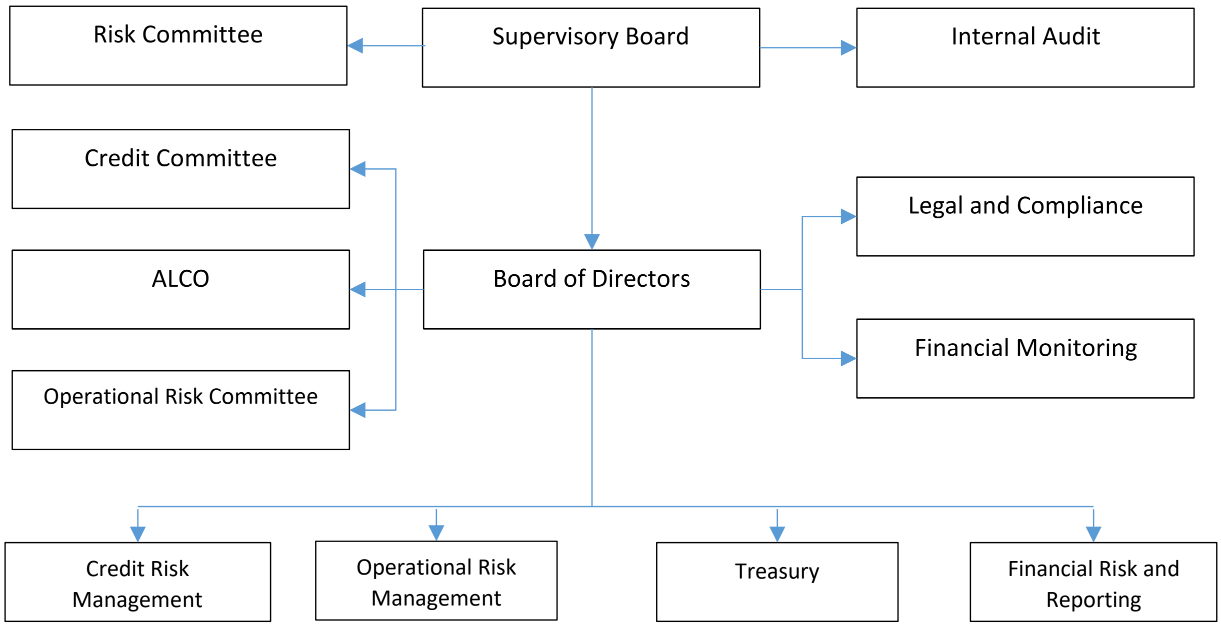
Supervisory Board has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures. Supervisory Board uses internal audit process to monitor execution of risk management framework and compliance with respective policies and procedures. Supervisory Board ensures that risk mitigation procedures are in line with Bank's strategy to focus on Micro, SME and Retail segments. Supervisory Board monitors risk management process and implementation of risk policies and procedures via regular meetings and reporting, where different risk measurement data are presented.

Board of Directors is responsible for implementing overall risk culture within the organization, monitoring and implementing risk mitigation measures, and ensuring that Bank operates within established risk parameters. Board of Directors presents to the supervisory board or approves independently, within its delegated authorities, risk related policies and procedures. Board of Directors is responsible for aligning risk strategy with Bank's overall strategy. Board of Directors controls risk related issues via various reports and committee meetings where risk related topics and performances are related.

Risk Director is responsible for the overall risk management functions, ensuring the implementation of common principles and methods for identifying, measuring, managing and reporting both financial and non-financial risks. He reports directly to the Chief Executive Officer and indirectly to the Board of Directors.

In addition to risk directorate, several departments within the bank are engaged in managing risks in their specific areas.

Chart below shows overall risk management structure at enterprise level:



Risk committees

To execute policies and procedures established by Bank and execute its risk strategy, Board of Directors has established several committees:

Credit Committee is engaged in supervising, managing and approving credit exposures to Bank's retail, MSME, corporate and private banking clients. Credit Committee comprises of different members from risk and respective business functions. Loan proposals are initiated at branch / front office level and are then forwarded to respective committees for approval. Bank established different levels of credit committees that are responsible for approving credit limits for borrowers.

All business loans are approved by respective credit committees, based on the amount of loan, after loan proposals are analyzed. Loan limits are set at levels ranging from individual risk manager to credit committee chaired by CEO and attended by management.

For retail loans, only exposures less then GEL 20,000 may be approved at branch level and should meet pre-determined criteria set by credit risk and portfolio analysis department. For business loans, only exposures less than GEL 30,000 may be approved at branch level. Other loan applications are forwarded for approval to their respective credit committees.

In some cases loans may be approved by Supervisory Board- if the borrower is related party or if the loan terms deviate from limits delegated by Supervisory Board to Board of Directors.

Loan approval limits are reviewed annually and are changed if necessary.

Due to new regulations, set by National Bank of Georgia, Bank has made significant changes throughout 2018 to its loan approval procedures to align them with new requirements.

Assets and Liabilities Committee (ALCO) is engaged in managing and supervising market risk, liquidity risk, currency risk, interest rate risk. ALCO sets and monitors compliance with external or internal liquidity requirements, plans future cash flows, sets limits to manage interest rate risk, currency risk, liquidity and solvency risks. ALCO comprises of treasury, financial risk and reporting department employees, heads of businesses and bank's top management. ALCO meetings are held regularly.

Operational Risk Committee is engaged in supervising and managing operational risks. It sets framework for operational risk management, sets controls for effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes, including the use of internal audit. Operational Risk Committee consists of operational risk department employees and members of Board of Directors.

In addition to these committees, Board of Directors conducts meetings on various risk-related subjects where issues are discussed at overall (enterprise), product or business level.

Since 2020 Risk Committee has been established under the Supervisory Board, and majority of the members are independent members of the latter. Committee meets once in a quarter and discusses various topics related to risk management. It is a supervisor of risk management process throughout the Bank, advises the Supervisory Board regarding risk strategies, mitigations, policies and procedures.

Risk Management Structure

Bank has established structural units that monitor compliance with risk procedures and policies and implement them. These units are: Credit Risk and Portfolio Analysis Department, Operational Risk Department, Controlling Department, Collection and Recovery Department, Treasury Department, Financial Risks and Reporting Department, Legal and Compliance Department, Financial Monitoring Department. Legal and Compliance Department and Financial Monitoring Department report directory to CEO, Credit Risk and Portfolio Analysis Department, Operational Risk Department, Controlling Department and Collection and Recovery Department report to Risk Director (CRO), Treasury Department and Financial Risks and Reporting Department report to Finance Director (CFO). Each of these units focuses on their particular area of risk mitigation.

- **Legal and Compliance Department** is engaged in mitigating legal and compliance risks of the Bank, either in the form of participation in litigation processes or by setting internal procedures and policies to ensure that Bank remains compliant with legal and regulatory requirements.
- **Financial Monitoring Department** is engaged in mitigating risks associated with customer and transaction identification, their compliance with regulatory requirements and international rules.
- **Treasury Department** manages open currency position of the bank, liquidity-related, market and interest rate risks and uses respective financial instruments and limits to mitigate them.
- **Financial Risks and Reporting Department** manages risks related with various financial elements and provides reporting and monitoring tools to manage various types of financial risks.
- **Credit Risk and Portfolio Analysis Department** monitors and mitigates credit-related risks to various non-financial counterparties, supports Board of Directors with credit-related reporting and analysis of portfolio.
- **Operational Risk Department** is engaged in daily activities to monitor operational risk issues, implementation of rules and procedures set by operational risk committee and relevant policies.
- **Controlling Department** monitors compliance with credit risk policies and procedures, provides independent on-site opinion on implementation of risk mitigants set by Board of Directors, Credit Committee and Credit Risk and Portfolio Analysis Department.
- **Collection and Recovery Department** manages Bank's higher risk assets and mitigates credit- related risks via active asset management, ensures compliance with

Bank’s credit, legal and compliance policies for this customer segment.

Credit risks

To mitigate Credit Risk, Bank has established number of procedures of policies that address particular areas of credit risk:

- Bank has in place limits that manage exposures on an individual and group level (maximum limits per borrower and group), on a sectoral level (limits are set for maximum exposures in particular sectors, these limits are linked to Bank's portfolio size and capital), on a product level (several products have their own limits expressed in GEL). These limits are set by Supervisory Board and Board of Directors and are monitored by Credit Risk and Portfolio Department. These limits are additional to the regulatory limits that are mandatory to comply with. Limits are reviewed periodically, but at least once per year.
- Bank accepts collateral as a tool to mitigate its credit risk. Policies and procedures are established for evaluation, pledge and monitoring of the collateral. Bank accepts following types of collateral: residential real estate, commercial real estate, land plots, machinery and equipment, vehicles, corporate and personal guarantees, guarantees from other financial institutions, deposits/CDs, precious metals. For each type of collateral specific discount rate, evaluation specifics, monitoring procedures is set. Normally, evaluation is performed by Bank's professional internal evaluators, but well-established external companies may be used.
- Collaterals are periodically re-evaluated based on their type and loans status, for higher-risk exposures re-evaluations are performed more frequently. Collateral evaluation is performed by designated unit within Credit Risk and Portfolio Analysis Department.
- Bank currently does not employ internal credit models. Credit ratings by Credit Info Georgia are used in loan approval process, primarily for retail exposures. Credit agency ratings of Fitch, Moody's or Standard and Poor's are used to assess credit risk of claims or contingent claims on banks.
- As part of risk mitigation process and regulatory requirement, Bank conducts stress tests on its assets (credit exposures, open currency exposure, depreciation of assets, etc.) according to scenarios provided by NBG. Based on the stress-test models the bank determines the possible additional loss in terms of worsening of various macroeconomic factors. Scenarios includes the following parameters: national currency devaluation with respect to US dollar, decrease of interest rates, increase of operational costs, worsening of credit portfolio quality, decrease of prices on real estate market. Depending on the listed parameters, possible change of liquidity position and profit or loss effects are determined, which eventually is reflected in the calculation of capital adequacy. Results of the stress test are discussed by Board of

Directors.

- Starting from 01-01-2018 Bank has adopted new loan provisioning policy which meets requirements of IFRS 9 standards. New model was developed with the help of external consultants (KPMG). The new model is more sophisticated compared to previous model. Bank calculated Expected Credit Loss by incorporating following components into calculations: Probability of Default, Exposure at Default, Loss Given Default. The new model also allows to incorporate macroeconomic scenarios into Expected Credit Loss calculations.
- Risk reporting is performed by designated team within Credit Risk and Portfolio Analysis Department. Reporting includes periodical reporting to Supervisory Board and Board Directors where different risk measurements are presented and discussed, as well as ad hoc reporting on any risk-related topic. Risk reporting is performed in collaboration with other similar units of Bank.

Liquidity risk and funding management

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. It refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions.

In order to manage liquidity risk, the Group performs daily monitoring of future expected cash flows on clients' and banking operations, which is part of the assets/liabilities management process. The Management Board set limits on the minimum proportion of maturing funds available to meet deposit withdrawals and on the minimum level of interbank and other borrowing facilities that should be in place to cover withdrawals under both normal and stressed conditions. They also set parameters for the risk diversification of the liability base.

The Bank's liquidity management is comprised of the following:

- projecting cash flows and maintaining the level of liquid assets necessary to ensure liquidity in various time-bands;
- maintaining a funding plan commensurate with the Bank's strategic goals;
- maintaining a diverse range of funding sources thereby increasing the Bank's borrowing capacity, domestically as well as from foreign sources;
- maintaining highly liquid and high-quality assets;

- adjusting its product base by time bands against available funding sources;
- daily monitoring of liquidity ratios against regulatory requirements; and
- constant monitoring of asset and liability structures by time-bands.

Treasury function within the Group is charged with the following responsibilities:

- compliance with the liquidity requirements of the NBG as well as with the liquidity requirement covenants contained in the agreements with foreign lending sources;
- daily reports to management, including reporting to management on the levels of liquid assets in the main currencies (GEL, USD, EUR), cash positions;
- weekly reports to management on the forecasted levels of cash flows in the main currencies (GEL, USD, EUR);
- constantly controlling/monitoring the level of liquid assets;
- monitoring of deposit and other liability concentrations; and
- maintaining a plan for the instant increase of cash to provide liquidity under stressed conditions.

The liquidity position is assessed and managed by the Bank on a standalone basis, based on certain liquidity ratios established by the NBG. ALCO is responsible for ensuring that Treasury properly manages the Bank's liquidity position. Decisions on liquidity positions and management are made by ALCO.

Regulatory Capital

Capital adequacy is one of the main indicators for determining the stability of the bank. The Committee on Assets and Liabilities is constantly reviewing capital requirements for compliance with actual data.

Minimum Requirements		Ratios	Amounts (GEL)
1	Pillar 1 Requirements		
1.1	Minimum CET1 Requirement	4.50%	50,954,953
1.2	Minimum Tier 1 Requirement	6.00%	67,939,938
1.3	Minimum Regulatory Capital Requirement	8.00%	90,586,584
2	Combined Buffer		
2.1	Capital Conservation Buffer	0.00%	-
2.2	Countercyclical Buffer	0.00%	-
2.3	Systemic Risk Buffer	0.00%	-
3	Pillar 2 Requirements		
3.1	CET1 Pillar 2 Requirement	1.57%	17,734,857
3.2	Tier 1 Pillar2 Requirement	2.09%	23,677,424
3.3	Regulatory capital Pillar 2 Requirement	4.51%	51,069,687
Total Requirements		Ratios	Amounts (GEL)
4	CET1	6.07%	68,689,810
5	Tier 1	8.09%	91,617,362
6	Total regulatory Capital	12.51%	141,656,270

The supervisory capital requirement is calculated in compliance with "Regulation of Capital Adequacy Requirements for Commercial Banks" - considering the minimal requirements and total requirements of Pillar 2.
The actual capital ratios for Tier 1 and Tier 2 capital as of December 2021 is as follows:

		12/31/2021	12/31/2020	9/30/2020	6/30/2020	3/31/2020
	Regulatory capital (amounts, GEL)					
	Based on Basel III framework					
1	Common Equity Tier 1 (CET1)	132,094,166	102,541,790	101,028,333	96,484,633	97,812,467
2	Tier 1	132,094,166	102,541,790	101,028,333	96,484,633	97,812,467
3	Total regulatory capital	179,552,613	160,530,749	161,137,593	152,741,011	163,125,146
	Risk-weighted assets (amounts, GEL)					
4	Risk-weighted assets (RWA) (Based on Basel III framework)	1,132,332,296	1,059,976,416	1,054,574,533	945,036,349	962,318,944
	Capital ratios as a percentage of RWA					
	Based on Basel III framework					
5	Common equity Tier 1 ratio >=5.6%	15.857%	9.67%	9.58%	10.21%	10.16%
6	Tier 1 ratio >=7.47%	11.666%	9.67%	9.58%	10.21%	10.16%
7	Total Regulatory Capital ratio >=12.71%	11.666%	15.14%	15.28%	16.16%	16.95%

The Bank is constantly in compliance with the minimum requirements.

Remuneration Policy

Remuneration system involves certain forms of remuneration and their combinations in compliance with the occupation, including: a) The fixed remuneration, b) Variable remuneration (bonus), c) Guaranteed variable remuneration. Remuneration is paid in cash.

Fixed remuneration of an employee in a bank is a major part of remuneration, reflects relevant professional experience and organizational responsibilities, which in turn is defined in the employee's job description as part of employment. The amount expressed in cash equivalent of fixed remuneration is predetermined and unchanged, does not depend on performance indicators, does not stimulate risky activity and the bank cannot reduce and / or cancel it. Amount of fixed remuneration of employee (except for the Supervisory Board members) is defined under the agreement.

Variable remuneration (bonus) is an additional benefit to the employee. The terms and amount of variable refunds are at the full discretion of the Bank. The amount of variable remuneration depends on the individual results of both the bank and the employee. Any remuneration that does not meet the fixed remuneration criteria will be considered as variable remuneration. A comprehensive picture of current and future risks should be taken into account when setting variable remuneration. The variable remuneration based on the results of the performance depends on the general financial condition of the bank and the result achieved by the bank as well as the relevant structural unit and the employee. In order to accumulate regulatory capital the Bank is entitled at any time, not to grant in whole or in part and / or not to assign variable remuneration granted and deferred in the past.

Additional terms of remuneration are set for material risk takers of the banks. The Bank's material risk takers include those whose professional activities have a significant impact on the Bank's risk profile. The Bank's material risk takers include those whose professional activities have a significant impact on the Bank's risk profile. A bank employee is considered to have a significant impact on the bank's risk profile if any of the following qualitative and / or quantitative characteristics are present:

Qualitative characteristics:

A) the employee is a member of the Management Board or the Supervisory Board;

B) the employee has managerial responsibilities over the control functions of the bank;

C) the employee has managerial responsibilities over a significant business unit of the Bank;

D) the employee has managerial responsibilities in the areas of legal, tax, human resources, information technology, information security, budgeting, outsourcing of critical functions, development or implementation of remuneration policy, economic analysis and business continuity plan;

E) The employee has the authority individually or in a group to independently carry out a credit risk transaction whose nominal value exceeds 0.5% of the bank's fixed capital;

F) The employee manages the personnel defined in the previous sub-paragraph;

G) The employee may individually or in groups approve or veto new products, material processes or material systems

Quantitative characteristics:

A) An employee whose remuneration exceeds the remuneration of a member with a minimum salary of a member of the Management Board;

B) An employee whose annual salary exceeds GEL 500,000; or

C) An employee whose salary is 0.3% of the highest paid in the bank;

The "significant business unit" is the Treasury Department, Retail, SME and Corporate Departments.

The control function refers to the structural unit that provides credit or operational risk management, controlling compliance, preventing illicit income legalization and anti-money laundering (AML), internal audit function

The amount of both fixed and variable remuneration of the members of the Management Board shall be determined by the Supervisory Board. Key Performance Evaluation Indicators (KPIs) for the members of the Management Board shall be determined annually, with the approval of the Bank's annual budget, unless the Supervisory Board decides otherwise. The CEO's individual and Management Board's (Aggregate) Key Performance Evaluation Indicators (KPIs) are determined by the Bank's Supervisory Board, while the individual performance evaluation indicators (except for the CEO and Chief Risks Officer) are determined by the CEO. Key Indicators for evaluation of the Individual Performance of the Chief Risks Officer (KPI) are determined by the Risks Committee of the Supervisory Board.

Key Performance Evaluation Indicators (KPIs) for other material risk takers (other than members of the Supervisory Board and Management Board) shall be determined in the beginning of relevant variable remuneration period by the relevant Curator Director in accordance with the bank structure approved by the Supervisory Board. After the end of the variable remuneration period, the variable remuneration of material risk takers (other than members of the Supervisory Board) shall be determined on the basis of the key performance evaluation indicators (KPIs) and performance results/risk based corrections.

The following principle should be taken into account when determining the remuneration of the Material risk takers (except for the members of the Supervisory Board) - the duration of the deferral of variable remuneration should depend on the period of realization of the risks related to the activities of the person. At the same time, the payment of not less than 40% of the annual variable remuneration, and in case of persons whose annual variable remuneration is in material volume (exceeds 100% of the annual fixed remuneration and / or exceeds 500,000 GEL or its equivalent), payment of not less than 60%, shall be deferred for at least 3 years. This does not apply to cases where the variable remuneration is in the intangible volume (not more than 20% of the annual fixed remuneration).Deferred variable remuneration may be paid and / or attributed at the end of the deferral period or in equal proportions during the deferral period. However, in the case of proportionate payment, the first installment of the deferred variable remuneration may be paid no earlier than one year from the beginning of the deferral period and subsequent payments should not be made more frequently than12 months.

Maximum rate of variable remuneration (Total sum of all variable remuneration) for material risk takers, except for members of the Supervisory Board, shall not exceed 100% of the fixed component of their annual remuneration. In exceptional cases, if there are sufficient grounds, the majority of shareholders may decide to set a higher rate of return on fixed and variable components, provided that the amount of annual variable remuneration should not exceed 200% of the fixed annual component and the requirements set by the approved corporate governance code, approved under the decree of the President of the National Bank of Georgia, shall be met.

Remuneration for the Supervisory Board members complies with their involvement, assigned responsibilities, efforts made and time resource.

Remuneration for the Supervisory Board members includes fixed remuneration, the amount of which is fixed by the general meeting of shareholders.

The employees' remuneration with control function, is not dependent upon the financial results of the business line's activity, which are inspected or monitored by the mentioned employees.

The Bank sets certain criteria on the basis of which decisions are made on the adjustment of variable remuneration (both before and after the award) and the return.

Environmental, Social and Governance (ESG) Summery

Terabank has thorough understanding that long term economic success must coincide with prosperity among people and healthy environment. Furthermore, banking activities can potentially cause legal, credit and reputational risks as a result of environmental and social risks. In order to manage these risks the bank has established environmental and social risks policy and related procedures, with the help of external consultants and financial partners. By the end of the year 2021 this process was mainly finalized. ESG policy and procedures consider assessment of risks for business loans and planning of appropriate actions if necessary. This process is fully integrated within the credit process. Terabank has a restriction that high risk loans' percentage within the portfolio mustn't exceed 25%, by the end of 2021 this measure was less than 3%. The bank has established positions in order to manage these processes. Action plan for years 2022-2023 takes into consideration increasing the number of criteria, through which the bank assesses environmental and social risks, this relates to client information as well as the bank's activities.