TBC BANK
Group PLC

Broadening

Digital Horizons

ANNUAL REPORT 2023

2023

TBC BANK
Group PLC

TBC Bank Group PLC

TBC Bank Group PLC ("TBC PLC") is a public limited company registered in England and Wales.

It is listed on the premium segment of the London Stock Exchange and is a FTSE 250 constituent.

JSC TBC Bank and its subsidiaries

The leading financial services group in Georgia

TNET

The dominant digital lifestyle ecosystem in Georgia

TBC UZ and Payme

Fully digital consumer banking and payments provider in Uzbekistan

OPERATIONS IN GEORGIA

OPERATIONS IN UZBEKISTAN

Contents

1

Chapter

Strategic Report

Overview

TBC at a glance

Who we are

TBC is a leading financial institution listed on the London Stock Exchange with operations in Georgia and Uzbekistan. The Group consists of three distinct businesses:

The leading financial services group in Georgia

Powered by **Georgian financial services**

- **TBC banking business: Retail, MSME, CIB & WM**
- **TBC Insurance**
- **TBC Pay**
- **TBC Leasing**

39.3%
Market share[1] in total loans
39.5% as of 31 Dec 2022

40.1%
Market share[1] in total deposits
40.3% as of 31 Dec 2022

Fully digital consumer banking and payments provider in Uzbekistan

Powered by

TBC UZ - A fully digital retail bank in Uzbekistan
Payme - A leading digital payments provider in Uzbekistan

15.7 mln
Number of registered users
10.6 mln as of 31 Dec 2022

4.3 mln
Number of monthly active users
2.9 mln as of 31 Dec 2022

The dominant digital lifestyle ecosystem in Georgia

Powered by **TNET**

The largest digital ecosystem in Georgia, operating in four verticals: e-commerce, lifestyle, housing and auto

15.4 mln
Number of Transactions
11.8 mln in 2022

GEL 164 mln
Gross merchandise value (GMV)
GEL 103 mln in 2022

Group's key financial highlights[2]

+14% YoY	-0.5pp YoY	+0.7pp YoY
GEL 1.1 bln	**26.5%**	**6.7%**
Profit	ROE	NIM
+2.8pp YoY	+21%[3] YoY	+13%[3] YoY
36.2%	**GEL 22.1 bln**	**GEL 20.4 bln**
Cost to income	Gross loan portfolio[4]	Deposit portfolio

Group's key operating highlights[2]

+40% YoY	+34% YoY	+41% YoY
19.0 mln	**5.9 mln**	**5.2 mln**
Total registered users	Monthly active customers	Digital MAU
-4.0pp YoY	-1.0pp YoY	+6.0pp YoY
33%	**58%**	**67%**
Digital DAU/MAU	ENPS[5]	NPS[6]

1 Based on data published by the National Bank of Georgia on the analytical tool Tableau.
2 Definitions and detailed calculation of the APMs are given on pages 410-414.
3 Growth in constant currency.
4 Gross loan portfolio refers to loans and advances to customers. For more details, please refer to Note 9.
5 The Employee Net Promoter Score (ENPS) was measured in December 2023 by an independent consultant for the Bank's employees.
6 The Net Promoter Score (NPS) was measured based on a survey conducted by the independent research company Sonar in December 2023.

Our mission

Customers

Investors

To make people's lives easier

Colleagues

Community

Our strategic priorities

- Build on our leading position in Georgian banking
- Harness the significant growth potential of the Uzbek market
- Maximise the growth opportunities within our digital lifestyle ecosystem
- Increase digitalisation levels across the Group
- Keep improving our customer experience

How we differentiate ourselves

Best-in-class digital solutions

5.2 mln digital monthly active users across the Group as of 31 Dec 2023

Advanced data analytical capabilities

GEL 93 mln additional income generated in 2023

Excellent corporate governance and risk management

1 ISS Governance quality score as of 31 Dec 2023 indicating highest standards of governance

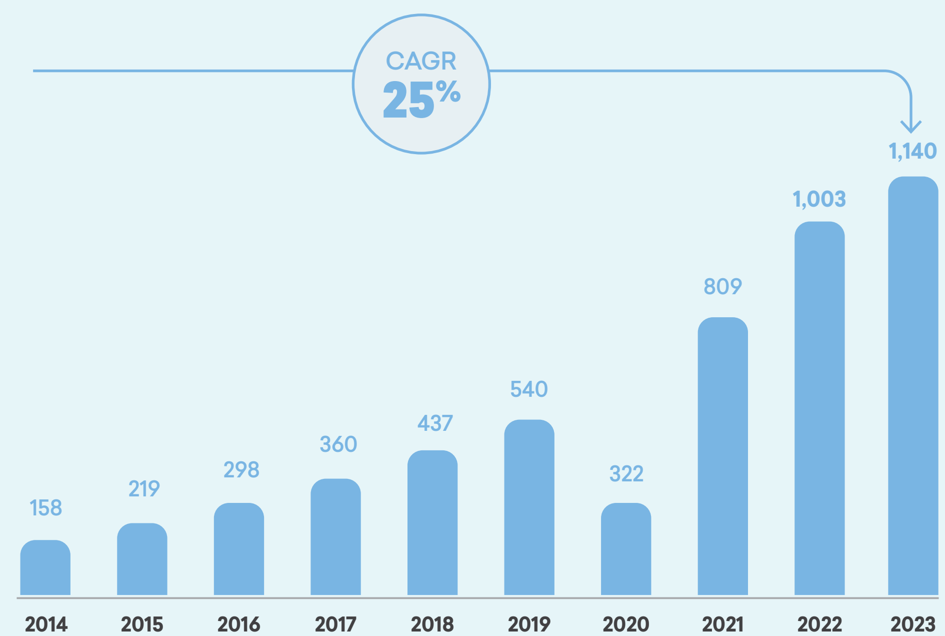
Motivated employees

58% Employee Net Promoter Score (ENPS)[1] - well above the European industry average of 42%[2]

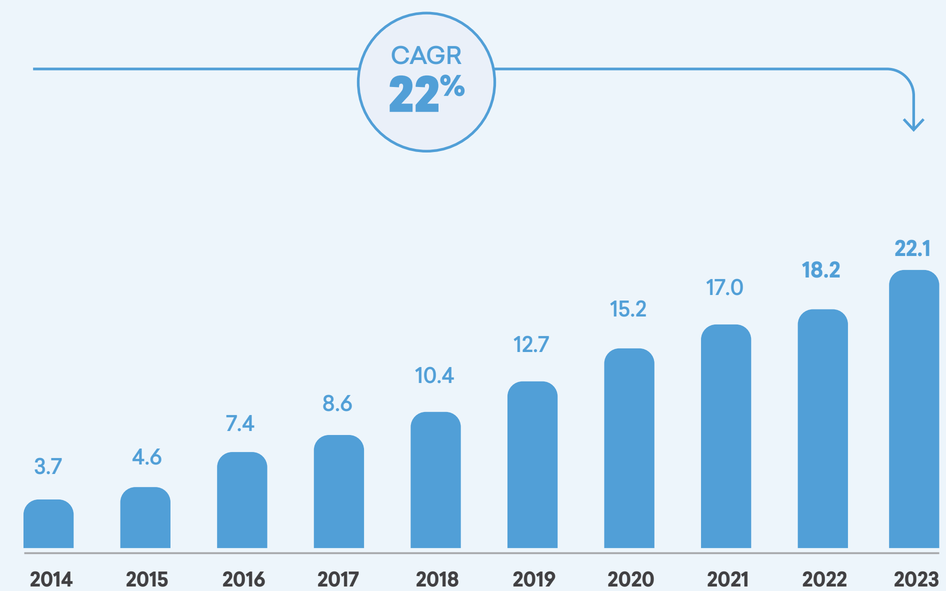
1 The Employee Net Promoter Score (ENPS) was measured in December by an independent consultant for the Bank's employees.
2 The European industry average of Employee Net Promoter Score (ENPS) was measured in December 2023 by an independent consultant.

Proven track record of growth and profitability[1] since 2014 IPO

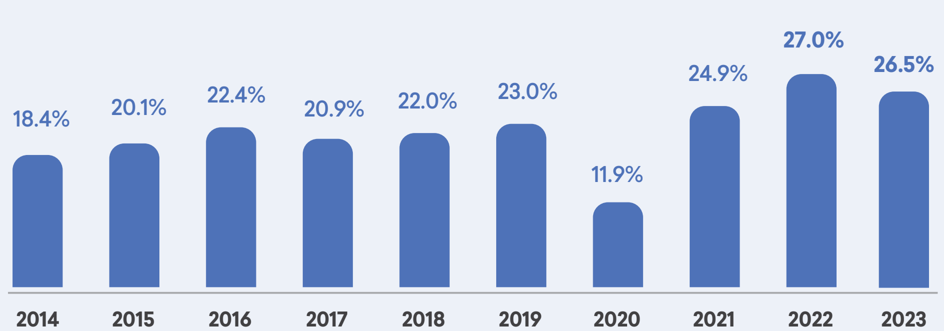
Profit (GEL mln)



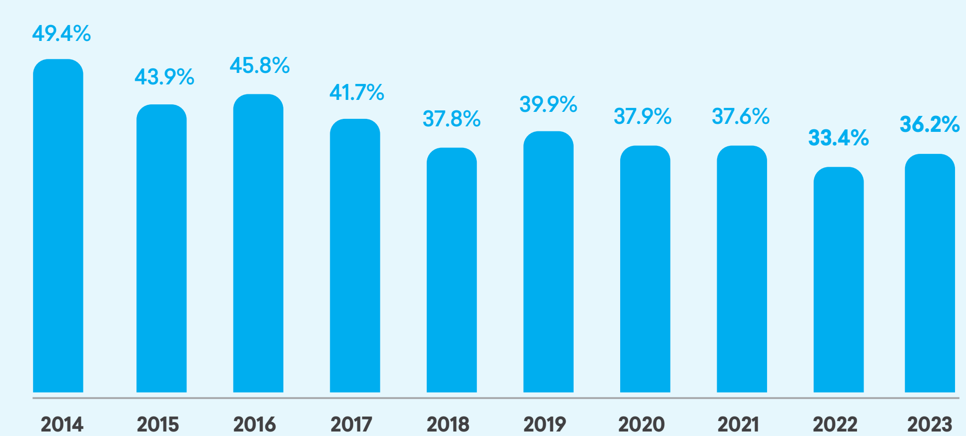
Gross loan portfolio (GEL bln)



Return on equity (ROE)



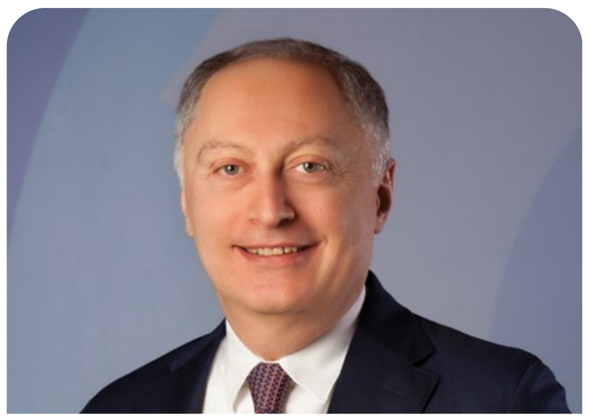
Cost to income



1 Definitions and detailed calculation of the APMs are given on pages 410-414.

Executive Committee team of TBC Bank Group PLC

The Executive Committee supports the CEO in formulating and executing strategies, creating operational plans, developing company policies, overseeing operational and financial performance, and evaluating and managing risks. Regular meetings of the Executive Committee offer a platform for the Group CEO to engage in discussions on strategic, financial, and commercial aspects concerning the Group's companies.



VAKHTANG BUTSKHRIKIDZE
Chief Executive Officer

NINO MASURASHVILI
Deputy CEO, Chief Risk Officer

For full biographies please refer to our website:

www.tbcbankgroup.com

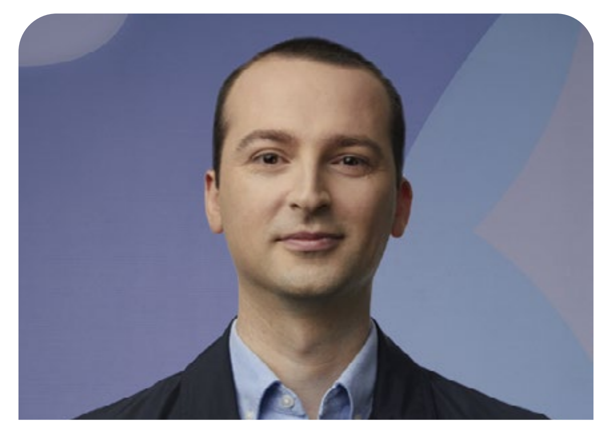
GIORGI MEGRELISHVILI
Deputy CEO, Chief Financial Officer

TORNIKE GOGICHAISHVILI
Deputy CEO, Retail & MSME banking, Payments

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

NIKOLOZ KURDIANI
CEO of Group's Operations in Uzbekistan

OLIVER HUGHES
Head of International Business



BIDZINA MATSABERIDZE
Chief Information Officer

GVANTSA MURGHVLIANI
Head of Human Capital Management

Reflections from the top

Chairman's statement

"Our success remains rooted in our ongoing commitment to making our customers' lives easier"

DEAR STAKEHOLDERS,

I am delighted to report on another year of exceptional financial performance for TBC Bank Group. Having delivered a record profit of GEL 1,140 million, we have been able to increase our dividend per share by 32% to GEL 7.22 on the basis of a full-year dividend payout ratio of 35%, subject to shareholder approval. It is particularly welcoming to see that the progress the Group has made has been reflected in our share price, which appreciated by 25% in 2023, taking our market capitalisation to new highs.

During these turbulent times, TBC continues to offer international investors a distinctive chance to invest in the growth of modern financial services and digital ecosystems in Georgia and Uzbekistan, all under the framework of the highest UK corporate governance standards.

DIGITALLY DELIVERING ON OUR MISSION

Our success remains rooted in our ongoing commitment to making our customers' lives easier, and I am proud to report that during the past 12 months, the number of monthly active customers that we serve has increased by 1.5 million to 5.9 million. A crucial factor in this achievement is our ability to identify cross-border opportunities to deploy capital profitably and diversify our balance sheet. This has been possible through robust market analysis, first-rate digital capabilities and operational strength. Notably, our customer base is growing rapidly in both Georgia and Uzbekistan with the latter now leading the way in customer acquisition. Importantly, our customers continue to appreciate and recommend our services to families and friends, as is reflected in an excellent 6pp increase in our Georgian NPS score to 67%[1].

Digitalization sits at the heart of our financial services offerings, from our fully end-to-end digital retail banking and payments platforms in Uzbekistan to new digital initiatives in Georgia. For instance, in Uzbekistan, we are transforming the retail banking market by offering fast, convenient and transparent products that customers can access just through their mobile phones. Meanwhile, in Georgia a new mobile-based loyalty programme for our retail customers and a real-time settlement system for our business customers were introduced during the year.

In line with our digital priorities, we continued to see our customers conduct more transactions via our remote channels in 2023, with the share of retail transactions through our mobile and internet banks in Georgia increasing by 5pp to 68%. This shift has empowered us to redirect front-office staff towards delivering enhanced customer services and support, adding more value to our customer interactions and, over the long term, improving our operating efficiency. Beyond these customer-facing elements lie increasing investment in digital infrastructure, such as machine-learning AI underwriting tools and a rising share of end-to-end digital credit processes for our corporate clients.

We continue to strive to offer more people access to a broader range of financial services. During the year, in Georgia we launched new online subscription packages and brokerage services for our retail customers. Also, for our young generations, we created the Hi! App. Promoting financial inclusion is a key area of emphasis for us, and our goal is to empower young people by enhancing their financial literacy skills through active engagement with the app.

Another aspect of our digital-first strategy is to keep developing our digital lifestyle platform TNET, which leads the way in Georgia in combining lifestyle, housing, e-commerce and auto services. During the year, we introduced several initiatives, including the creation of new digital markets, with the successful launch of our international flight platform (fly.tkt.ge) and the roll-out of a range of online government services. While e-commerce penetration in Georgia is still low, our suite of e-commerce platforms leaves us well placed to benefit from the long-term potential this market offers. TNET's GMV increased by almost 60% in 2023, which is testament to the progress the business has made.

THREE CORE STRATEGIC PILLARS

We remain committed to achieving our strategic priorities through our distinctive strengths, which include best-in-class digital solutions, advanced analytical tools, exceptional corporate governance and risk management, and a motivated and dedicated workforce. These pillars form the foundation of our approach to sustaining long-term growth and accomplishing our strategic objectives.

To match the pace of the evolution of our business, we also refined our group strategy in 2023 to focus on three core elements:

1. **Leading financial services group in Georgia**
   Our market leading operations in Georgia remain at the centre of our strategy and focus. We remain a leading financial services provider in the country in terms of assets, loans and deposits, serving 1.6 million retail monthly active users, equivalent to almost half of the country's total population. However, we recognize that maintaining that position requires hard work from all of our team members and constant innovation, particularly within a country where customers have become used to high quality, and increasingly digital, products and services from their banks. We expect that all business segments will continue delivering robust growth and excellent profitability.
2. **Digital financial services in Uzbekistan**
   The second core element of our strategy is our digital banking and payments businesses in Uzbekistan, which have seen great progress in 2023 both in terms of growth and profitability. Payme, our digital payments platform, has passed 11 million registered users – almost a third of the country's population – with over 3.3 million monthly active users. Meanwhile, TBC UZ, our digital retail bank, itself reached 1 million monthly active users in 2023 and turned profitable within two years of active operations, a fantastic achievement in such a short space of time.
3. **The largest digital ecosystem in Georgia**
   Our commitment to digital innovation and making our customers lives easier is highlighted by the progress we have made over the past year in TNET. Having previously acquired full ownership of the various companies comprising these verticals, in the spring we launched the TNET mobile app which, over time, will incorporate all of the different lifestyle services we offer on one convenient app.

UPDATED TARGETS REFLECT OUR AMBITIONS

Our Board approved a new set of medium-term group business targets in the middle of the year which better reflect our growing businesses and ambitions, incorporating targets relating to profitability and growth for both the group as a whole and our Uzbekistan business. For the first time, we have adopted specific three-year targets that we intend to meet by the end of 2025, which we hope provides a clear framework of our ambitions for both existing shareholders and potential new investors.

CHANGES IN THE BOARD COMPOSITION

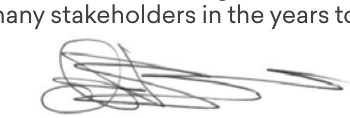
Our Board has been further strengthened in 2023 with the appointment of Janet Heckman as an Independent Non-Executive Director. Ms. Heckman brings extensive financial services experience from this region and further strengthens the Board's composition, particularly in her role as Chair of the Remuneration Committee. We will continue to review the composition, skills and experience of the Board to ensure that we have the proper expertise to steer the Company in the right direction in the years ahead and to constructively challenge the executive management in delivering the Group's strategy.

CONTINUING TO ENHANCE OUR ESG STRATEGY

We have made important progress in ESG initiatives in 2023, across a number of areas. First, we successfully met and beat our target of GEL 1 billion in sustainable financing, increasing this portfolio by 57% year-on-year. We have also strived to further increase employee diversity, and I am proud to report that over 37% of middle-management positions are now held by women. We also continue to make progress in terms of implementing Task Force on Climate-related Financial Disclosures (TCFD) recommendations. Our best-in-class governance spanning capital allocation, financial disclosure, board experience and shareholder communication remains a key plank in our approach to ESG.

LOOKING AHEAD WITH CONFIDENCE

I firmly believe that a strategy centred around our mission of making our customers' lives easier remains the right one to keep developing as a team and as a business. We are now successfully offering best-in-class financial and lifestyle services and we have a set of clear financial targets that we are looking to achieve by 2025. Evidence of our positive progress is provided by another year of record earnings, very strong customer and balance sheet growth, and a material increase in our dividend per share. Furthermore, I am confident that our executive management team have the ability and resources to continue driving success for the Group and our many stakeholders in the years to come.



Arne Berggren
Chairman
2 April 2024

1 The Net Promoter Score (NPS) was measured based on survey conducted by the independent research company Sonar in December 2023.

CEO letter

"Record profits, a breakout year for Uzbekistan operations and bold new strategic targets show we are heading in the right direction."

DEAR STAKEHOLDERS,

The geopolitical backdrop across the region remained very challenging in 2023 as the devastating war in Ukraine continued into a second year. I would like to reiterate my words of last year's annual report that I firmly believe that Ukraine will prevail in its fight for freedom, and we continue to stand by Ukraine by offering our support to those who have suffered from the hardships of the war, through various programmes, charity activities and fundraisers.

Thankfully, the past year did also provide some very positive news for Georgia and its 3.7 million people, with the EU's decision in mid-December to grant Georgia candidate status. While much work remains to be done, this represents a massive step for Georgia in its long-term aim for closer integration with the EU, and I, and all of my fellow Georgians, can be rightly proud to have achieved this recognition.

BROADENING DIGITAL HORIZONS

2023 has been a year of great progress for TBC, not only in our record financial performance, of which more later, but particularly in terms of the expansion of the digital capabilities of the Group. This has been especially evident in Uzbekistan, where we are proud to operate two rapidly growing and profitable digital financial services platforms spanning payments and retail financial services. The past year has seen a number of important developments in these businesses. In the first quarter of 2023, TBC UZ, our fully digital consumer bank, posted its first profitable quarter, which is an excellent achievement after less than three years of operation, and which we think is testament to the fact that, unlike many fintechs globally, we are getting the business model right, with a keen focus from the outset not just on growth but also on profitability.

In May, we completed the buyout of the remaining 49% stake in Payme, giving us 100% ownership and the opportunity to much more closely integrate this business with TBC UZ. Payme has over 3 million monthly active users and the possibilities for cross-selling more financial services to its customers are compelling, with lots of exciting plans in the pipeline for 2024. Another key development in 2023 was the appointment in September of Oliver Hughes as Head of International Business. Oliver previously spent 15 years as the CEO of Tinkoff Group, during which time he led the evolution of the company from launch to being one of the largest and most profitable digital banks in the world, with more than 20 million customers. The whole team is delighted to welcome such a high calibre hire, and we think Oliver, Nika and the team in Tashkent can take our Uzbekistan operations to a new level in the coming years.

We have also seen exciting developments in our digital capabilities in our core Georgian operations. This includes the launch of a retail brokerage service for our mass retail customers, which has already had strong take-up, a set of new online subscription packages for our retail customers, and the roll-out of a platform for digital signatures within our corporate business, greatly improving the speed and convenience of the credit process. The past year has also seen great progress in offloading retail transactions from branches to our mobile and internet channels, which is good for both our customers and our business.

The other element in expanding our digital horizons has been the great progress we have seen at TNET, our digital lifestyle ecosystem. In the Spring, we launched several of our lifestyle services into the TNET app. We will add more platforms in the coming year as we create a one-stop shop for a range of convenient online services from ticketing and e-commerce to searching for cars and property.

DELIVERING RECORD RESULTS

2023 has been a very strong year for TBC in terms of financial performance and key operating metrics.

- **Financials** - our profit reached a record GEL 1,140 million, up by 14% year-on-year, while the return on equity was 26.5%. It is also worth noting that this was in a year in which there were no material one-offs in revenues, which had been the case in 2022, which saw very high FX revenues.
- **User base** - by the end of 2023, the number of registered users of our services in Georgia and Uzbekistan reached 19 million, out of which 5.9 million were monthly active customers, an increase of c. 1.5 million customers. This compares to a total addressable market of around 40 million in Georgia and Uzbekistan combined, which highlights there remains a great deal of further potential growth in our customer base.
- **Digital engagement across the Group** - digital monthly active users (MAU) saw a major acceleration during the year, reaching 5.2 million by the end of 2023, up by 41% year-on-year, while the digital daily active users (DAU) amounted to 1.7 million, an increase of 21% over the same period.

Maintaining our leadership position in Georgia
We delivered strong growth in our core Georgian market in 2023, enabling us to maintain a leadership position throughout the Georgian financial services landscape, with 39-40% market share in total loans and deposits. Our loan book increased by 19% in constant currency terms, driven by our Corporate and Investment Banking (CIB) segment, and we were delighted to be recognised as the inaugural winner of the Best Corporate Bank in Georgia 2023 by Euromoney. Meanwhile, our deposit portfolio was up by 12%, also in constant currency terms.

Our improved financial results disclosures, introduced during the year, which segment Georgian financial services, Uzbekistan and other businesses, help highlight the enduring strength and profitability of our Georgian financial services business, which delivered an excellent 25.5% ROE for 2023.

Dynamic growth and increasing profits in Uzbekistan
There has been great progress in our Uzbek operations, with TBC UZ and Payme delivering a combined GEL 59 million profit in 2023, up seven-fold, with 26.0% ROE. TBC UZ became profitable and added 0.6 million digital MAU. Its loan book more than doubled in 2023 to GEL 797 million, driven by the popular instant cash loan product, ending the year with a meaningful contribution of 10% of total group retail loans. The deposit portfolio also saw strong growth, increasing by 76% to GEL 581 million, equivalent to 7% share of our total retail deposits.

We are delighted to see TBC UZ becoming a bigger presence in the Uzbek banking sector, with a 2.4% share of retail loans and 13.9% share of the micro loan segment in which it primarily operates, whilst also having 3.0% retail deposit market share. For its part, Payme added 0.8 million digital MAU in 2023, while its total customer base topped 11 million by year end, around one-third of the addressable Uzbek population. Payme's payment volumes rose 28% year-on-year in 2023 and its earnings increased by 35%. We are confident that 2024 will be an even more successful year for TBC in Uzbekistan as we step up the integration of our platforms.

Strong operating performance across the board
Our operating income rose by 15% in 2023. This growth was driven by dynamic growth in net interest income, which was up by 27% on the back of a combination of healthy loan book growth and very impressive net interest margin expansion, which increased by 0.7 basis points to 6.7%. Net fee and commission income also generated encouraging results, rising by 28% and driven by our payment operations both in Georgia and Uzbekistan.

The enduring benign economic backdrop was reflected in a cost of risk of just 0.8% for the year, while NPLs fell from 2.2% to 2.0% at year end. Despite ongoing investments in digitalisation and expansion of our Uzbek operations, we delivered a 36.2% cost to income ratio for the group, and just 31.9% for Georgian financial services. Our capital position has remained very strong, supported by robust income generation. At the end of 2023, our CET1 ratio stood at 17.4%, comfortably above the minimum regulatory requirement of 14.3%.

CONTINUING TO INVEST IN OUR PEOPLE

We would, of course, not have been able to achieve any of these excellent results without the continued efforts and dedication of our multinational team of 10,000 dedicated colleagues. One of the ways in which we thanked many of our key staff in 2023 was with a team trip to Paris to see Georgia play Australia in the Rugby World Cup. TBC has long been the proud sponsor of the national rugby team, and while the result did not go our way, this was an invaluable exercise in team building and a way of saying thank you to many of our key employees.

We also continue to offer our employees the tools to develop their skills across a wide range of areas. In 2023, more than 2,000 employees participated in various courses and programs run by our TBC Academy, including business development, agile transformation, brand experience, law, financial analytics, and refining essential soft skills. Meanwhile, our operations in Uzbekistan highlight the diverse international pool of talent that makes up TBC's DNA, with a team of many different nationalities working together across a range of geographies.

BOLD NEW STRATEGIC TARGETS

This year we revised and updated our strategy targets, setting ourselves ambitious goals for 2023-25. For the first time, we have adopted specific three-year targets that we pledge to meet by the end of 2025, and we have set ourselves aims across the Group and, specifically, for Uzbekistan.

Group targets

- At least 7 million digital monthly active users
- Above GEL 1.5 billion profit in 2025, with >15% 2023-25 CAGR
- Above 23% ROE in every year
- At least GEL 500 million of TNET gross merchandise value (GMV)
- A dividend payout range of 25-35% of profit

Uzbekistan targets

- At least 5 million digital MAU
- Above 80% loan book CAGR
- Above GEL 200 million profit in 2025

We recognize that it will be challenging to meet these objectives, but the whole management team is focused on achieving them and I firmly believe that we have all of the key pieces in place to deliver on these targets, generating long-term value in our businesses in Georgia and Uzbekistan for all of our stakeholders.

The Strategic Report, as detailed on pages 4 to 175, was approved by the Board and signed on behalf of the Board by:

Vakhtang Butskhrikidze
CEO
2 April 2024

Our strategic approach

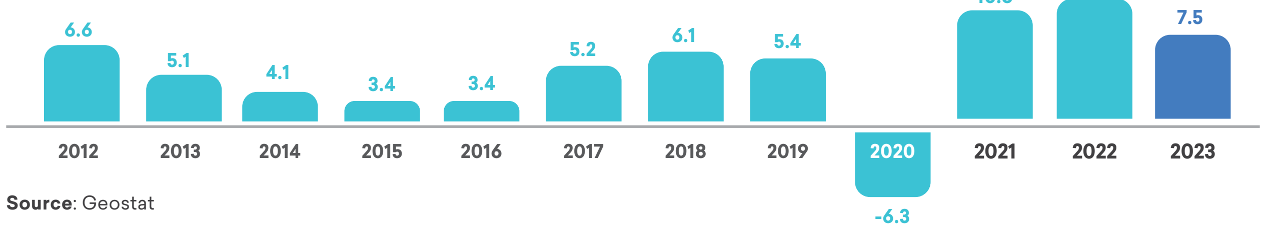
Operating environment

GEORGIA[1]

ECONOMIC GROWTH

After two successive years of double-digit growth in Georgia, economic activity moderated somewhat but remained strong in 2023, with real GDP increasing by 7.5%.

REAL GDP GROWTH (%)



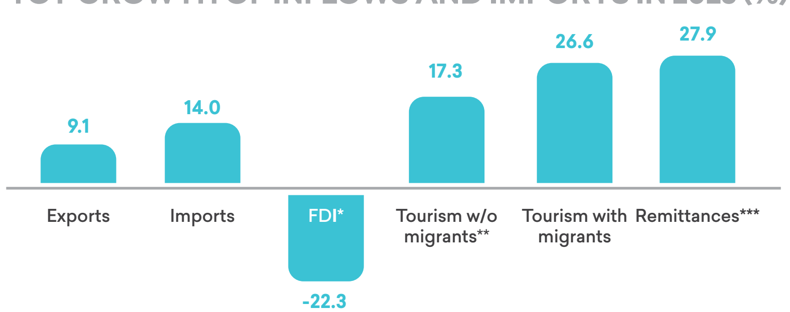
Source: Geostat

EXTERNAL SECTOR

The negative impact of lower international commodity prices on both exports and imports noticeably affected external sector activity throughout 2023. Specifically, the growth of exports and imports denominated in US dollars moderated to 9.1% and 14.0% for the full year 2023, respectively. Importantly, these commodity price dynamics had a particular impact on domestic commodity exports, while re-exports performed strongly. At the same time, the increase of the share of IT services in Georgian exports was notable, with a major driver being the arrival of migrants in 2022.

Given the high base effect caused by elevated immigration in 2022, the annual growth of tourism inflows also normalized to 17.3% YoY in 2023, as migrants were gradually counted as residents by the National Bank of Georgia (NBG) and so were excluded from the tourism sector. At the same time, the share of conventional tourism in total inflows increased, as spending excluding visitors from Russia, Belarus and Ukraine increased by 38.2% YoY. Therefore, while the migration peak is likely to be in the past, conventional tourism inflows have at least had a balancing impact. Moreover, remittances also maintained positive momentum throughout the year after adjustment for Russia, increasing by 27.9%[2] YoY, despite decreasing notably in the fourth quarter. The high base effect, combined with a significant drop of debt instruments and lower reinvestments, drove an annual reduction in foreign direct investments (FDI) to Georgia of 61.5% in the third quarter. Nevertheless, once the record high level of FDI in 2022 is taken into account, foreign investments in 2023 also appear solid.

YOY GROWTH OF INFLOWS AND IMPORTS IN 2023 (%)



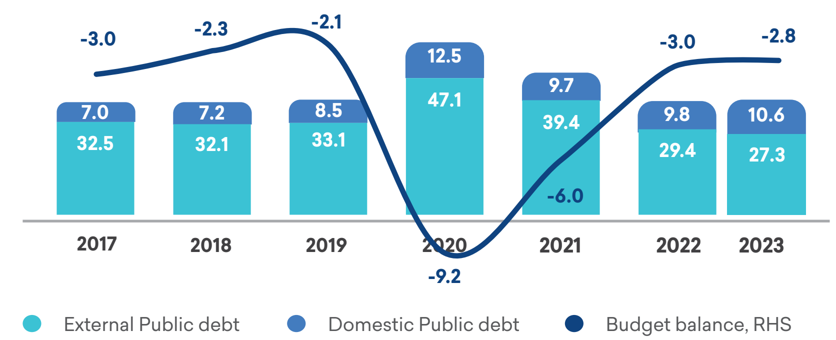
*Sum of the first three quarters of the year
**Tourism revenues without migrants counted as residents by the NBG
***Remittances from Russia are adjusted for double counting with tourism inflows and other similar effects, based on TBC Capital estimates.

Source: NBG, Geostat

FISCAL STIMULUS

It is important to highlight that the strong recent economic growth is not a result of fiscal stimulus. In fact, fiscal consolidation is underway. After reaching 9.2% of GDP in 2020 and a lower, but still large, level of 6.0% in 2021, the budget deficit stood at 3.0% in 2022 and 2.8%[3] in 2023.

GOVERNMENT DEBT AND BUDGET BALANCE (% OF GDP)

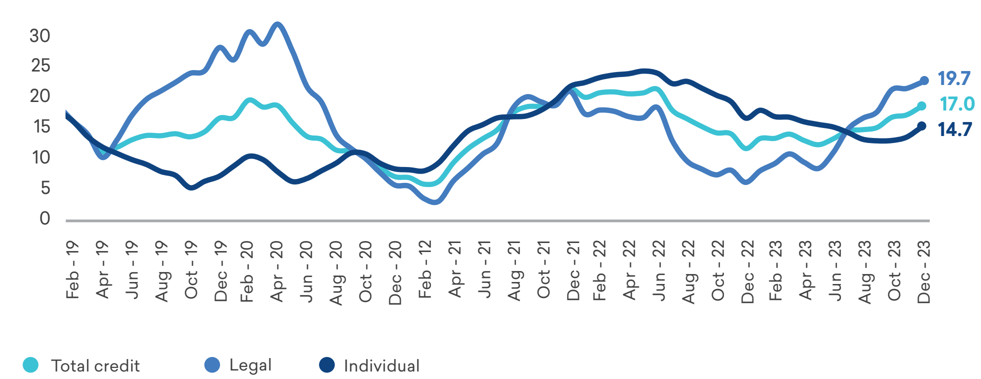


Source: Geostat, MOF

CREDIT GROWTH ON A CONSTANT CURRENCY BASIS

As of December 2023, bank credit increased by 17.0%[4] YoY, compared to 12.1% growth at the end of December 2022, at constant exchange rates. The relative acceleration at the end of the year was mainly driven by business loans, while retail credit growth has moderated. At the same time, as inflation reduced significantly, the YoY growth in real credit increased from 2.4% in December 2022 to 16.5% in December 2023.

GROWTH OF LOANS BY SEGMENTS (YOY, EXCL. FX EFFECT, %)



Note: Aug-22 decline in corporate credit was largely due to the prepayments
Source: NBG

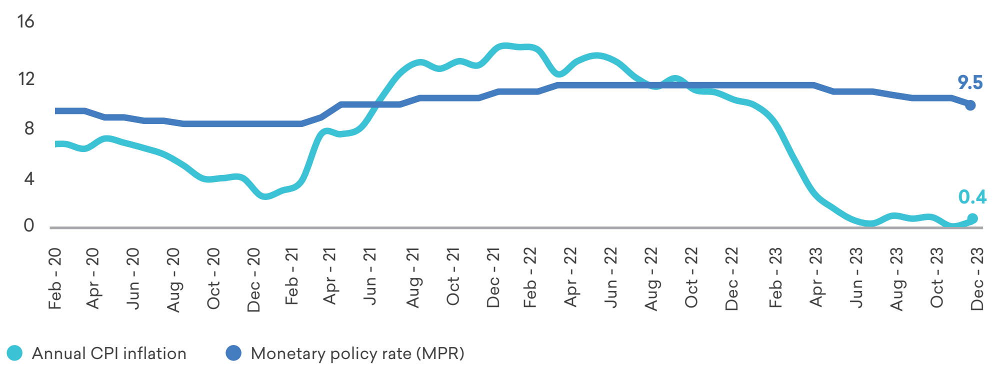
1 In February 2024, Geostat published the revised data of GDP and national accounts for 2010-2023.
2 Remittances from Russia are adjusted for double counting with tourism inflows and other similar effects, based on TBC Capital estimates.
3 Per IMF program definition.
4 Based on data published by NBG and FX-adjusted by TBC, based on Dec-2023 end of period exchange rate.

INFLATION, MONETARY POLICY, AND THE EXCHANGE RATE

While the first half of the year was still very strong in terms of foreign currency inflows, the second half was characterized by normalisation towards the long-term trend. Accordingly, while the GEL exchange rate experienced some volatility throughout the year, currency inflows aided by central bank interventions in the second half of the year were sufficient to keep the rate broadly stable. USD/GEL stood at 2.69 at the end of December, almost unchanged from 2.7 at the end of December 2022. Strong dynamics in the first half enabled the NBG to accumulate all-time-high foreign currency reserves topping USD 5 billion. Throughout the year, the central bank purchased USD 1,449 million and sold USD 169 million.

As a result of a broadly stable GEL and sustained disinflationary pass-through from international markets, CPI inflation reduced significantly from 9.8% in December 2022 and stabilised well below the NBG target of 3%, standing at 0.4% YoY in December 2023. Domestic and service inflation measures also normalized around the target. Due to low inflation, the NBG delivered four rate cuts of 150 basis points in total, reducing the Monetary Policy Rate (MPR) to 9.5%.

CPI INFLATION AND MPR (%)



Source: NBG, Geostat

UZBEKISTAN

MACROECONOMIC ENVIRONMENT

Uzbekistan is a resource-rich country in Central Asia with an estimated population of 36.4 million people. It declared its independence from the Soviet Union on August 31, 1991. For most of its post-independence history, Uzbekistan has commonly been associated with a soviet-style command economy that was largely dependent on agriculture and commodity and energy exports, with the gold, natural gas, and cotton industries playing a major role. However, since the election of current president Shavkat Mirziyoyev in December 2016, Uzbekistan has rapidly accelerated the pace of transition towards a modern market economy through institutional reforms such as reducing state control over the economy, opening it up for foreign investments, deregulation and privatization of the banking sector, central bank reform, reducing trade regulations, tax code digitalization, liberalization of currency market and so on.

Uzbekistan has many similarities to other developing and emerging market economies in terms of strengths and weaknesses. At the same time, the Uzbek economy has important pillars that make it stand out. Specifically, while most of its exports consist of commodities, their prices are not correlated with each other, leading to resilience. Furthermore, Uzbekistan's active positioning as a reformer with a liberalizing economy that puts increasing emphasis on foreign investment further strengthens the growth outlook. While liberal reforms are expected to continue, increasing the role of the private sector, the government will likely play an important role in development through addressing innovation and responding to market failures. Indeed, as Uzbekistan already has a strong track record of increasing the share of high-value-added industries in its GDP and export structures, we remain positive on the economic outlook.

As a result, Uzbekistan is establishing itself as a stable and resilient transitioning market offering a large potential customer base and exploitable high growth prospects, aided with a well-paced digitalization process. Uzbekistan's real economic growth between 2010-2023 years averaged 6.1%, while GDP grew by a strong 7.4% growth rate during the Central Asian economic crisis in 2015 and even increased by 2.0% during the Covid-19 pandemic in 2020. At the same time, Uzbekistan's central bank maintains its international reserves at one of the highest levels internationally, standing at 40.0% of the country's GDP as of December 2023, while public debt remains low at around 37% of GDP.

RECENT ECONOMIC DEVELOPMENTS

Uzbekistan demonstrated solid economic activity in 2023, with 6.5%[1] growth in the fourth quarter and 6.0% for the full year. External trade was strong as exports of goods increased by 28.7% and imports by 33.3% YoY in Q4, and by 25.4% and 26.3%[1] throughout the whole of 2023, respectively. The retail loan portfolio grew by 47.2% YoY at the end of December, with mortgage credit expanding by 25.2% and non-mortgage credit by 66.0%[2]. Annual inflation decreased slightly from 9.2% in September to 8.8% in December, with a more pronounced deceleration evident when compared to 12.3%[2] in December 2022. The central bank kept its monetary policy rate unchanged at 14.0% in the fourth quarter, following a 100 basis points rate cut in March 2023, the only one in 2023. The USD/UZS stood at 12,338.7[2] at the end of December 2023, depreciating by 9.9% compared to December 2022, while the REER remained broadly stable.

GOING FORWARD

Economic activity in Georgia moderated somewhat but remained strong in 2023 at 7.5%. Further normalisation is expected with Georgia's real GDP increasing by 5.6% in 2024 and 5.4% in 2025, according to TBC Capital projections, while the baseline for Uzbekistan stands at around 5.5% in years ahead.

More information on the latest analyses and projections can be found at www.tbccapital.ge.

1 Based on data published by Uzstat.
2 Based on data published by Central Bank of Uzbekistan.

Business model

Our business model revolves around our customers as we aim to deliver a best-in-class customer experience.

How we create value

What we deliver

OPERATIONS IN GEORGIA

FINANCIAL SERVICES IN GEORGIA
Retail banking: a wide range of convenient digital products for individuals
MSME: a leading partner for micro, small and medium enterprises
CIB & WM: a full suite of services for our corporate and wealth management customers
Insurance: easily accessible insurance services for individuals and corporate customers
Payments: seamless solutions covering all the payment needs of companies and individuals
Leasing: an alternative source of financing for our retail and corporate clients

DIGITAL ECOSYSTEM IN GEORGIA
TNET: customer-centric digital ecosystem, covering lifestyle, housing, auto and e-commerce verticals, to increase daily touchpoints with our customers

OPERATIONS IN UZBEKISTAN

Two fintechs, covering multiple financial services verticals
TBC UZ: innovative end-to-end digital banking services for individuals
Payme: high-quality digital payments solutions

How we deliver

CUTTING EDGE TECHNOLOGY
Innovate through technological advancement

PRUDENT RISK MANAGEMENT
Apply risk-adjusted profitability approach in decision-making. Ensure the Group maintains a high degree of resilience

LARGE DATA HUB
Utilise our advanced data analytics capabilities to maximise customer value via personalised offerings. Continue to develop AI and automation solutions to enhance business processes

OUTSTANDING TEAM
Attract, develop and retain the best talent

How we create value for our stakeholders

COLLEAGUES
Support our colleagues in their professional development and provide rewarding career opportunities

CUSTOMERS
Provide tailored solutions and a superior customer experience to our clients

COMMUNITY
Support business development and foster job creation, as well as take an active part in CSR and ESG activities

INVESTORS
Continue to create value by generating sustainable returns for our shareholders and maintaining effective, long-term relationships with our debt holders

Our mid-term targets for 2025

GROUP

7mln
Digital monthly active users (MAU)

GEL 1.5 bln+, 15%+ CAGR
Profit

23%+
ROE

GEL 500+ mln
TNET gross merchandise value (GMV)

25-35%
Dividend payout ratio

UZBEKISTAN

5+ mln
Digital monthly active users (MAU)

80%+
Loan book CAGR

GEL 200+ mln
Profit

Strategic priorities

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

We can achieve this through providing high quality financial services to individuals and companies in Georgia and offering innovative and fully digital financial services in Uzbekistan.

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.

As our operations beyond Georgia become increasingly material for the Group, we are also focused on harnessing experience, skills and synergies across the Group as effectively as possible.

Build on our leading position in Georgian banking

- Strengthen the bank's position in the mass retail segment
- Grow capital efficient fee and commission income, with a particular focus on payments
- Increase operational efficiency and productivity
- Enhance underwriting quality, powered by advanced technical infrastructure and data analytics capabilities
- Attract and develop the best talent

Harness the significant growth potential of the Uzbek market

TBC UZ and Payme

- Create a world-class and highly profitable digital financial ecosystem
- Expand our fast-growing digital consumer banking and payments offerings
- Further integration and cross-sell between the two entities following completion of buyout of Payme minority shareholders
- Contribute meaningfully towards the Group

Maximise the growth opportunities within our digital lifestyle ecosystem

TNET

- Boost customer loyalty and engagement by offering a broad suite of convenient online lifestyle services.
- Diversify our non-interest income revenue streams
- Generate leads to fuel the sale of different financial products

Increasing digitalisation levels

Increase digital engagement across the Group in terms of transactions, sales and back-end infrastructure:

- Increase the number of digital active users, both on a daily and monthly basis
- Maintain retail transactions offloading ratio[1] at high levels
- Boost sales offloading for major products
- Raise productivity through fully digital processes

Keep on improving our customer experience

- Develop tailored financial services and products coupled with lifestyle offerings and deliver these in the most convenient way for our customers
- Create a seamless customer experience across all channels within the Group
- Use our technology know-how to improve the products and services offered to our customers and accelerate our time to deployment

1 Retail offloading ratios measure the share of transactions conducted in our remote channels, that is outside the branches.

Key performance indicators (KPIs)

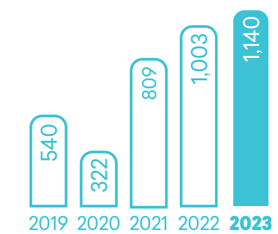
We use a broad range of financial and non-financial measures in order to monitor our performance and provide a balanced view that takes into account the interests of all our stakeholders. The Board regularly reviews the key performance indicators (KPIs) in order to ensure that they continue to show whether our strategy is working and securing the long-term sustainable growth of the Group. Due consideration is also given to the selection of the most relevant KPIs for the executive management's remuneration in order to better align their interests with those of our stakeholders. The summary of changes in 2023 is given in the table below:

	KPIs added	KPIs removed
Group-wide financial KPIs		
Strong growth and profitability	Profit	Profit before tax
Resilient balance sheet		Loan book Larisation level
Additional KPIs		
Dynamic growth in Uzbekistan	Uzbekistan profit	
Growing customer base and engagement	Monthly active cardholders	

GROUP-WIDE FINANCIAL KPIS

STRONG GROWTH AND PROFITABILITY

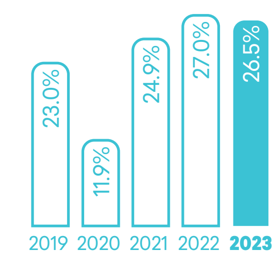
PROFIT (GEL mln)



In 2023, we generated record profit, which was driven by strong revenue generation across the board.

Our goal is to achieve at least GEL 1.5 billion profit in 2025.

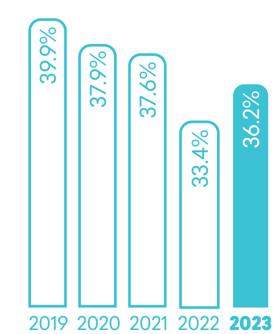
RETURN ON EQUITY (ROE)[1]



Our robust profit generation is also reflected in a consistently high return on equity.

Our 2023-25 target is to achieve ROE of above 23%.

COST TO INCOME RATIO[1]

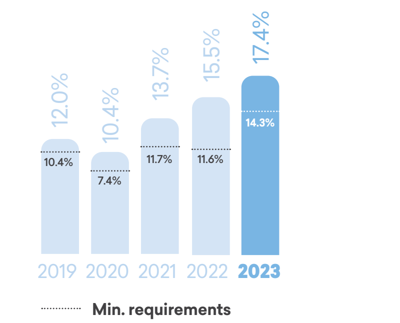


In 2023, we maintained strong operational efficiency, despite investments in Uzbekistan, delivering a cost to income ratio of close to 36%.

Our aim is to carefully manage our operating efficiency.

RESILIENT BALANCE SHEET

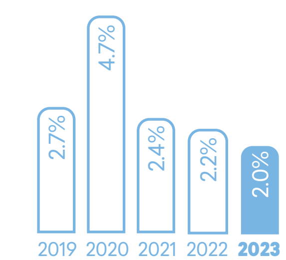
CET 1 CAPITAL RATIO[2]



Our CET 1 capital ratio increased in 2023 due to strong earnings generation, partially offset by business growth and dividend distribution.

We aim to maintain capital buffers above the minimum regulatory requirements.

NON-PERFORMING LOANS (NPL)[1]



In 2023, asset quality improved across all business lines.

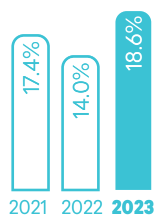
Our aim is to manage risk prudently to promote sustainable earnings growth and resilience.

1 Definitions and detailed calculation of the APMs are given on pages 410-414.
2 Starting from 1 January 2023, capital adequacy ratios are based on IFRS accounting standards, whilst the numbers for the previous years were calculated based on the local accounting standards.

ADDITIONAL KPIS

STEADY GROWTH IN GEORGIA

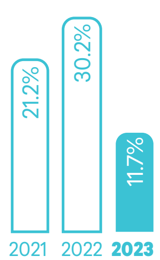
LOAN BOOK GROWTH AT CONSTANT CURRENCY



In 2023, our loan book in Georgia increased by 18.6% as we maintained a leading position in all key segments.

We aim to grow in line with the market.

DEPOSIT GROWTH AT CONSTANT CURRENCY

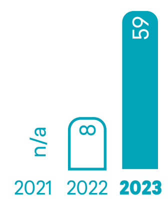


In 2023, our deposit portfolio in Georgia grew in line with the market and we maintained leadership positions in key segments.

We aim to grow in line with the market, whilst at all times taking into consideration our liquidity needs.

DYNAMIC GROWTH IN UZBEKISTAN

UZBEKISTAN PROFIT (GEL mln)



Our profit in Uzbekistan increased substantially in 2023, driven by both digital banking and payments business.

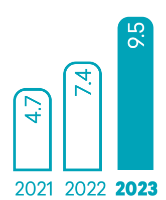
Our goal is to achieve more that GEL 200 million profit in Uzbekistan in 2025.

UZBEKISTAN GROSS LOAN PORTFOLIO (GEL mln)

In 2023, we more than doubled our consumer loan book as we scaled up the business.

Our goal is to achieve at least 80% loan CAGR in 2023-25.

PAYME TRANSACTION VOLUME (GEL bln)

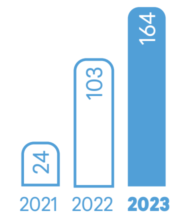


Payme achieved strong transaction volume growth on the back of consistent demand from existing users and growth in new customers.

Our aim is to further strengthen our non-interest income growth via expanding our payments business.

ROBUST GROWTH IN OUR DIGITAL ECOSYSTEM

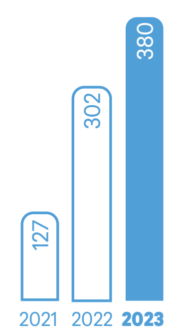
GROSS MERCHANDISE VALUE (GEL mln)



Our gross merchandise value (GMV) increased significantly in 2023 driven by strong growth in lifestyle offerings, as well as migration to a marketplace model.

Our goal is to achieve more than GEL 500 mln GMV in 2025.

OF LEADS GENERATED ('000)

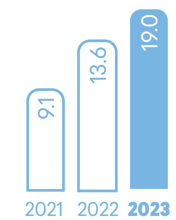


In 2023, the number of leads generated grew strongly, driven by our targeted campaigns.

Our goal is to achieve high-quality leads which result in a high sales conversion rate.

GROWING CUSTOMER BASE AND ENGAGEMENT ACROSS THE GROUP

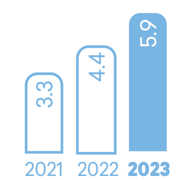
OF REGISTERED USERS (mln)



The increase in the number of registered users was mainly attributable to our fast-growing Uzbek businesses.

The increasing user base provides a solid foundation for expanding our customer engagement and supports achieving our MAU target.

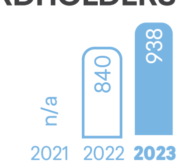
MONTHLY ACTIVE CUSTOMERS (mln)[1]



The growth in monthly active customers was mainly driven by our Uzbek operations, which accounted for 73% of total monthly active customers by the end of 2023.

We aim to continue growing our active customer base in both Georgia and Uzbekistan.

OF MONTHLY ACTIVE CARDHOLDERS ('000)

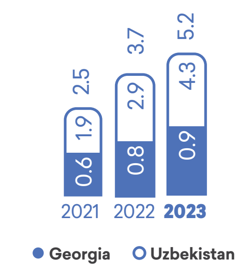


Strong payments dynamics are being supported by growth in the number of monthly active cardholders.

We aim to continue increasing our active cardholder base in Georgia as customers switch from cash to convenient digital payments.

INCREASED DIGITAL FOOTPRINT ACROSS THE GROUP

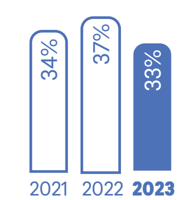
DIGITAL MONTHLY ACTIVE USERS (mln)[1]



Our digital monthly active users (MAU) increased strongly, largely driven by our Uzbek operations, which are fully digital.

Our goal is to have 7 mln digital MAU by the end of 2025, including at least 5 mln in Uzbekistan.

DIGITAL DAILY ACTIVE USERS / MONTHLY ACTIVE USERS (DAU/MAU)[1]

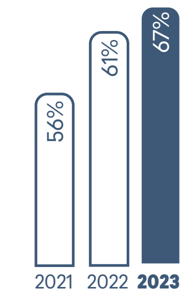


Our customers continue to actively engage with our digital platforms.

We aim to further increase the daily digital engagement of our users by diversifying and enhancing our digital offerings.

HIGH EMPLOYEE AND CUSTOMER SATISFACTION LEVELS

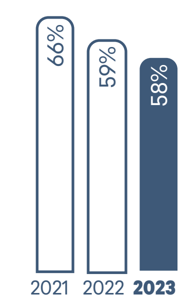
CUSTOMER NET PROMOTER SCORE (NPS)[2]



The customer net promoter score (NPS) measures how willing customers are to recommend our products and services to others.

Maintaining high customer satisfaction levels is one of our top priorities.

EMPLOYEE NET PROMOTER SCORE (ENPS)[3]



Our ENPS for 2023 stood at 58%, well above the European industry average of 42%[4].

We strongly believe that keeping our employees motivated to perform, happy and engaged is key to our success.

1 Terms are defined in Glossary on pages 408-409.
2 The Net Promoter Score (NPS) was measured based on survey conducted by the independent research company Sonar in December 2023.
3 The Employee Net Promoter Score (ENPS) was measured in December by an independent consultant for the Bank's employees.
4 The European industry average of Employee Net Promoter Score (ENPS) was measured in December 2023 by an independent consultant.

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 aspiration to contribute to sustainable development comes from our role as the leading financial institution in Georgia's development. We are aware that we have an impact on the country's economy, business development, employment, and societal progress. As a market disruptor in Uzbekistan and with the international expansion of our operations, we also incorporate sustainable development approaches in the wider region.

Our ESG Strategy reaffirms our commitment to making a long-term, sustainable contribution and to be the leading supporter of ESG principles in the country and the wider region. The ESG Strategy is reviewed and approved by the Board of Directors annually, while implementation is overseen by ESG-related committees at the Board and executive management levels.

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

- **Enhanced governance of ESG and climate-related risks and opportunities**
- **Sustainable portfolio growth**
- **Access to green and sustainable financing sources**
- **Customer awareness, investor confidence and employee diversity**
- **Impact measurement and reporting**

Key achievements in 2023:

- The total volume of our sustainable portfolio reached GEL 1.23 billion, increasing by 57% year-on-year, when it stood at GEL 782 million.
- We measured our direct performance towards the Paris Agreement targets.
- For the first time in Georgia, we calculated our financed emissions in line with the standard of the Partnership for Carbon Accounting Financials (PCAF).
- We established the ESG Academy and developed the first green mindset and green financing course for our employees and customers.
- The women participation in ICT Risk and Finance reached 46% (the target for 2023 was set at 45%).
- We reached our green and social procurement target of GEL 5 million.

The ESG Strategy follows a strategic road map, which reflects the milestones of our sustainability journey for the following years. In 2023, we actively continued to implement 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

2021 ESG Strategy target / initiative	2022 status	2023 status
Establish ESG governance framework by the end of 2021	ESG governance framework established at both Board and executive management levels	Enhance ESG governance and achieve a higher maturity level
Set up a system for measuring sustainability impacts across the Group, customers, employees and society	Regular reporting on key parameters to the ESG-related Committees at Board and executive management level established	Increased granularity and automation of reporting, regular reporting on climate-related risks, scenario analysis, stress testing, and ESG risk appetite
Increase the sustainable portfolio[1]	Volume of GEL 782 mln was achieved	Volume of GEL 1.23 billion was achieved
Develop the Group's Policy on Climate Change	Climate Change Policy developed and approved	Development of sectoral guidelines in line with the Climate Risk Radar of the National Bank of Georgia (NBG)
Green Taxonomy of the National Bank of Georgia	The NBG introduced the Green Taxonomy, developed in line with the best international taxonomies. The implementation action plan has been finalised	The Green Taxonomy implemented; the respective documentation, procedure, calculation tools implemented and training for responsible staff conducted
Implementation of the green lending framework	The green lending procedure implemented	Harmonisation of the green lending procedure and the green taxonomy of the NBG

In 2021, we published our first TCFD (Taskforce on Climate-related Financial Disclosures) report to demonstrate our commitment to taking active measures to mitigate climate change, to assess and mitigate climate risks, and to identify climate opportunities. Since 2021, we have advanced our TCFD framework further, especially in strategic planning and risk management. We have taken significant steps to develop our scenario analysis capabilities to better understand and act on the implications of climate-related risks and opportunities for our business and customers. We have continued working with an external consultant and developed a stress testing model covering various economic sectors in Georgia in order to capture the stress testing impact on the whole credit portfolio of TBC Bank. These developments are described in the climate-related financial disclosures on pages 140-164 of the Report. We understand that the transition to a lower-carbon and sustainable economy requires internal knowledge building, as well as 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.

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 culture that supports and empowers women.

2021 ESG Strategy target / initiative	2022 status	2023 status
Enhance the diversity of our employees	Diversity, Equality and Inclusion (DEI) Policy, targets, and action plan defined	Share of women in middle managers and agile leaders at 40%
Increase customer loyalty, investor confidence, and employee motivation	Comprehensive ESG training framework covering all TBC employees and different responsibility levels established	Measure ESG awareness among employees and customers

1 Renewable energy and energy-efficiency loans, women and youth financing, NBG green and social taxonomy, green bonds and social guarantees. More details are given on page 164.

Pillar 4: Governance

The Group ESG Strategy is reviewed and approved by the Board of Directors annually, while implementation is overseen by two ESG-related committees at the Board and executive management levels. During the year, the Committee supported and provided steering on 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 the outlined objectives across all business areas.

In 2023, we started to develop individual ESG strategies in significant subsidiaries of TBC Bank and the Group. Several workshops were conducted with staff from the subsidiaries and working groups were established.

2021 ESG Strategy target / initiative	2022 status	2023 status
Enhance the ESG governance framework	ESG governance framework established at both Board and executive management levels	Enhance ESG governance and achieve a higher maturity level
Set up a system for measuring impacts on sustainability across the Group, customers, employees, and society	Regular reports on key parameters to the ESG-related Committees at Board and executive management level established	Increased granularity and automation of reporting, regular reporting on climate-related risks, scenario analysis, stress testing, ESG risk appetite
ESG strategies in material subsidiaries	Separate ESG Strategies developed	Implementation of ESG Strategies in subsidiaries

In 2024, we will continue to follow our strategic plan and will focus on the following topics:

SUSTAINABLE PORTFOLIO

In 2024, we will continue to focus on the growth of the sustainable portfolio. The ESG strategy sets an ambitious target of GEL 1.4 billion for our sustainable portfolio. The ESG strategy sets aspirational targets, such as Net-Zero greenhouse gas (GHG) emissions related to our direct environmental impact by 2025 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.

ACTION PLAN FOR THE DIRECT NET-ZERO TARGET

In 2024, we will focus on the development of detailed transitional plans, which will be 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, local and international experts and developed a detailed scope of work covering the following activities: calculation of financed emissions, carbon reporting, Paris Agreement alignment, a decarbonization action plan, a carbon impact assessment methodology, carbon footprint assessments of selected customers, and building institutional capacity.

MEASURE THE GROUP'S INDIRECT PERFORMANCE AGAINST THE PARIS AGREEMENT TARGETS

In 2023, we built internal capacity on relevant GHG emissions calculation methodologies and approaches. We calculated financed emissions according to the PCAF standard. This was achieved via training and the use of external consultancies. As the next step, we aim to measure our indirect performance in line with internationally established standards and align it with science-based targets.

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 staff. The first training programme 'Green mind-set and green financing' is supported by the partner international financial institutions (IFIs) – the Green for Growth Fund (GGF) and the European Fund for Southeast Europe (EFSE). The development of the training program started in November 2023; it will last for 22 months and will include extensive training over two days for 900 employees and one-day's training for up to 300 retail, MSME and corporate customers.

How we create value for

Financial services in Georgia

A Bank that is always by your side

Banking services

Retail banking
Leading retail banking franchise

+7% YoY

1.6 mln

# of monthly active customers

Medium, small and micro enterprises (MSME) banking
Top choice bank for MSMEs

+19%[1] YoY

GEL 21.3 bln

Total loan book portfolio

Corporate and investment banking (CIB)
Leading CIB and wealth management (WM) franchise

+12%[1] YoY

GEL 19.9 bln

Total deposit portfolio

Other financial services

TBC Insurance
Leading provider of retail non-health insurance

+17% YoY

GEL 172 mln

Gross written premiums (GWP)

TBC Pay
TOP payments provider

+26% YoY

GEL 10.2 bln

Volume of payments transactions

TBC Leasing
Leading leasing services provider

+30% YoY

GEL 377 mln

Leasing portfolio

1 Growth in constant currency.

RETAIL BANKING

2023 was a successful year for our retail banking franchise. In addition to double-digit growth in our loan and deposit books, we made significant progress in expanding our digital customer footprint and upgrading core aspects of our retail banking platform.

Retail		
	Mass Retail	• A leading position across the mass retail segment; • A full suite of financial products and services; • Acclaimed digital channels; • Efficient, convenient and accommodating next-gen branches.
	Affluent Retail	• Number one choice for affluent customers; • Innovative, flexible subscription model offering tailored products and services; • Strong positioning in lifestyle offerings.

YEAR IN REVIEW

ENHANCING DIGITALIZATION

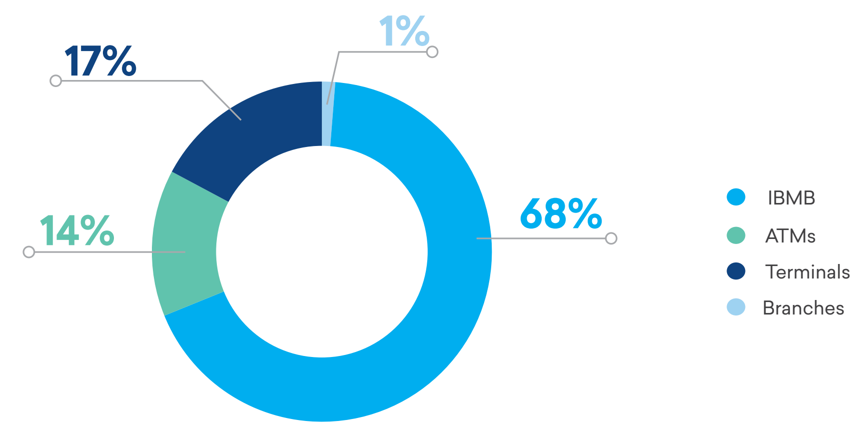
Continuing to expand our digital customer footprint

The overall monthly active customer base increased in 2023 by 7% to 1.6 million, accounting for approximately two-thirds of the total bankable population[1] in Georgia. We have also made excellent progress in helping the uptake of digital banking services both within our existing retail customer base and in reaching new customers as we support the ongoing shift in preference from cash to digital financial services in Georgia. This is reflected in a 15% increase in digital monthly active users (MAU) to 921,000 whilst the number of monthly active cardholders has risen by 12% in 2023 to 938,000. Importantly, more of our customers are making daily use of our digital banking services, as seen by the ratio of digital daily active users (DAU) to MAU of 46% in 2023.

Increased transaction offloading to digital channels

Our customers are conducting more of their everyday banking transactions through remote channels, with 99% of retail transactions now conducted outside our branches. Breaking this down further, the share of retail transactions made through mobile and internet channels increased by an impressive 5 percentage points (pp) to 68% in 2023. Not only does this offer more convenience for our customers, but it has also enabled us to free up front office employees for the provision of more value-added customer services and support.

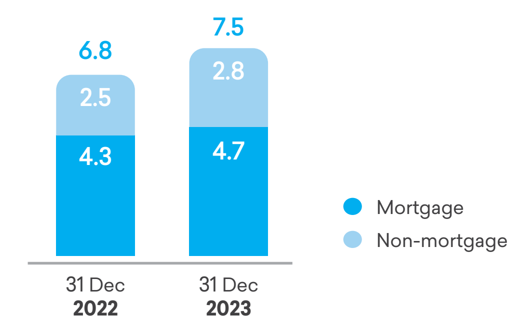
RETAIL TRANSACTIONS BY CHANNEL



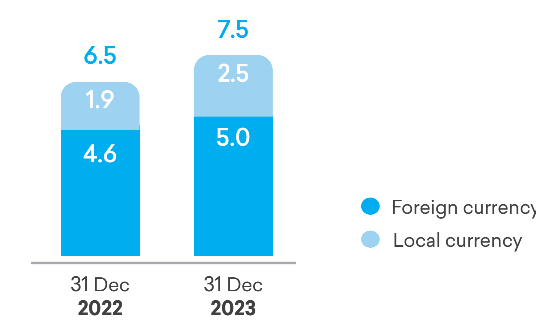
DELIVERING STRONG BALANCE SHEET GROWTH

In 2023, our retail loan book grew by 11% year-on-year on a constant currency basis. This was driven by both mortgage and non-mortgage lending. The mortgage portfolio grew by 11% on a constant currency basis and accounts for 63% of the total retail loan portfolio, and we remain the leading player on the mortgage market. Non-mortgages, primarily made up of car and unsecured consumer loans, grew by 11% on a constant currency basis, with a 37% share of the total retail portfolio. Our retail deposits also demonstrated strong growth, increasing by 14% year-on-year on a constant currency basis. As a result, our market share[3] in retail loans and deposits stood at 38.1% and 36.0%, respectively.

RETAIL GROSS LOANS PORTFOLIO (GEL BLN)[2]



RETAIL DEPOSIT PORTFOLIO (GEL BLN)[2]



MEASURING SUCCESS IN 2023

GEL 7.5 bln	GEL 7.5 bln	1.6 mln	921 K	938 K
(2022: GEL 6.8 bln)	(2022: GEL 6.5 bln)	(2022: 1.5 mln)	(2022: 801 K)	(2022: 840 K)
RETAIL LOANS[2]	RETAIL DEPOSITS[2]	MONTHLY ACTIVE CUSTOMERS	DIGITAL MONTHLY ACTIVE USERS	# OF MONTHLY ACTIVE CARDHOLDERS

1 Bankable population includes population of Georgia, aged 18-65. Based on Geostat.
2 Segmental numbers of 2022 do not correspond to the numbers disclosed in 2022, due to the updated methodology. For detailed information, please refer to Note 29.
3 Market shares are based on data published by National Bank of Georgia on analytical tool Tableau. In this context retail refers to individual customers.

TBC introduced the new "Hi! app" application for our youth segment. It combines all the necessary and tailored services and products our children and their parents need to make their daily lives easier.

Hi! app for schoolchildren

BOOSTING CUSTOMER ENGAGEMENT AND DIVERSIFYING OUR USER BASE

In 2023, we embarked on several significant initiatives to enhance customer engagement and diversify our customer base.

- We successfully launched a **new loyalty program**, expanding the previous credit card related offering to include 938,000 active debit card users, which should greatly enhance the program's reach and usage. Through the mobile banking platform, customers can earn Ertguli loyalty points in real-time and effortlessly redeem them. The scheme offers various membership tiers linked to card and product usage, enabling faster points accumulation via exclusive promotions. Our user-friendly mobile app acts as a central hub, showcasing incentives and simplifying point tracking and redemption. Going forward, we plan to improve redemption options, empower partner merchants with efficient campaign tools, introduce engaging gamification, and offer smart deals to boost customer engagement.
- Marking a major leap in our digital transformation journey, we introduced **subscription packages for our mass retail segment in our digital channels**, surpassing the fourth quarter's initial target of 30% with a 60% digitalization rate by 2023. We also introduced the Concept Digital Package subscription via mobile bank, enhancing user experience and meeting customers' specific needs. Additionally, we unveiled a digital card accessible to both mass and affluent customer segments, enabling instant benefits upon subscription to various packages.
- We launched a mass market **retail brokerage platform** within our mobile app, enabling the convenient and user-friendly trading experience of more than 6,500 equities and exchange-traded funds listed on American stock exchanges without any commission. By eliminating the need for third-party intermediaries and physical presence, TBC Digital Bank enables users to create diversified portfolios that align with their financial goals and risk appetite. Our investment platform represents a big step forward in democratizing investment opportunities.
- We launched a **new banking app Hi!**, designed specifically for under 18s. Hi! offers a range of products and services tailored to assist young people in navigating the early stages of their financial journey in a secure, fun and informative way. Within the first 3 months since launching, Hi! acquired c. 7,000 monthly active users. The app provides a user-friendly interface and aimes to provide educational resources and tools to empower young individuals in managing their finances responsibly. With hyper personalized offerings for young people, Hi! is committed to fostering a positive financial experience for the next generation.
- We rolled out **video banking for our retail customers living abroad**. This tool facilitates swift onboarding processes and provides a convenient and efficient solution for clients to access various banking services. Face-to-face interactions enable personalized service and real-time query resolution. Notably, customers can utilise this video banking tool to open new accounts, obtain cards and initiate deposits. We are confident that this initiative ensures an accessible and user-friendly banking solution, catering to the needs of Georgian citizens residing outside the country.
- We have further **enhanced the functionality of the online Buy Now Pay Later (BNPL)** offering. We introduced a post-sale BNPL option, enabling clients to receive a cash refund for their purchase and repay it over four installments, representing a significant stride in meeting the evolving needs of our customers. With c.50,000 BNPL loans disbursed this year alone, the increasing popularity of this product underscores its resonance with customers seeking flexible and convenient payment alternatives. By addressing changing consumer preferences, our BNPL offering not only meets market demands but also establishes a competitive edge in providing efficient solutions that go beyond traditional payment methods.

DEVELOPING OUR PAYMENTS BUSINESS

Payments has been a big focus of our retail business in 2023, with progress in a number of areas.

Payments net revenues[1] rose by 26% to GEL 269 million, amounting to 80% of Georgian net fee and commission income. The main driver of card transaction profitability is the combination of increased number of monthly active card holders and average ticket size for total payments.

Our customers are also increasingly using their cards for digital payments and the payments volume to cash ratio has risen from 39% to 41%.

1 Payments net revenues refers to net fee and commission incomes from payments business of Georgia.

- We have applied advanced data analytics capabilities to more effectively analyse customer card activity, enabling us to better predict cardholder churn as well as to offer more personalized campaigns to our one million cardholders. In 2023, we introduced instant cashback for our customers, which positively impacted overall customer satisfaction during marketing campaigns.
- Our roll out of transport solutions continues, with customers in 10 Georgian cities able to use TBC cards and digital wallets for transport payments, enabling more people to benefit from the easy and convenient payments in their daily lives.
- Digital wallets are gaining popularity in Georgia, already reaching up to 40% of total contactless payments. We continue to support our digital first strategy and introduced digital cards under mass retail and Concept subscription packages with various customer tailored offerings.

AWARD-WINNING RETAIL BANKING

We are delighted to announce that once again in 2023, our retail banking services have received international recognition:

- **Best Online User Experience (UX) Portal of Corporate/Institutional Digital Bank in Central & Eastern Europe 2023 from Global Finance**
- **Best Integrated Consumer Banking Site in Georgia 2023 from Global Finance**
- **Best Open Banking APIs in Central & Eastern Europe 2023 from Global Finance**
- **Best in Social Media Marketing and Services in Central & Eastern Europe 2023 from Global Finance**

TBC CONCEPT

TBC Concept is our flagship banking service for affluent customers. It contributes a significant share of total retail banking business, accounting for around 64% of our retail loans and 52% of our retail deposits and is also a major contributor to our fee and commission income.

MEASURING SUCCESS IN 2023

GEL 4.8 bln	GEL 3.9 bln	116 K
(2022: GEL 4.2 bln)	(2022: GEL 3.5 bln)	(2022: 106 K)
LOAN PORTFOLIO	DEPOSIT PORTFOLIO	MONTHLY ACTIVE CUSTOMERS

With over 116,000 customers, TBC Concept is the leading private banking service provider in Georgia. We differentiate ourselves by providing convenient and reliable digital banking services, offering special benefits on banking products and delivering exclusive lifestyle offerings.

In 2023, TBC Concept continued to generate strong results. Our loan book and deposit portfolio increased by 13% and 11% year-on-year, respectively, on a constant currency basis. Customers are also engaging more with the services we offer, as highlighted by revenue per customer increasing by 6% year-on-year.

TBC Concept offers clients various subscription packages, which are tailored to the needs of specific customer groups. Our customers are increasingly engaging with us through digital banking. Hence, our highly popular "digital package" primarily serves customers who prefer to do their daily banking operations online without the support of a personal banker. Meanwhile, the "360 package" is designed for individuals who require a wider range of financial tools and are interested in brokerage services to better manage their funds, including the ability to invest in international equities and bonds.

In addition, affluent customers can benefit from our multi-functional TBC Concept Flagship Space. This is comprised of 80% lifestyle and 20% banking and includes exhibition spaces, cafés, co-working areas, self-service and personal banking zones. During the year, the TBC Concept Flagship Space hosted many different events for business, art and culture.

During 2023, we continued to work on developing customer engagement. This included the launch of a Visa Concierge chatbot which has been jointly developed by VISA and TBC Concept and which seamlessly integrates the VISA Concierge service with the diverse advantages offered by Concept 360. With just one click, customers can utilise the chatbot to seek assistance from the concierge, obtain details about Concept 360 privileges, sign up for various events and take advantage of special offers available through Concept 360.

Affluent customers had exclusive access to over 500 special offers and promotions in 2023, including music and film festivals, theater festivals, specially curated tours, travel, sports, shopping and other recreational activities. We also continued to offer our Concept clients concierge services, including trip planning, studying abroad, restaurant reservations, flower delivery, dry cleaning, laundry and car services.

We are proud that our private banking services once more earned international recognition and received Best Private Bank in Georgia 2023 award from Euromoney.

Making Life easier for emigrants

Video Banking

"This technological innovation simplified communication with my own country. Smartphones and new technologies are like a portal to Georgia. Directly as a result of technological improvement, I easily opened a TBC Bank account within 5 minutes through a video call.

I always wanted the money I earn through my work to benefit me and my family directly and simultaneously maintain the connection with Georgia, and in this regard, TBC assists." - Tsinari Ghvaladze

Open the account, manage your finances yourself.

MSME Banking

Our banking business for micro, small and medium enterprises (MSME) had a successful year in 2023, helped by a supportive economic environment for Georgian companies. This was reflected in robust balance sheet growth as the MSME loan book increased by 14% year-on-year in constant currency terms, with strong growth in both micro and SME segments. There was also further progress in the roll out and uptake of digital financial services for MSME customers.

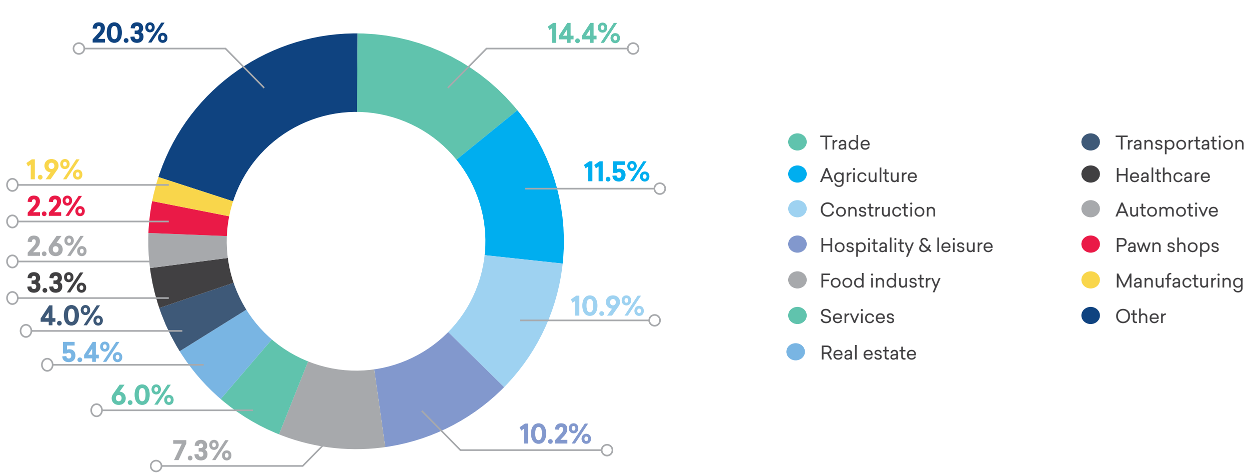
MSME

Micro

SME

- A full range of financial products and solutions from start-ups to well-established enterprises;
- Fast loan approval process driven by high automatization levels;
- Convenient subscription model;
- Best-in-class business support programme.

WELL-DIVERSIFIED MSME LOAN PORTFOLIO AS OF 31 DEC 2023



YEAR IN REVIEW

MAINTAINING MOMENTUM

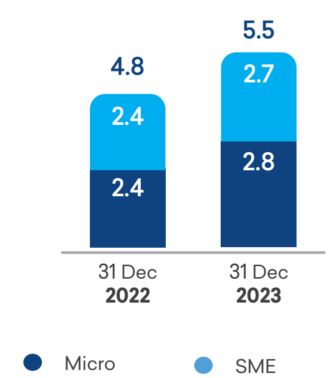
The MSME segment maintained solid growth momentum in 2023. The number of monthly active customers increased by 3% year-on-year to c. 62,000. The share of MSME customers using our digital banking platforms is growing, with digital monthly active customers rising by 3% to up to c. 35,000, equivalent to 17% of our MSME customer base.

Over 68% of newly registered businesses are choosing to bank with TBC, which is testament to the quality of the products and service we are offering. Meanwhile, MSME business loan book and deposits rose by 14% and 8% year-on-year on a constant currency basis, respectively.

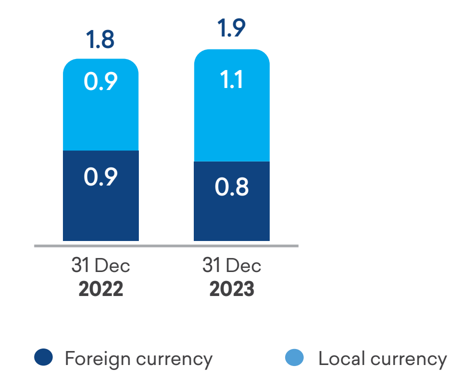
GROWTH HELPED BY STREAMLINED PROCESSES

Loan growth was driven by both micro and SME loans and continues to be supported by more streamlined business processes, including automation for loans below GEL 200,000. For the year as a whole, 77% of such loans were processed automatically, using pre-determined rules and a scoring model, which significantly decreased the time-to-money period. As a result, the share of micro loans in our total MSME portfolio increased by 1 pp year-on-year and reached 51%, making us the largest provider of micro business financing in the country.

MSME GROSS LOANS PORTFOLIO (GEL BLN)[1]



MSME DEPOSIT PORTFOLIO (GEL BLN)[1]



MEASURING SUCCESS IN 2023

GEL 5.5 bln (2022: GEL 4.8 bln) MSME LOANS[1]	**GEL 1.9 bln** (2022: GEL 1.8 bln) MSME DEPOSITS[1]	**68%** (2022: 77%) OF NEWLY REGISTERED BUSINESSES CHOOSE TBC[2]	**62 K** (2022: 60 K) MONTHLY ACTIVE CUSTOMERS[3]

1 Segmental numbers of 2022 do not correspond to the numbers disclosed in 2022, due to the updated methodology. For detailed information, please refer to Note 29.
2 Based on internal estimates as of 31 December 2023.
3 Includes monthly active MSME legal entities.

ENHANCING SERVICE OFFERING FOR MERCHANTS

We continually strive to improve the quality of products and services we offer our MSME customers.

- We have streamlined our **merchant onboarding process** by automating 80% of the point of sale (POS) application processing. As a result, the average merchant registration time has been slashed from one business day to one hour. Furthermore, the remote signing of POS agreements using SMS one-time-password (OTP) further enhances efficiency. With the help of mobile POS terminals (TPOS), the entire merchant onboarding procedure now takes just 20-30 minutes, providing additional convenience and flexibility for small and micro merchants in untapped markets.
- Recognizing the critical importance of cash availability for our merchants, in 2023 we improved the settlement process and rolled out a **real-time settlement system** for our acquiring business customers. This enables MSME customers to receive funds on their account instantly when transactions are made, compared to the following business day previously.
- We have worked to improve the **customer experience during the onboarding process** as well as daily reporting capabilities by providing advanced analytical solutions using the www.tbcpayments.ge portal. We have added a subscription model for monthly reporting, enabling merchants to customize their reports according to their preferred timeframes.
- As e-commerce in Georgia increases, we are developing tools to help our MSME customers accept online payments. In 2023, we simplified **integration for merchants using the Shopify platform**, and **introduced Google Pay** as an alternative payment method alongside the existing Apple Pay and card payments for e-commerce.
- The number of merchant acquiring customers increased by 5% year-on-year in 2023 to almost 14,000 and the number of active POS terminals rose by 14% to nearly 33,000. We have extended partnerships with Georgia's leading hospitality and delivery companies, strengthening the position in large corporate business segments as well.

DIGITALIZATION AND REMOTE SERVICES INITIATIVES

- We have undertaken various initiatives to improve the functionality of our digital MSME platform, including implementing video checks for existing customers. The transition from traditional on-site physical visits to much more flexible video visits has made the loan application process much simpler and faster.
- We have expanded our outreach by investing in building the sales agent network as a channel for client acquisition through the www.tbcconsuli.ge platform. This user-friendly platform enables easy enrollment for individuals to join our sales team, where they will be able to sell common banking products and earn commissions.
- We have created a benchmark model which considers specific characteristics of businesses, allowing us to calculate a client's income according to predefined parameters, eliminating the need for filling in detailed income statement forms. Beyond simplifying the application process, this change helps mitigate the risk associated with potential fraudulent income declarations by clients. This in turn will enable us to increase the share of automated decisions.
- We have also implemented risk-based pricing for micro and agricultural loans, enhancing our approach to loan assessments and ensuring more tailored and accurate lending terms. The volume of fully digitally disbursed loans increased substantially in 2023, rising from 63% to 85%.

OUR BUSINESS SUPPORT PROGRAMME

Educational resources for businesses

We are dedicated to helping our business clients succeed by offering a comprehensive support program. It includes educational resources and tech tools available on www.tbcbusiness.ge, making everything accessible on one platform. This included the addition of new business courses and training sessions, which benefited more than 54,000 customers in 2023. These sessions covered a range of subjects including marketing, finance, management and taxation, empowering participants with essential knowledge and skills.

SUPPORTING START-UPS

The Startuperi platform supports early-stage companies, providing both financial and non-financial resources. The programme aims to increase the number of successful startups in Georgia by providing them with easily accessible capital, a digital platform for advertising campaigns, as well as various educational programmes, conferences and partnerships with large companies.

This year we continued our pre-accelerator programme with Impact Hub Georgia, which saw more than 50 selected start-ups compete for investment and supported in developing a business plan, communication strategy and technical plan, with the final taking place in Tallinn, Estonia.

In 2023, we also launched Start-up loans for innovative businesses, which aims to finance start-up ideas without previous experience, collateral or downpayment with up to 18 months of grace period.

AGRICULTURAL INITIATIVES

To stimulate business growth in rural regions and facilitate new employment opportunities, we actively support local enterprises by offering accessible and affordable financial support.

We work in partnership with several state programmes, including "Enterprise Georgia", "Host in Georgia" and "Preferential Agro Credit", to support local production, as well as agricultural and hospitality businesses. The programmes offer reduced interest rates through government subsidies. In 2023, we disbursed around 2,600 loans totaling GEL 469 million.

We also undertook a 360-degree agricultural campaign, which was a blend of engaging video campaigns and an educational newspaper dedicated to agribusiness, which included experiences from diverse agricultural backgrounds and farmers in various regions.

TBC ANNUAL BUSINESS AWARDS

Since its inception in 2015, our Annual Business Awards event has aimed to promote and support business activities in Georgia. Over the past seven years, it has evolved into the most eagerly awaited business event of the year, drawing in over 4,000 companies from a broad cross-section of the economy. These businesses have showcased their success stories, inspiring others to transform their ideas into reality. This year we had over 400 applicants competing for awards.

EARNING INTERNATIONAL RECOGNITION

We are proud that our digital banking offering continues to receive international recognition and received Best SME Bank Award in Central & Eastern Europe 2023 award from Global Finance.

Supporting innovative and technology

Startup loans

When our factory starts working in Rustavi, we will be able to recycle **8 tons of wheels per day**.

Luka Kapanadze, Ecowheels

Since childhood, I have been interested in nature and landscaping. Now I am a student and during my studies I had the idea to **change my city and create more green spaces in it.**

Gigi Tabaghua, Santi

STRATEGIC REPORT

GOVERNANCE

FINANCIAL STATEMENTS

ADDITIONAL INFORMATION

CORPORATE AND INVESTMENT BANKING

Our CIB segment delivered strong growth in 2023, with loans increasing by 31% year-on-year and deposits up by 8%, both in constant currency terms. We remain the market leader in corporate banking with 40.7%[1] market share of the loan market.

CIB

Corporate	The largest and most trusted partner for corporate clients with the leading position both in loans and deposits.
Wealth management	An established wealth management business with growing financial advisory and brokerage franchises.
Investment banking	TBC Capital – the leading investment bank in corporate debt capital markets (DCM) transactions and research.

YEAR IN REVIEW

CORPORATE BANKING

DYNAMIC CREDIT GROWTH BOOSTING MARKET SHARE

Our CIB loan book grew by 31% year-on-year in constant currency terms. This was mainly driven by increased exposure to large and mid-sized corporate clients which accounted for 56% of CIB loans, a 3 pp year-on-year increase. At the same time, the concentration ratio of the largest borrowers remains low, with the top 10 borrowers accounting for just over 6% of the total loan book. As a result, our market shares in corporate loans stood at 40.7%[1] at the end of 2023.

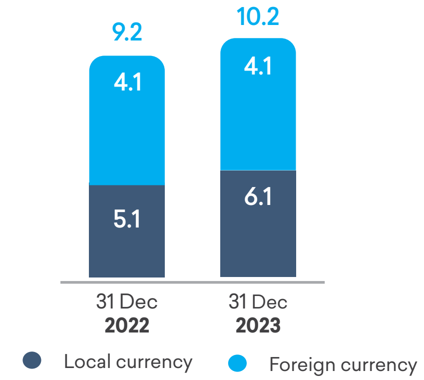
The loan book remains well-diversified across a wide range of sectors of the Georgian economy, with strong growth in 2023 in the production & trade of construction materials, agriculture and heavy manufacturing segments in particular. No single industry accounts for more than 22% of the total loan book. We also continue to diversify risk through loan syndication, which also generates additional fee and commission income.

We remain market leaders in trade finance with our GEL 2.4 billion guarantees portfolio up by 12% on a constant currency basis, accounting for more than 46%[3] market share. In 2023, our factoring portfolio increased by 57% year-on-year on a constant currency terms to GEL 205 million. In 2023, we launched a dynamic platform catering to businesses of all sizes, capable of swiftly managing daily invoices and offering fully digitalized factoring solutions. This transformation streamlined procedures, cutting down financing time by more than 80%. This accelerated pace and digitalization initiative not only enhanced efficiency, but also significantly improved our customer journey and experience.

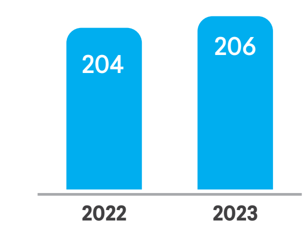
TRANSACTIONAL BANKING PERFORMING STRONGLY

Our CIB deposit book increased by 8% year-on-year in constant currency terms, driven by solid growth in local currency deposits. As a result, our market share[1] in corporate deposits stood at 44.9%. The volume of FX transactions from corporate clients amounted to GEL 21.7 billion, up by 7% year-on-year, however due to lower FX volatility compared to last year, the margins generated on FX transactions led to a moderate increase in non-interest income. Cash management volumes from corporate clients increased by GEL 242 million or 4% year-on-year and amounted to GEL 6.9 billion.

CIB DEPOSIT PORTFOLIO (GEL BLN)[2]



CIB NON-INTEREST INCOME (GEL MLN)[2]



By installing bulk cash depository machines for our branches and large corporate clients, we have improved our offloading ratio to 18.1%. We collected GEL 1.6 billion cash from our customers, which is a 23% improvement year-over-year. Currently, we operate 84 of these machines, which are located in the premises of our large clients and in all our major branches across the country.

ENHANCING DIGITALISATION AND PROCESS EFFICIENCY

- We have made progress in our commitment to optimize and digitalise the end-to-end credit origination and disbursement process. We have reduced time-to-money by up to 40%.
- We've established a secure platform that enables signing of legal documents from any location, digitally. This initiative significantly reduces the need for in-person visits to branches, improving customer experience and accessibility. As of December 2023, around 51% of credit products, including loans and trade finance, were signed digitally, representing significant progress in our digitalization initiatives.
- During 2023, we successfully integrated a fully functional factoring module with payment capability into our internet bank. Now, customers can digitally access details on their factoring agreements and handle overdue payments.

MEASURING SUCCESS IN 2023

GEL 8.3 bln	**GEL 10.2 bln**	**GEL 2.1 bln**	**8.0 K**
(2022: GEL 6.3 bln)	(2022: GEL 9.2 bln)	(2022: GEL 1.4 bln)	(2022: 7.7 K)
CIB LOANS[2]	CIB DEPOSITS[2]	AUM	# OF CUSTOMERS

1 Based on data published by the National Bank of Georgia on the analytical toon Tableau as of 31 December 2023; in this context, corporate refers to legal entities.
2 Segmental numbers of 2022 do not correspond to the numbers disclosed in 2022, due to the updated methodology. For detailed information, please refer to Note 29.
3 Based on data published by National Bank of Georgia.

PREDICTIVE TOOL DEVELOPED TO CALCULATE CLIENT POTENTIAL

As a key component of our ongoing commercial excellence transformation initiative launched in 2020, we have improved our corporate client management and analytical tools by incorporating estimates of client potential. Leveraging extensive data analytics and machine learning capabilities, this tool plays a significant role in identifying the banking potential of clients. This feature allows us to better evaluate profitability, understand client expectations, identify financial needs and communicate more effectively with companies. As a result, our corporate clients receive a timely and high-quality service.

INVESTMENT BANKING AND WEALTH MANAGEMENT

IMPROVING OUR BROKERAGE AND ADVISORY SERVICES

TBC Capital is the leading provider of investment banking services, brokerage and research solutions in Georgia. We offer a full range of financial services from structuring to executing deals or advising on complex corporate transactions. This year our corporate advisory team successfully closed its largest transaction to date – the minority buyout of a leading payments provider in Uzbekistan, Payme, for the consideration of USD 55.7 million. By closing this transaction, we reached an important milestone of concluding the first out-of-Georgia M&A (mergers and acquisitions) deal. Furthermore, in 2023, TBC Capital successfully closed two more important deals – the first one was a border-crossing M&A transaction in the e-commerce industry, while the second deal was a cross-sector synergy facilitating transaction between the healthcare and education industries. Furthermore, the advisory branch continues to grow by expanding its expertise across a growing number of industries and by completing multiple consulting and valuation projects for private investors, as well as large corporates with international shareholder bases.

LEADING GEORGIA'S CAPITAL MARKET DEVELOPMENT

While still at an early stage of development, Georgia's capital markets are experiencing rapid growth - the local corporate market's total new issuance increased by 75% year-on-year in 2023 to GEL 1.3 billion. TBC Capital is at the forefront of developing the DCM market, holding a 56%[1] market share in debt capital markets transactions across a broad range of sectors. We acted as placement agents in key milestone transactions, whether as sole manager or alongside local investment banks. This included Tegeta Motors which, with TBC Capital as the sole lead manager, issued the first-ever GEL bonds for individual investors with a fixed coupon rate on the market, enabling our retail investors to invest money in Georgian Lari, supporting country's Larisation strategy. Also, TBC Capital acted as a joint lead manager to place a USD 150 million Sustainability Linked Bond, which marked the largest ever transaction on the Georgian capital markets. We also participated in a number of ESG bond issues, serving as the placement agent for three ESG bonds, encompassing both green and sustainability-linked initiatives. In two of those, TBC Capital acted as the sole lead manager, underlying our commitment to promoting ESG bonds in Georgia.

TBC Capital acted as the sole lead manager for a total of five private bond placements in 2023, including IFI bonds.

LOCAL MARKET - PUBLIC OFFERINGS

CELLFIE MOBILE	GEL 65,000,000	3 Year, Public Placement, TIBR6M+3.5%	December 2023	Joint Lead Manager
TEGETA MOTORS	GEL 20,000,000	2 Year, Public Placement, 14.5%	December 2023	Lead Manager
AUSTRIAN GEORGIAN DEVELOPMENT	USD 15,000,000	2 Year, Public Placement, 8.5%	October 2023	Lead Manager
SILK REAL ESTATE	USD 20,000,000	3 Year, Public Placement, 9.25%	September 2023	Joint Lead Manager
GEORGIA CAPITAL	USD 150,000,000 (SLB)	5 Year, Public Placement, 8.5%	August 2023	Joint Lead Manager
TEGETA MOTORS	GEL 20,000,000 (Green)	2.5 Year Public Placement, TIBR6M+3.5%	June 2023	Lead Manager
TBC LEASING	GEL 15,000,000 (Green)	3 Year, Public Placement, TIBR6M+2.75%	June 2023	Lead Manager
ENERGY DEVELOPMENT GEORGIA	USD 10,000,000	2 Year, Public Placement, 8.5%	June 2023	Lead Manager
SILK REAL ESTATE	USD 20,000,000	3 Year Public Placement, 9.0%	April 2023	Joint Lead Manager
TBC LEASING	GEL 100,000,000	3 Year Public Placement, TIBR3M+2.75%	March 2023	Lead Manager
RICO EXPRESS	GEL 130,000,000	3 Year Public Placement, TIBR1D+2.0%	March 2023	Lead Manager

LOCAL MARKET - PRIVATE OFFERINGS

TBC BANK GROUP PLC	USD 15,000,000	3 Year Private Placement	March 2023	Lead Manager
TBC LEASING	USD 6,545,000	5 Year Private Placement	January 2023	Lead Manager

IFI DEALS

ADB	GEL 20,000,000	2.5 Year Private Placement	June 2023	Lead Manager
FMO	GEL 45,000,000	5 Year Private Placement	May 2023	Lead Manager

1 TBC Capital's market share in publicly and privately issued corporate bonds in Georgia during 2023.

LAUNCHING DIGITAL INVESTMENT PLATFORM FOR BROKERAGE CUSTOMERS

In 2023, we extended the range of financial service tools we offer by launching a digital investment solution in the TBC Mobile app. This platform provides a convenient and commission-free trading experience for over 6,500 equities and exchange-traded funds listed on American stock exchanges and reflects our commitment to making sophisticated financial services accessible to a wider demographic. Alongside the app launch, TBC Capital ran an educational campaign to equip users with investment guidelines and user-friendly tools to enhance their financial literacy. As of December 2023, the app had over 6,200 registered users.

During 2023, TBC Capital's total assets under management (AUM) increased by over 50% year-on-year to almost GEL 2.1 billion, which was mainly attributed to growth in resident clients' AUM. This success is attributed to our continued provision of personal advisory services for High Net Worth Individuals (HNWI), cash management services to corporate clients and the mass affluent retail segment.

FURTHER EXPANSION OF OUR RESEARCH SERVICES

Our research division supports decision-makers with comprehensive and timely macroeconomic and sector-specific analyses relating to Georgia and the broader regional landscape. This includes consistent weekly, monthly, and quarterly publications. In 2023, we expanded our content to include new offerings, including electricity market overview, retail trade in apparel and electronics and infrastructure sector overview. TBC Capital also held more than 40 individual and large-scale presentations and conferences with clients and wider audiences on such topics as FMCG industry, real estate near the seaside, primary education and energy.

As strategic advisers, we provide our audience with insights on how the latest developments can impact their business and the broader economy in general. We work with not only the clients of TBC, but also different business groups, IFIs and representatives of embassies through business associations and chambers of commerce. In this regard, we researched how EU candidate status could impact the Georgian economy and presented the findings to more than 200 members of the local business community. In aggregate, TBC Capital delivered over 200 publications in 2023, and the complete list can be accessed at www.tbccapital.ge. Moreover, over the course of the year, TBC Capital ran several large-scale conferences catering to both local and international stakeholders invested in Georgia.

INCREASING SHARE OF INVESTMENT PRODUCTS IN WEALTH MANAGEMENT AUM

Our Wealth Management team continues to offer a wide range of personalized banking and investment products to our clients, as well as exclusive lifestyle benefits for premium events in the country. During 2023, investment product penetration to total AUM increased from 21% to 33%, emphasizing the value of our personal advisory services and increasing financial sophistication within this customer segment. Among the new products and services added in 2023, we launched security-backed loans, a strategic initiative that facilitates access to new lending resources for our wealth management clients. Also, we rolled out VISA Concierge, which resonated very well, with a penetration rate exceeding 50% among eligible clients, underscoring the importance of our value-added services.

We were named Best Corporate Bank in Georgia in the inaugural category awarded by Euromoney. This accolade recognizes our continuous commitment to providing our clients with the best possible products and services. We were also named:

- **Best Trade Finance and Supply Chain provider in Georgia 2023 from Global Finance**
- **Best Foreign Exchange Provider in Georgia 2023 from Global Finance**
- **Best Treasury and Cash Management in Georgia 2023 from Global Finance**
- **Market Leader and the Best Service Provider in Trade Finance in Georgia**
- **Best Corporate Bank in Georgia 2024 from Euromoney**
- **Best Investment Bank in Georgia 2023 from Euromoney**
- **Best Private Bank in Georgia 2023 from Euromoney**

Supporting the Georgian Economy

Infrastructural Developments

We are committed to expanding infrastructure in Georgia through diverse partnerships and initiatives. Our key projects include the construction of approximately 100 kilometers of roads, 30 kilometers of highways and 70 bridges.

We expect public and private investment in infrastructure projects throughout Georgia to continue in the years to come, a trend which we are very well placed to participate actively in.

Nuts Incorporated

Founded in 2018, Nuts Incorporated has established itself as one of the leading agricultural companies specialising in the growing and processing of nuts in Georgia. Together with the 700 hectares of almond and 2,500 hectares of hazelnut orchards, the company operates almond and hazelnut processing plants, enabling them to produce a diverse range of nut products. Nuts Incorporated has a large export footprint in Europe, accounting for more than 40% of the firm's harvest.

In 2023, TBC Bank partnered with the group by extending a lending facility which was used to expand hazelnut orchards by 1,000 hectares and to acquire nut processing facilities.

TBC Bank is proud to be a part of the company's growth story and looks forward to seeing the firm's further success.

GEOP

Founded in 2014, "Georgian Products" (GEOP) is a manufacturer of pet products with its primary focus on pet furniture production. GEOP offers customers a selection of more than 140 products, all manufactured with environmentally friendly materials. The company's sales exceed GEL 25 million in 2023, all of which is generated from export markets in the EU and the US.

TBC is proud to has been the company's partner since its establishment. With the aid of TBC's lending facilities, the company has equipped its production facilities, enabling the firm to manufacture high quality products at competitive prices.

TBC Bank is honored to contribute to the company's journey of expansion and excited to see its ongoing success.

START INVESTING NOW

INVESTMENTS IN DIGITAL BANK

Investment module in mobile bank

A new trending feature in our mobile bank. The investment module in our mobile bank app simplifies the steps to successful investments.

TBC INSURANCE

TBC Insurance is Georgia's leading provider of retail non-health insurance with a 36.3% market share[1] as of 31 December 2023. The insurance business is profitable in its own right, but also continues to work alongside our banking business to improve the overall value proposition for our customers. This synergy not only fosters customer loyalty, but also contributes to the sustained growth and resilience of our financial ecosystem.

MEASURING SUCCESS IN 2023

23.0%	14.5%	GEL 172 mln	GEL 22 mln	72%
(2022: 24.9%)	(2022: 11.8%)	(2022: GEL 147 mln)	(2022: GEL 18 mln)	(2022: 74%)
TOTAL NON-HEALTH INSURANCE MARKET SHARE[1]	CORPORATE HEALTH INSURANCE MARKET SHARE[2]	GROSS WRITTEN PREMIUM (GWP)	PROFIT	NPS[3]

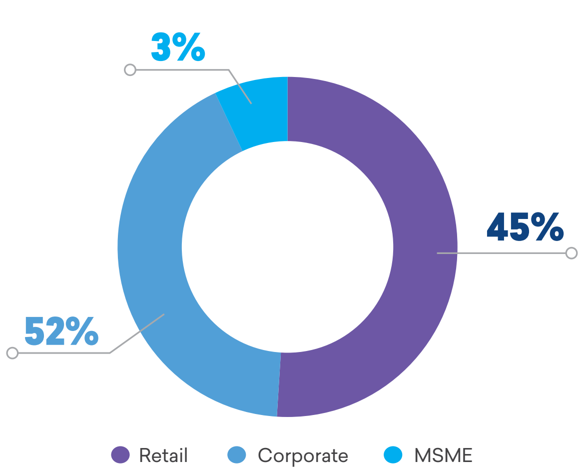
AT A GLANCE

TBC Insurance is a wholly owned subsidiary of TBC Bank. It was acquired in October 2016 and is the main bancassurance partner for the Bank, with a share of around 29% in TBC Insurance's total gross written premium (GWP) as of 31 December 2023. TBC Insurance operates both retail and corporate insurance in non-health and health insurance segments.

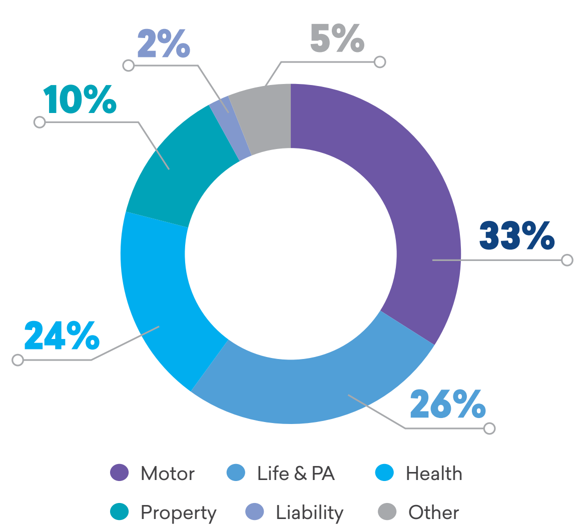
TBC Insurance is the market leader in retail non-health insurance with a market share of 36.3%[1] as of 31 December 2023. For the same period, our total non-health insurance market share stood at 23.0%[1], corresponding to 2nd place on the market. Our non-health services cover motor, travel, personal accident, life, property, business property, liability, cargo and agro products.

In 2019, we expanded our operations by entering the health insurance market, aiming to target the premium segment through convenient offerings, a best-in-class customer experience as well as a strong focus on digitalization. In 2023, the number of our health insurance clients reached 53,000, while our market share in the corporate segment amounted to 14.5%, up by 2.7 pp from the last financial year. The breakdown of TBC Insurance's GWP by segments and products is presented below:

TOTAL GWP IN 2023 BY SEGMENTS



TOTAL GWP IN 2023 BY PRODUCTS



YEAR IN REVIEW

MAIN ACHIEVEMENTS AND STRATEGY

In 2023, we remained committed to further strengthening our digital presence and diversifying our product offerings. We also undertook a major upgrade of our mobile app, including a comprehensive redesign aimed at further streamlining the interaction experience with insurance for our users.

In 2023, TBC Insurance launched Aggento, a new online application, which allows anyone to earn extra income easily and quickly by referring leads for various insurance products. By the end of the year, we already have more than 300 aggentos registered who created 1,600 leads with total premiums of GEL 614,000 on already issued policies.

TBC Insurance achieved a 22% top of mind (TOM) awareness in 2023, up by 2 pp year-on-year (based on research conducted by TBC Bank in June/July 2023).

Within our non-health insurance, we introduced a new motor insurance product called Complect, making policy details easily accessible and premiums simple to pay. Policyholders can customize insurance by selecting specific coverages and therefore pay lower premiums.

We provide the most comprehensive cover of Term Life and Critical Illness (CI) Insurance on the market, upgrading coverage to over 20 risks in 2023, giving us the leading insurance plan available on the Georgian insurance market.

Within the health module of our mobile app, we added a number of services, including appointment scheduling with specialists, registration for medical examinations, submission of application requests, remuneration requests and prompt access to insurance ambulance services through the application.

FINANCIAL OVERVIEW

During 2023, GWP of our non-health insurance business increased by 10% and amounted to GEL 131 million, while net earned premium increased by 8% year-on-year and stood at GEL 103 million. Our net combined ratio of non-health insurance business stood at 86.5%[4], down by 1 pp year-on-year. Profit for our non-health insurance business amounted to GEL 19 million, up by 14% year-on-year. Over the same period, health insurance GWP increased 46% year-on-year to GEL 41 million, while net earned premium increased by 44% and amounted to GEL 36 million. Profit for health insurance was GEL 3 million, up by 51% year-on-year.

Overall, our net combined ratio stood at 88.2%, down by 0.2 pp year-on-year. Profit amounted to GEL 22 million, up by 22% year-on-year.

LOOKING AHEAD

We strongly believe that the Georgian insurance market has high growth potential, particularly given its relatively low penetration compared to the Central and Eastern Europe (CEE) region, with a total GWP to GDP ratio of 3.7%[5] as of 2023.

Non-health insurance GWP for the market as a whole in Georgia rose by 15% year-on-year and accounts for 57.4% of the total insurance market. Over the same period, the health insurance market has grown by 20%. Over the last 6 years, the total Georgian insurance market grew at 15.9% CAGR[6].

Our focus remains to strengthen our non-health and health insurance businesses by leveraging our strong digital capabilities and superior customer experience, while at the same time generating synergies between the two business lines.

1 Market share without mandatory border motor third party liability insurance (MTPL). With mandatory border MTPL, total insurance, total non-health and retail non-health insurance market shares were 16.5%, 21.6% and 31.3% respectively. Source: www.insurance.gov.ge.
2 Source: www.insurance.gov.ge.
3 The Net Promoter Score (NPS) was measured in January 2023 by an independent research company, Darti.
4 Net insurance claims plus acquisition costs and administrative expenses divided by net earned premium.
5 Source: Geostat and www.insurance.gov.ge.
6 Compounded annual growth rate (CAGR) on 2017-2023 period.

TBC PAY

TBC Pay is the leading payments provider in Georgia, offering convenient payments solutions to customers via its wide network of self-service terminals. Operating alongside the Georgian retail banking business, TBC Pay forms another part of the payments customer value proposition for retail clients, enabling convenient services such as P2P and bill payments.

MEASURING SUCCESS IN 2023		
4.5 K (2022: 4.3 K) # OF SELF-SERVICE TERMINALS	**GEL 10.2 bln** (2022: GEL 8.1 bln) VOLUME OF PAYMENTS TRANSACTIONS	**GEL 27 mln** (2022: GEL 20 mln) PROFIT

AT A GLANCE

TBC Pay was launched in 2008, since which time it has established itself as the largest payment service provider in Georgia. Currently, the company operates around 4,500 self-service terminals throughout the country, as well as a as well as online and mobile applications. During 2023, the volume of transactions has increased by 26% year-on-year.

YEAR IN REVIEW

The company's primary focus is to improve customer experience. In 2023, the company reviewed and improved its service availability, including a full overhaul of its network infrastructure.

In 2023, transaction turnover increased by 25% year-on-year to GEL 2.0 billion. Operating income[1] increased by 29% year-on-year to GEL 61 million. In addition, profit grew by 35% year-on-year to GEL 27 million.

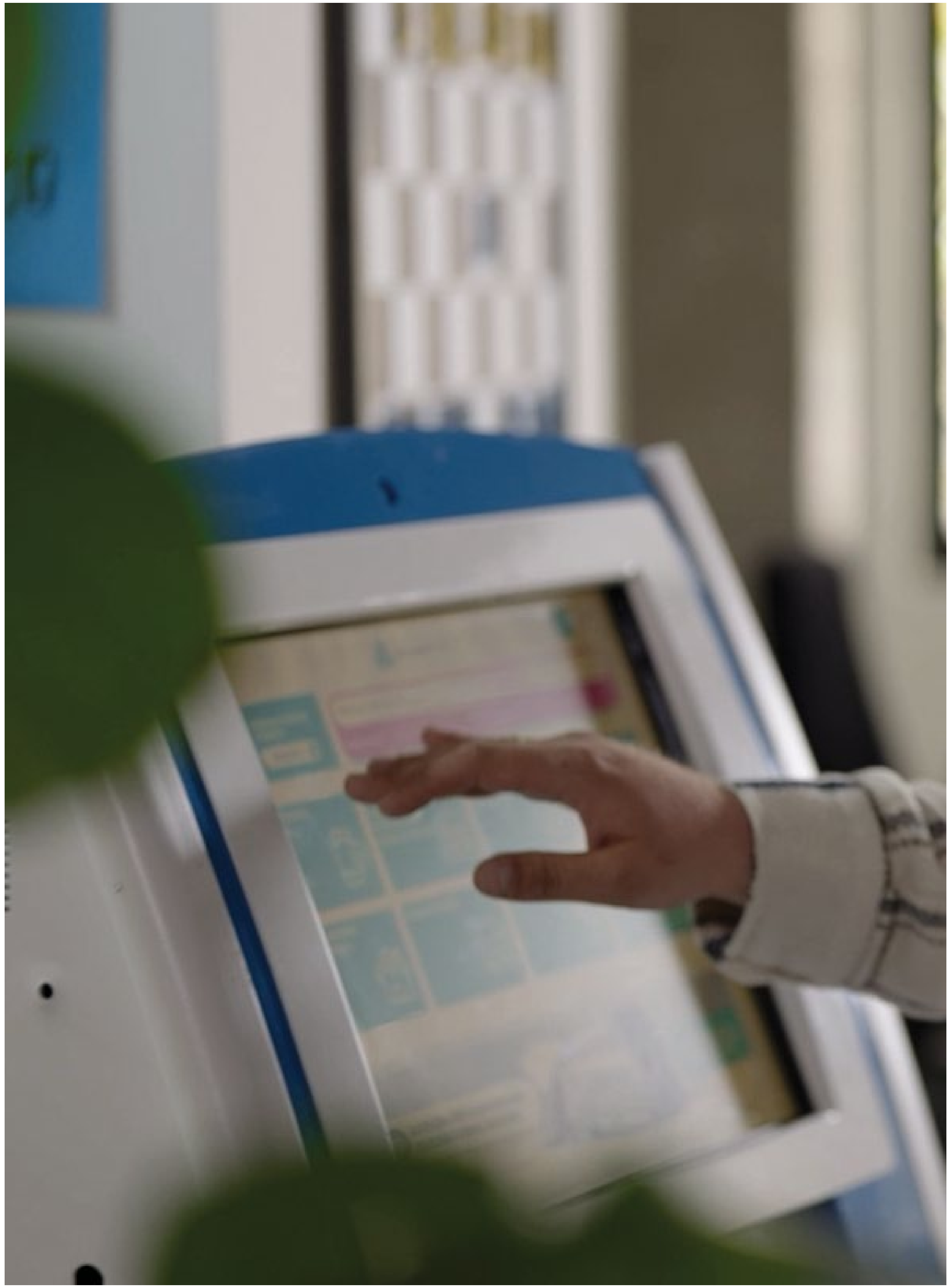
Furthermore, in 2023, we installed a new IT platform which allows agents to offer their customers payment services in the name of TBC Pay with the help of an API on their websites and mobile applications.

LOOKING AHEAD

In 2024, TBC Pay plans to continue focusing on improving customer experience and system sustainability, achieving high security standards, and diversifying payment products.

After legislative changes in 2023, payment service providers can now participate in open banking projects, which give customers an opportunity to access their finances in one space instead of using different online or mobile bank platforms. Our team is actively working in this area and plans to obtain an open banking licence in early 2024. We also plan to expand agent channels with the new technological platform implemented in 2023.

1 Operating income refers to sum of net interest and net non-interest incomes.



TBC LEASING

A wholly owned subsidiary of TBC Bank, TBC Leasing offers an alternative source of financing to our retail and business clients. As of the end of 2023, it had 86% share[1] of the leasing market.

MEASURING SUCCESS IN 2023				
	86% (2022: 80%) MARKET SHARE[1]	**2,002** (2022: 2,034) # OF CUSTOMERS	**GEL 377 mln** (2022: GEL 290 mln) LEASING PORTFOLIO	**GEL 20 mln** (2022: GEL 14 mln) PROFIT

AT A GLANCE

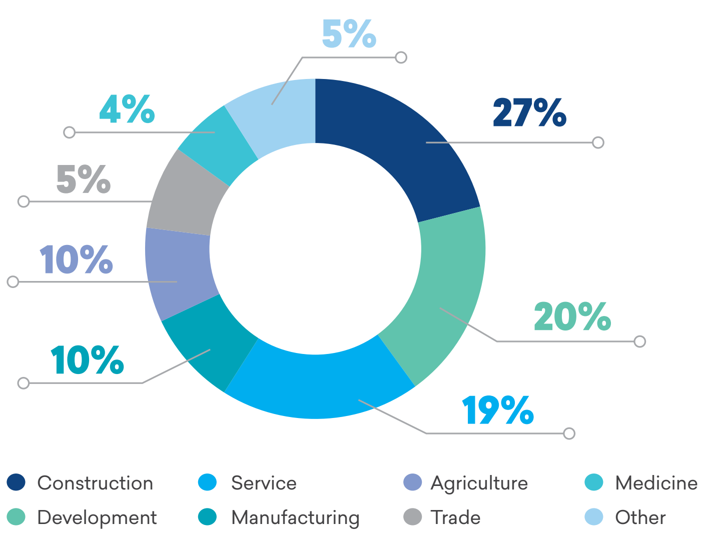
Our technical know-how and specialist knowledge and expertise enable us to offer our clients all-round asset finance solutions and other complementary advisory services, including financial leasing, operating leasing, and sale and leasebacks, all of which are tailored to the individual customer's needs.

We serve both individual customers and businesses operating across Georgia through authorized representative dealerships, vendors, direct sales channels, and TBC Bank branches. The ability to tap into TBC Bank's wide sales network is a major competitive advantage.

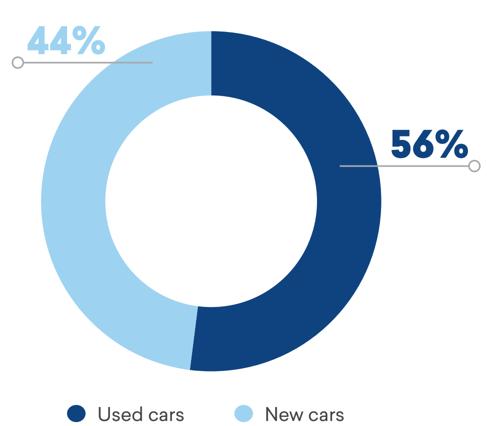
YEAR IN REVIEW

The leasing portfolio expanded by 30% year-on-year in 2023 on a constant currency basis reaching GEL 377 million as of 31 December 2023, giving us a dominant 86%[1] market share. 92% of the portfolio related to legal entities, led by the construction, service and manufacturing sectors. The remaining 8% of the portfolio related to individual clients. New cars accounted for 44% of the total retail portfolio, used cars the remaining 56%. In 2023, TBC Leasing generated profit of GEL 20 million, up 43% year-on-year.

CORPORATE LEASING PORTFOLIO BREAKDOWN AS OF 31 DEC 2023



RETAIL LEASING PORTFOLIO BREAKDOWN AS OF 31 DEC 2023



TBC Leasing continues its active involvement in the financing of green, renewable and energy-efficient assets through various initiatives, including:

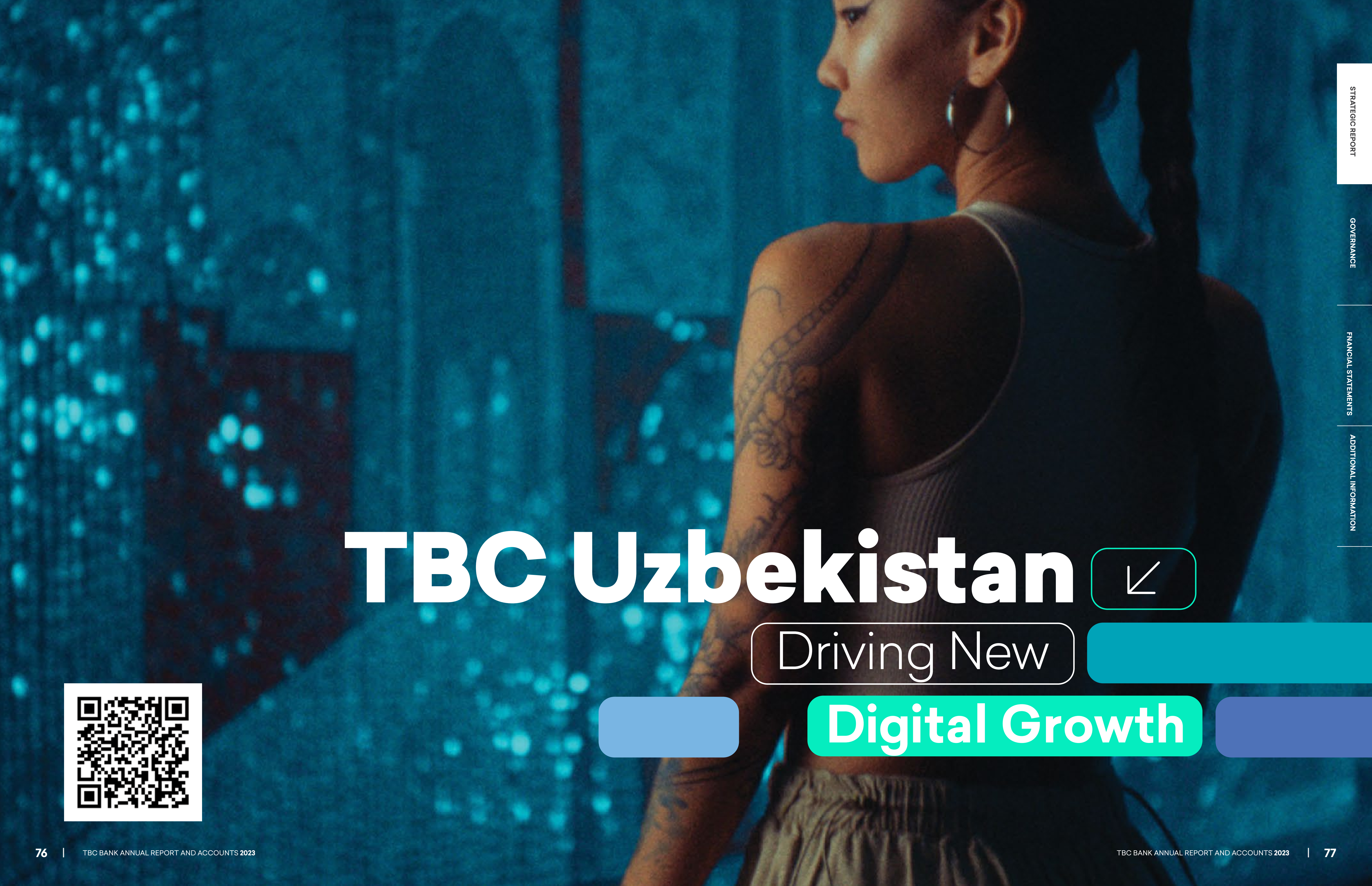
- In 2023, TBC Leasing successfully placed GEL 15 million green public bonds. The placement was the first national currency denominated green issuance on the local capital market among financial institutions. The proceeds from the issuance have been directed to finance growth of TBC's green leasing portfolio. The decision to issue Green Bonds, along with the financing of energy-efficient assets - electric vehicles, production equipment, solar panels - is a core part of the company's goal to help increase the availability of sustainable financing in the country and the development of the local capital market.
- In addition, we commenced a collaboration with the Green for Growth Fund (GGF) to develop a digital platform, which will allow our customers to submit requests for funding for prospective solar photovoltaic projects and obtain quotes from TBC Leasing in a more efficient way. This platform will be integrated into TBC Leasing's website and will be equipped with a leasing and an impact calculator for solar PV systems – which will enable potential clients to estimate the leasing rates from different technology suppliers, including the main impact metrics such as energy and carbondioxide (CO2) emission reduction, savings in monetary terms and estimated payback period.

As a result, our green leasing portfolio has grown to GEL 32 million in 2023 from just GEL 25 million a year earlier. Over the past five years, our green portfolio has increased by 6 times. We plan to further increase our green leasing portfolio in the coming years.

LOOKING AHEAD

Despite solid growth in recent years, with a 5-year CAGR of 7%, the Georgian leasing market has substantial growth potential given its still low penetration level, as leasing volumes account for only around 1% of Georgia's GDP, significantly below peer countries where leasing typically accounts for 4-5%[2] of GDP. We believe TBC Leasing is well positioned to continue to benefit from the further structural growth of this market.

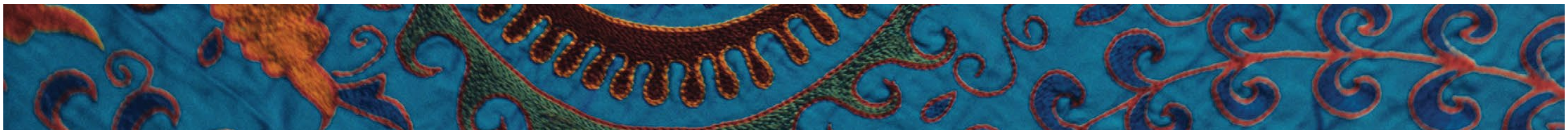
1 Based on internal estimates.
2 Based on UK Good Governance Fund, Leasing Market Research.



TBC Uzbekistan

Driving New Digital Growth

Digital financial ecosystem in Uzbekistan



Uzbek business

PAYME
Multi-vertical payments services app

TBC UZ
First in country fully-digital mobile bank

+48% YoY	+48% YoY	+30%YoY
15.7 mln	**4.3 mln**	**1.3 mln**
# of registered users	Digital monthly active users (MAU)	Digital daily active users (DAU)
+2.3x YoY	+76% YoY	+28% YoY
GEL 797 mln	**GEL 581 mln**	**GEL 9.5 bln**
Gross loan portfolio[1]	Deposit portfolio[1]	Volume of payment transactions
+7.4x YoY	+2.1x YoY	+19.5 pp YoY
GEL 59 mln	**GEL 208 mln**	**26 %**
Profit	Operating income[2]	ROE

1 Loans and deposits in Uzbekistan are disbursed in local currency.
2 Operating income refers to sum of net interest and net non-interest incomes.

TBC Uzbekistan

The Group operates two main businesses in Uzbekistan – TBC Bank, which is a fully digital bank providing retail banking services such as deposits and consumer loans, and Payme, one of the market leaders in digital payments.

GREAT DIGITAL GROWTH OPPORTUNITY

In 2023, we passed the milestone of our fourth year of presence in the Uzbekistan retail financial services market, and we remain just as excited today about the growth potential of this market as when we first entered in 2019. Uzbekistan has many of the essential foundations for building high growth and highly profitable digital financial services businesses. The population, at 36[1] million, is among the largest in the region, and is growing rapidly, having increased by over 750,000 in 2023 alone. The population is young – with an average age of 29[1] years – and digitally savvy, with smartphone and internet penetration both over 70%[2] and 18 million Telegram users. The economy is both fast-growing and resilient, averaging 5.7%[2] real GDP growth over the past decade, while the penetration[3] of the banking sector is relatively low, with retail loans just over 12% of GDP.

The country is on a reform path, with inward investment increasing strongly and, within the banking sector, the share of the state-owned banks is declining, with the sale of Ipoteka Bank to Hungary's OTP Bank in 2023 a milestone in this process. Importantly, Uzbekistan has a very strong financial infrastructure in place, including well-developed local payments networks and credit bureaus. Consumer protection regulation is already in place, and open banking enables access to customer data that supports the credit underwriting process. The progress made by our digital bank TBC UZ within its first three years of operation shows that retail banking customers are highly receptive to the provision of convenient and best in class digital financial services products, and we are very positive on the potential for the further deepening of this market in the years to come

MAJOR MILESTONES IN 2023

TBC's operations in Uzbekistan have seen remarkable progress in 2023. The year began with our mobile-driven digital retail bank, TBC UZ, turning profitable just two years after its commercial launch, a rare achievement within the world of digital consumer banking. In May, we completed the acquisition of the remaining 49% stake in Payme, our leading digital payments app, taking our ownership to 100% and enabling us to exert greater operational control over the business and start developing much closer integration with TBC UZ.

In September, we announced the appointment of Oliver Hughes as head of international business. Oliver brings extensive experience of developing fintech businesses, in particular as CEO, having built Tinkoff Bank into a leading digital bank with more than 20 million customers over the past 15 years. We are confident that his experience in tandem with our current team will help drive our Uzbekistan operations to even greater success in 2024 and beyond.

Our progress in 2023 makes us confident that we are well placed to succeed in this emerging and fast-growing financial market with a population 10 times as large as Georgia. At the core of our strategy, we will continue to provide banking services to individuals and payment solutions for our merchants and customers whilst also exploring broader synergies within the Group. In the first quarter of 2023, TBC UZ, our entirely digital consumer bank, achieved its first profitable quarter—an impressive milestone attained in less than three years of operation. This accomplishment serves as evidence that, unlike many fintechs worldwide, we have successfully established a business model that prioritizes not only growth but also profitability.

FROM START-UP TO SCALE UP

During 2023, our businesses in Uzbekistan have transitioned from start-up mode to becoming profitable, high-growth companies offering digital financial services to millions of customers on a daily basis. TBC has now become a widely-known and innovative contributor to the development of the nascent financial services market in Uzbekistan, and we are now among the leading retail banks in terms of customer top-of-mind. The number of total registered users increased by 48% to 15.7 million, accounting for over one-third of the total Uzbek population, while the monthly active user (MAU) base grew by 1.4 million to 4.3 million. The profits of the combined businesses rose from GEL 8 million in 2022 to GEL 59 million in 2023, a 7-fold increase, with ROE reaching 26.0%.

Balance sheet and payment volumes have increased strongly. TBC UZ's loan book grew by 2.3x year-on-year, reaching GEL 797 million, giving it a 2.4% share of the total retail lending market and 13.9%[4] share of the instant cash loan/micro loan segment. Its retail deposits increased by 76% year-on-year to GEL 581 million, with market share[4] rising by 0.8 pp to 3.0%. Meanwhile, Payme's total payment volumes rose by 28% year-on-year to GEL 9.5 billion.

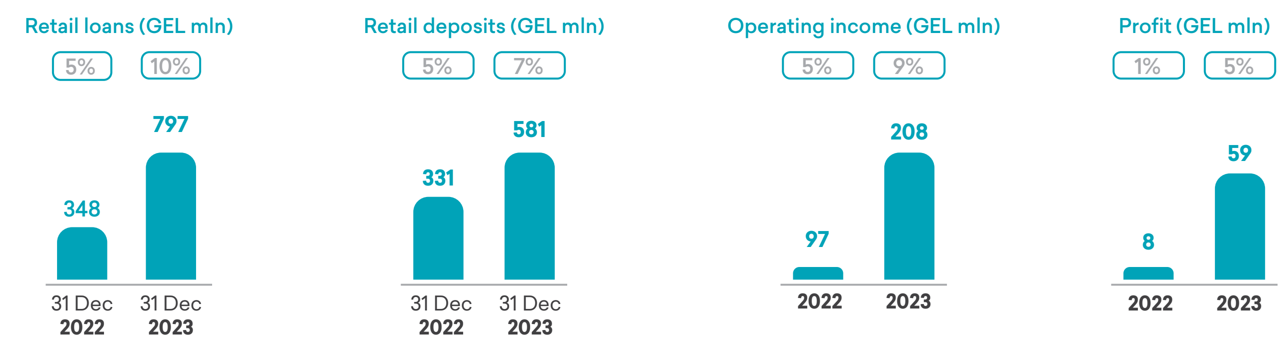
BOLD TARGETS FOR UZBEKISTAN OPERATIONS

During 2023, the Group introduced a number of business targets for Uzbekistan for 2023-25. These highlight both the scale of our ambitions in Uzbekistan and our confidence that we have the right team and strategy in place to achieve them.

UZBEKISTAN TARGETS 2025 AND ACTUAL PERFORMANCE 2023

METRIC	TARGET	ACTUAL PERFORMANCE 2023
Digital MAU	5 mln +	4.3 mln
Loan book CAGR	80% +	+2.3x YoY
Profit	GEL 200 mln	GEL 59 mln

UZBEKISTAN BUSINESS SHARE IN THE GROUP



1 Uzstat.
2 World Bank, Uzstat.
3 Corresponding central banks, CBU.
4 Based on the data published by Central Bank of Uzbekistan, as of 1 January 2024.

PAYME

MEASURING SUCCESS IN 2023

11.6 mln (2022: 8.2 mln) # OF REGISTERED USERS	**3.3 mln** (2022: 2.5 mln) MONTHLY ACTIVE USERS
4.5 K (2022: 3.6 K) # OF ACTIVE MERCHANTS	**GEL 9.5 bln** (GEL 7.4 bln) VOLUME OF TRANSACTIONS

FULL CONTROL AND INTEGRATION WITH TBC UZ

Payme is a market leading digital payments solution for retail customers and small businesses, offering a range of services including P2P payments, bill and utility payments, personal financial management (PFM), QR payment acceptance for merchants, government services, currency conversion and other daily financial services.

Payme's registered user base broke through 11 million customers during 2023, ending the year with 11.6 million users, over one-third of the addressable Uzbek population. Its monthly active users (MAU) rose by 32% year-on-year to 3.3 million, while daily active users (DAU) increased by 33% to 1.2 million. The number of active merchants using Payme increased by 25% to 4,500. Payment volumes growth of 28% year-on-year was driven by P2P payments, which accounted for 75% of total volumes, followed by service payments (20%). Revenues increased by 39% year-on-year to GEL 71 million, while profit rose by 36% to GEL 45 million.

In May 2023, the Group acquired the remaining 49% share of Payme. Since the initial acquisition of a 51% stake in 2019, Payme's revenue base has increased more than ten-fold and its MAU reached 3.3 million. The completion of this transaction is a major step in the evolution of Payme, paving the way for much closer integration with its sister company, TBC UZ, and we expect 2024 to see the first fruits of this in terms of cross-selling banking products to Payme customers as our Uzbekistan operations further scale up.

We made a number of enhancements to Payme's functionality in 2023. These included the roll-out of government tech services, where users can access government services in application, an improved identification service for onboarding purposes, an increased focus on customer experience in terms of UX/UI functionality, streamlining the process of payment acceptance for merchants, integration with cash registers to comply with government regulations and integration with TBC UZ on our flagship instant cash loan product.

TBC UZ

MEASURING SUCCESS IN 2023

GEL 797 mln (2022: GEL 348 mln) CONSUMER LOAN PORTFOLIO	**GEL 581 mln** (2022: GEL 331 mln) DEPOSIT PORTFOLIO
4.1 mln (2022: 2.4 mln) # OF REGISTERED USERS	**1.0 mln** (2022: 0.4 mln) MONTHLY ACTIVE USERS

DYNAMIC AND PROFITABLE GROWTH

TBC UZ is a branchless mobile-only digital retail bank, in which the Group owns a 60% stake and the European Bank for Reconstruction and Development (EBRD) and International Finance Corporation (IFC) each have 20%. The bank is based on a technology platform developed internally by the TBC Group (Space International) and first rolled out in Georgia, and it offers fully end-to-end digital credit and deposit products. The year began profitably, having reached break-even in late 2022 after two years of active operations, which is testament to the incredible hard work and dynamism of our team. Profit for 2023 totaled GEL 14 million, compared to a loss of GEL 25 million a year earlier. Meanwhile, revenues increased by 3x year-on-year to GEL 137 million.

TBC UZ is fast becoming a material player in the Uzbekistan banking sector and an increasing contributor to the overall business of the Group. By the end of 2023, its share of the retail loan and deposit markets[1] were 2.4% and 3.0%, respectively. Meanwhile, its share of the consumer/micro segment increased from 8.6% at the start of 2023 to 13.9% by year end. As a portion of the Group's balance sheet, TBC UZ accounted for 10% and 7% of retail loans and deposits, respectively, and 6% and 1% of operating revenue and profit, respectively.

TBC UZ's dynamic loan growth in 2023 was driven by its highly popular instant cash loan product, which accounted for 92% of the book at year-end. The bulk of the rest of the portfolio was offline POS loans, a portfolio that more than doubled year-on-year. During 2023, we have made continuous improvements in our fully automated credit underwriting.

As part of our ongoing product innovations, we are delighted to have launched a new digital card, developed in collaboration with Uzcard. Alongside this, we've expanded our array of offerings by introducing term deposits in USD, aiming to meet the diverse financial needs of our customers. Moreover, we've partnered with two leading international money transfer firms, integrating digital remittance services into our app. This means our customers can conveniently receive funds directly into their accounts, in a fully branchless way. without the need to visit our branches.

1 Based on the data published by Central Bank of Uzbekistan, as of 1 January 2024.

Woman in our Uzbek Business

“My role at TBC Bank Uzbekistan as the Chief Risk Officer & Deputy CEO has been a culmination of over two decades journey in the banking sector. In 2020, after a significant tenure abroad, I felt it was the right time to return to Uzbekistan as I was eager to contribute my experience to the nation's developing banking sector with TBC. Thankfully, my decision aligned perfectly with TBC's aim to pioneer the nation's first digital bank, offering innovative financial services and top-tier products for the community.

The return to Uzbekistan meant a return to my origins, steering my career towards personal fulfilment and new professional challenges. Facing hundreds of tasks upon arrival and building a bank from scratch was highly challenging. However, clarity in TBC’s goal and strategic approach helped me in this process.

Within TBC UZ, we’ve laid the groundwork for a robust risk management structure and an excellent team. The bank's commitment to innovation has paved the way for transformative banking services and improved financial choices for our citizens. Our focus on gender equality, in alignment with government initiatives, is aimed at dismantling barriers that impede the career progression of women.

It's a privilege to be part of TBC Bank's forward-thinking management team, steering the bank toward a brighter, more innovative future in Uzbekistan's rapidly evolving financial system.”

Khikoyat Dadabayeva
Chief Risk Officer & Deputy CEO, TBC UZ

Digital ecosystem in Georgia

TNET is a leading digital ecosystem in Georgia. In addition to providing another useful and convenient digital touchpoint for our retail customers, TNET brings synergies with the Georgian banking business through data, loan leads and payment and insurance services.

OUR DIGITAL LIFESTYLE ECOSYSTEM

LIFESTYLE

- Tickets for various events such as cinema, theatre or concerts as well as transport tickets
- Lifestyle discount coupons for restaurants, cinemas, beauty salons, hotels etc.

HOUSING

- A full range of housing solutions such as property listing, measurement and photography services, as well as real estate valuation
- Online housing auctions
- Online mortgage application

E-COMMERCE

- A wide range of products including electronics, home furnishings, apparel, self-care products etc.
- Online instalment loans for both new and second-hand items

AUTO

- Listing service for cars, motorcycles and their parts, as well as auto service centres
- Online auto auctions
- Driver's licence exam preparation
- Online auto loan application

YEAR IN REVIEW

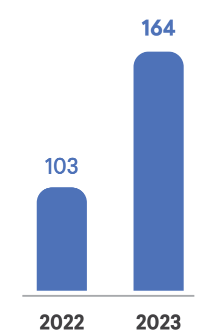
During 2023, TNET had 1.9 million unique visitors accessing a range of online services across four verticals including lifestyle (ticketing and coupons), auto and real estate classifieds and e-commerce.

TNET is the dominant domestic online platform in all of these market segments. In a number of areas, TNET is helping create and build the online market in Georgia, particularly with regards to its ticketing and e-commerce verticals, and we hope to continue this innovative journey in the years to come.

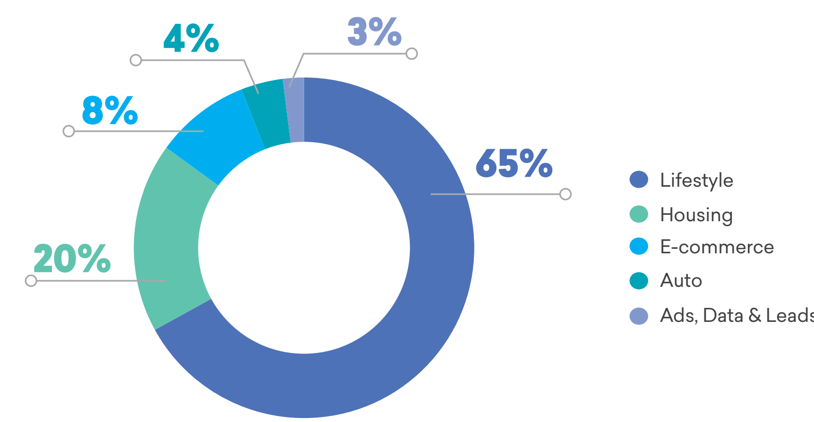
A key milestone was achieved in 2023 with the launch of the TNET super app in March, and by year-end the app has had over 52,000 downloads. This marks the start of the process of consolidating TNET's range of online platforms into a unified app with single user sign in. During the year, Vendoo, our e-commerce marketplace, Swoop, our coupon/experiences platform government services such as utility payments were incorporated into the super app, with more than 68,000 products and services available by year-end. As more platforms are integrated, this will ultimately create a single go-to online space for a wide range of online products and services, and we expect it to be a major driver of GMV expansion in the coming years.

TNET's operations have grown substantially in 2023, with total gross merchandise value (GMV) increasing by 59% year-on-year to GEL 164 million. The number of SKUs on the platform has increased by 86% to c.54,000 and the number of transactions has risen by 31% to 15.4 million.

GMV (GEL MLN)



GMV BREAKDOWN



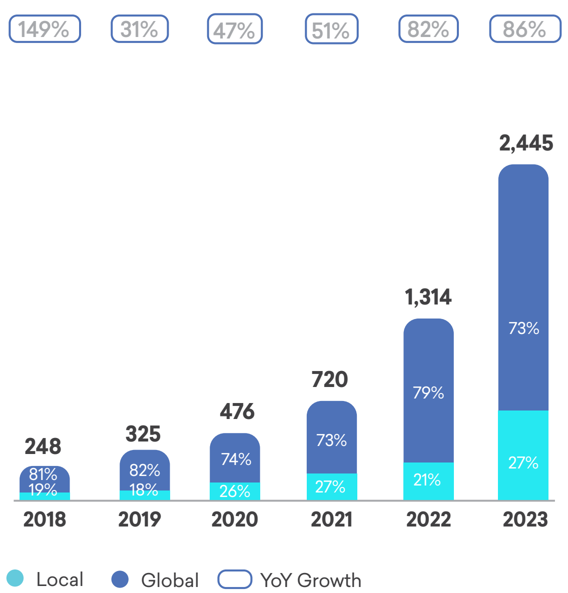
MEASURING SUCCESS IN 2023

GEL 164 mln	GEL 87	380 K	GEL 89 mln
(2022: GEL 103 mln)	(2022: GEL 55)	(2022: 302 K)	(2022: GEL 94 mln)
GMV	GMV PER USER	NUMBER OF LEADS	LOANS DISBURSED BY TBC FROM LEAD GENERATION

The main driver of GMV growth in 2023 has been lifestyle services, which accounted for 65% of total GMV. This was led by ticketing, which saw a number of successful business initiatives during the year, including exclusive music concert promotions and the addition of local hotel and hostel bookings to the platform. An example of TNET really helping to create new online markets in Georgia can be seen in our international flight platform (fly.tkt.ge), which has sold over 11,000 tickets during the year, and we aim to develop this business into the leading online travel agency in Georgia.

TNET operates three e-commerce platforms – Vendoo is our e-commerce marketplace, www.mymarket.ge is a secondary marketplace, and www.myshop.ge is a specialist online clothing retailer. There have been a number of initiatives in this segment in 2023, including major enhancements to payments functionality, a full update of the Vendoo app and the addition of promotional services. e-commerce in Georgia remains at a very early stage of development. According to TBC Research, e-commerce volumes amount to just 12% of retail spending, of which about one quarter related to the local e-commerce market. However, the market is growing and we believe that TNET is well-positioned to help lead the further development of e-commerce in Georgia in the years to come.

ESTIMATED GEORGIAN E-COMMERCE MARKET SIZE AND GROWTH (GEL MLN)



The launch of eGovernment services has been another major initiative in 2023, offering customers access to a wide range of services including car registration, utility and traffic fine payments etc.

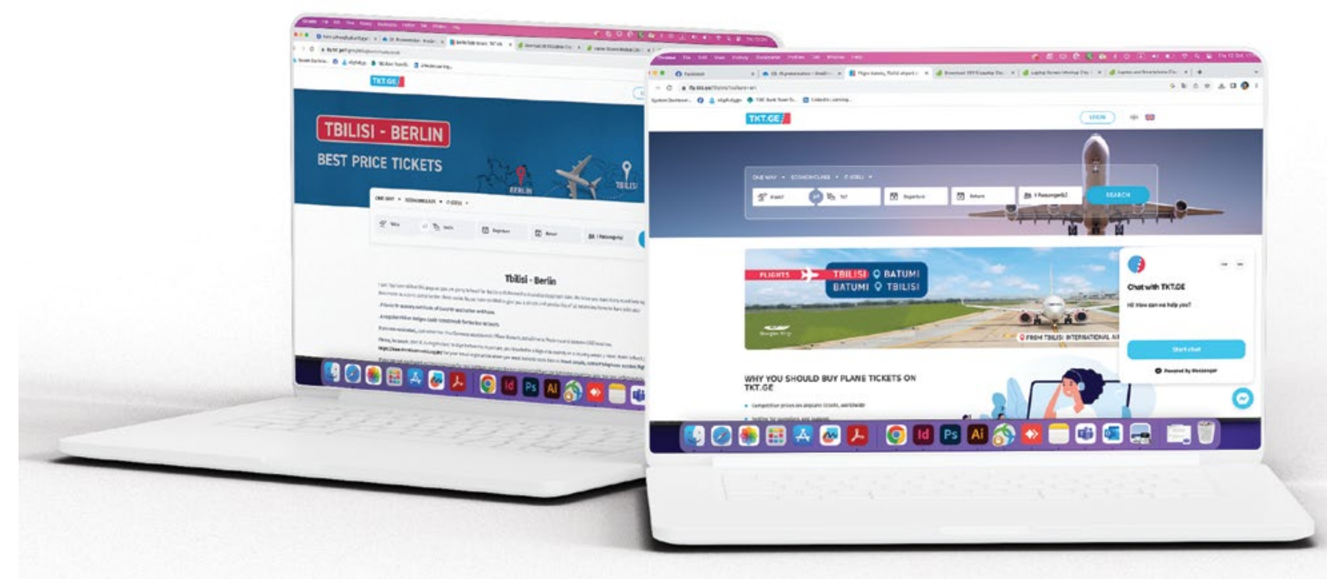
TNET also contributes to the wider TBC Group through loan leads, with 5% of total retail loan disbursements in 2023 coming from the platform. There have also been a number of important improvements in TNET's back-end infrastructure, including major enhancements in our data analytics and processing capabilities, which we are confident will reap rewards in 2024 and beyond enabling much more targeted customer offers and advertising lead potential.

TARGETING GEL 500 MILLION GMV

Our updated 2023-25 guidance includes a target of GEL 500 million GMV in 2025. This represents an almost three-fold increase on our 2023 GMV, and highlights our belief that we have got the key pieces in place to scale up TNET strongly in the years ahead.

fly.tkt.ge

flight ticket market



TKT.GE

Our new online service for purchasing air tickets is an example of TNET helping create new digital markets in Georgia.

COLLEAGUES

We are dedicated to cultivating a safe and thriving workplace environment, supporting individual development and growth, promoting diversity, equality and inclusion within our workforce, all while delivering top-tier services to our clients.

MEASURING SUCCESS IN 2023		
58% (2022: 59%) EMPLOYEE NET PROMOTER SCORE[1]	**37%** (2022: 36%) WOMEN IN MIDDLE MANAGERIAL POSITIONS[2]	**88%** (2022: 89%) ENGAGEMENT INDEX[3]

OVERVIEW

We value our people as our greatest asset and aim to be the top employer in the areas in which we operate. With an effective talent acquisition and development framework, we support the Group's strategy and help to create maximum value for both TBC and our employees. We have implemented hybrid working arrangements providing our employees the flexibility to choose their work locations. Currently, the majority of our non-customer facing employees operate from remote settings, leading to higher levels of employee satisfaction and improved overall efficiency throughout the Group. In 2023, we implemented a significant salary increase averaging 24% for our bank employees in customer-facing and support roles, which together comprise 56% of our workforce.

In 2023, around 500 members of the TBC Group from various countries visited France for the Rugby World Cup to celebrate our accomplishments and foster a spirit of collaboration. Furthermore, TBC Group employees participated in leadership training programs, including those by BLED (Bled school of management), Develor (Develor international), LPI (Leadership Pipeline Institute) and IMD (Institute of Management Development), held in Georgia and other countries.

OUR MAIN STRATEGIC PRIORITIES

Talent acquisition and development

We strive to be the best employer in the Georgian market and in line with this goal, we aim to build a best-in-class talent acquisition and development function.

We actively monitor the labour market in Georgia, Uzbekistan and other countries in order to expand our capabilities to attract key personnel globally, in areas such as business, finance, risk and IT.

For entry-level positions in back-office functions, we run a well-regarded internship programme to attract the best students from Georgia's leading universities. After the successful completion of a one-year internship, the best candidates are offered employment in various departments, including finance, risk, corporate, marketing, IT and data analytics. In addition, we are actively cooperating with local universities and colleges, conducting job fairs, visits to universities over the county and actively participating in different marketing activities, in order to attract recent graduates across a wide range of roles.

Since 2019, 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 available free to both our employees and potential candidates. Led by experienced staff and industry professionals, the Academy has trained over 1,100 individuals from outside the organisation and 1,500 within, bringing in more than 300 skilled professionals to TBC Group.

In 2023, our IT Academy launched a project in partnership with USAID (TBCxUSAID for technological education), aiming to train more than 700 participants, through 9 newly designed courses. We also introduced an iOS Laboratory. This project focuses on female empowerment and reaching regional areas.

In 2023, TBC Uzbekistan, in partnership with TBC IT Academy Georgia, successfully developed and launched a specialised course for test automation engineers. Successful graduates are offered employment opportunities with TBC Uzbekistan.

TBC Academy, established in 2011, provides a wide spectrum of learning programs to every member of the TBC group. In 2023, more than 2,000 employees participated in various courses and programs including business development, agile transformation, brand experience, law, financial analytics, and the refinement of essential soft skills.

Notably, TBC Academy expanded its Leadership programs, transcending national boundaries and providing our employees with opportunities to develop leadership skills on a global scale. Among the essential topics covered in the programs were: Strategic mindset, Communication, Negotiation, Leading Leaders etc. Up to 200 people successfully graduated from these programs, with highly positive feedback.

We have also provided financial support to our employees to attend various external courses and gain international certifications such as MBA, CFA, FRM, ACCA and others.

Ensuring a secure work environment continues to be our priority. In 2023 we renewed mental health program sessions, which offer a range of benefits and various activities to support our employees, such as:

- Monthly newsletters focused on mental health for our employees, delivered via internal communication channels;
- Workshops, meetings, and physical activities for TBC Group staff.

Throughout the year, we conducted six workshops dedicated specifically to stress management in everyday life, along with offline seminars featuring professional speakers to enhance employee awareness. Additionally, we organized various physical activities, such as Yoga Therapy. All these activities were planned and implemented based on feedback from our employees.

We offer competitive remuneration packages to our employees, which are comprised of a fixed salary, performance-based bonuses and a benefits package, which includes health insurance, critical disease and life insurance, paid sick leave, as well as six months fully-paid maternity and paternity leave. Additional benefits include a social assistance package in case of marriage, childbirth and family member support, paid days off for all employees and extra paid days off for employees with more than three children, as well as special social payments for employees with more than four children.

Throughout 2023, significant changes were implemented. In addition to rolling out a new HR Core system, we provided improved benefits for employees, such as enhanced maternity benefits and insurance terms.

Performance management

Our performance management system is carefully designed to reinforce employee productivity while fostering a culture of open communication and constructive feedback.

It is closely allied with our Group's overall goals, focusing on clarity, fairness, and honesty. We're dedicated to making sure our team members understand their roles within the company. We involve them in setting their own goals and provide guidance to help them succeed. Regular feedback and constructive conversations are a natural part of the performance management process.

We recognize that different roles call for different performance evaluation methods. For our front-line team, we set monthly goals and tie rewards to their performance in sales and customer service. Middle managers and our non-customer-facing staff are assessed using KPIs and a competency-based approach. In our commitment to continuous improvement, we use a 360-degree evaluation process. This allows every team member to receive feedback from their managers, colleagues and subordinates. It's a comprehensive way for our employees to understand how others view their performance, discover strengths and identify areas for growth, all while acquiring new skills.

Throughout 2023, we proactively worked on fortifying our feedback culture. We organized a series of training sessions for our employees, underlining the significance of open communication and collaboration, firmly convinced that by working together, we can attain remarkable accomplishments.

1 The Employee Net Promoter Score (ENPS) was measured in December 2023 by an independent consultant for the Bank's employees.
2 Branch managers, division and department heads, as well as middle level of the Group's subsidiaries.
3 Engagement Index was measured in December 2023 by an independent consultant for the Bank's employee's and measures how much employees feel involved and committed to TBC Bank.

Instilling corporate culture

We strive to develop a supportive and empowering organizational culture to offer equal opportunities for work and development and to foster a healthy work-life balance. Our strategy centers on actively promoting our company values to be applied internationally by every employee, while encouraging cultural diversity and helping foster a global mindset.

Our CEO and the executive management team are the main drivers in endorsing the corporate culture and values through regular communication with employees. Hybrid meetings (virtual and in-person) are held consistently to share the Group's strategy and achievements as well as obtain feedback. Our existing social and cultural activities are reviewed on a regular basis to keep them relevant for our colleagues.

We support and encourage our employees to actively consider applying for different positions, to participate in open selection processes for a new job role, and to seek promotions within the Group. Under equal conditions, the priority is given to internal candidates. In 2023, the promotion and horizontal transfer rate was around 35% for the Bank. In 2023 we have been actively working on strengthening our IT functions by hiring international and local senior domain experts, to support our business strategy. The Group succession Planning Policy was created and approved in 2023. We successfully collaborated with Egon Zehnder in this process and still actively use their help in key people development.

Emphasis is placed on acknowledging the achievements of our team members by sharing success narratives across our internal communication channels. On top of that, we have implemented various internal rewards with the aim of fostering a service-oriented culture and enhancing the focus on customer satisfaction among our employees. Additionally, a mentorship program designed specifically for the frontline staff was implemented, with the aim of facilitating the seamless integration of new hires into the operational processes.

We consistently track our employee satisfaction and engagement. Last year, 78% of our workforce actively participated in the anonymous Employee Engagement survey, and our employee net promoter score (ENPS) remained at a high level, at 58%[1], compared to 59% in 2022, remaining well above the European industry average of 42%[2]. The survey findings undergo comprehensive analysis and are subsequently presented to the executive management and the Board, feeding into strategic planning for future initiatives.

Sustaining a secure working environment continues to be our foremost concern. With the entire team, we are actively pursuing new and effective approaches to enhance employee wellbeing and operational efficiency. For example, in 2023 a revitalized mental health program was launched across the group based in Georgia, emphasizing a range of physical and educational activities.

Equality and diversity

We are dedicated to fostering diversity, equality, and inclusivity within our workforce while actively combatting discrimination in all its forms. Our organisation embraces and encourage our employees differences in age, gender, race, color, disability, ethnic background, family or marital status, gender identity or expression, language, national origin, physical and mental capabilities, political affiliation, religion, sexual orientation, socio-economic background, and all other qualities that contribute to the individuality of our team members.

We guide our activities with our Diversity, Equality and Inclusion Policy. The Policy provides clear guidance for ensuring the proactive and consistent integration of diversity, equality and inclusion in the Group's work inside the company, in the marketplace and in the community at large. The policy is available at: www.tbcbankgroup.com.

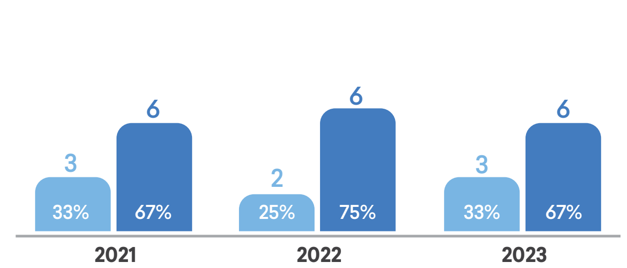
We remain committed to having a gender-balanced workforce and culture that supports and empowers women. We set a target at the Bank level to increase the number of women in middle managers and agile leaders from the current level of 40% to 43% by 2024. Starting from 2023, the agile managerial positions - Product Owners and Chapter Leads - were included in combined target for middle management and agile leaders in order to reflect the organisational transformation and structure in the Bank. Our experience shows that an agile structure creates a more dynamic working environment, instills an open culture and empowers women and men in different roles and functions. Furthermore, in 2022 and 2023, we expanded our approach to certain subsidiaries of the Group and incorporated individual diversity targets within their ESG strategies.

Affirming our commitment as endorsers of the WEPs (Women's Empowerment Principles), we pledge to champion gender equality, foster employee diversity, empower women, and highlight our dedication in public forums. For robust monitoring and evaluation, we consistently collect, analyse, and report sex-disaggregated data monthly, establishing a baseline, measuring outcomes, evaluating the impact of our initiatives, and tracking progress toward internal diversity targets for specific positions.

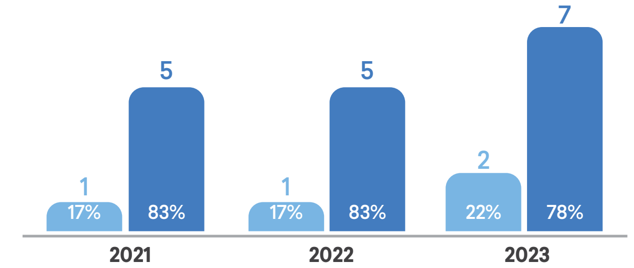
In our ongoing support for equality, diversity, and inclusion, we continue to focus on training. From April 2023, our employees partake in weekly face-to-face sessions covering topics like a healthy working environment, addressing stereotypes, recognizing discrimination and its impact, understanding various forms of violence, and the significance of equality and equity in the workplace and society.

The tables below show the data at the Group level.

BOARD OF DIRECTORS*

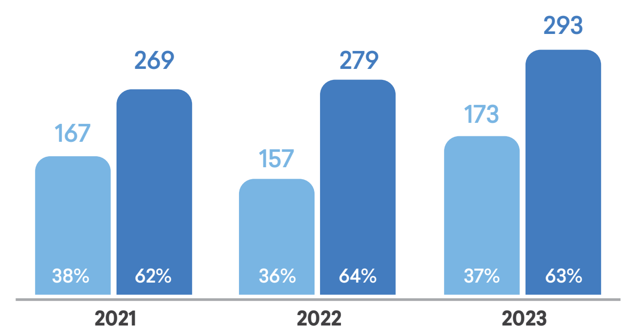


EXECUTIVE MANAGEMENT

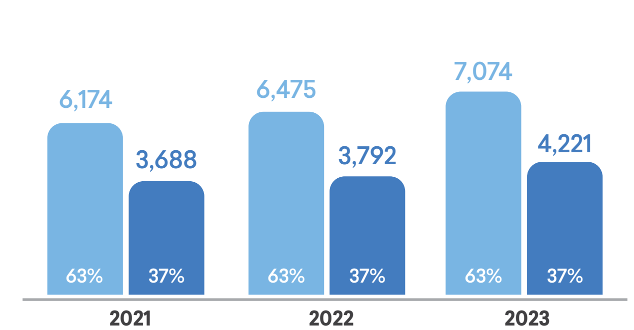


Throughout 2022, we had three female non-executive directors until Maria Luisa Cicognani stepped down from the Board in September 2022. In February 2023, we appointed a new female non-executive director, Janet Heckman.

MIDDLE MANAGERIAL POSITIONS**



ALL EMPLOYEES

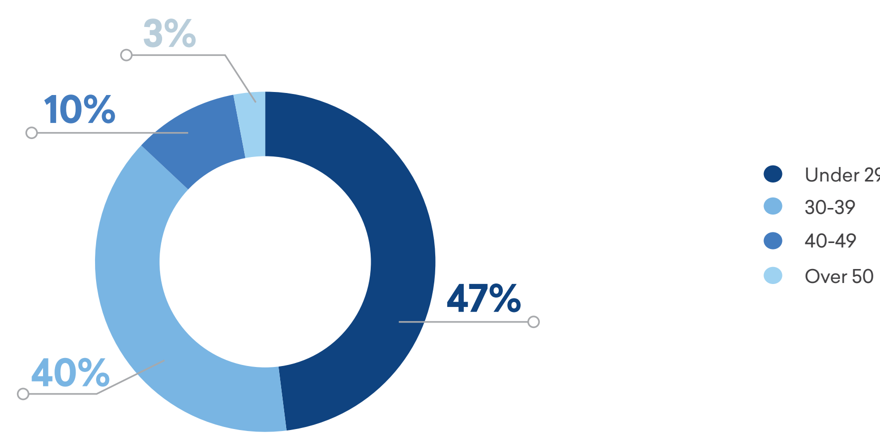


*** Branch managers, division and department heads, as well as middle level of the Group's subsidiaries.*

Female
Male

We have a diverse team consisting of experienced professionals and young, talented individuals fresh from top universities in Georgia and abroad. We strongly believe that this mix of ages fosters a dynamic, high-performing team, resulting in better outcomes.

AGE DIVERSITY STATISTICS 2023

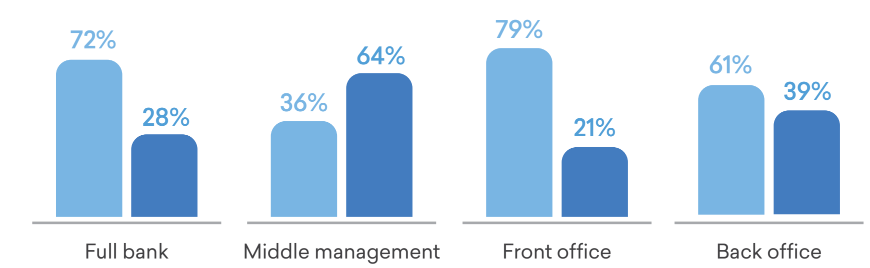


1 The Employee Net Promoter Score (ENPS) was measured in December 2023 by an independent consultant for the Bank's employees.
2 The European industry average of Employee Net Promoter Score (ENPS) was measured in December 2023 by an independent consultant.

GENDER PAY GAP[1]

We regularly review our pay levels and make sure that men and women are paid equally for doing the same type of job. In 2023, our mean gender gap for the Bank employees remained at the same level as 2022 at 44%, which means that, on average, men received higher remuneration than women (mean gender pay gap in hourly pay). This is mainly due to the higher number of women being employed in junior roles, including front-office customer service positions. While for middle management, the mean gender pay gap was negative -17% in 2023 and -5% in 2022, which means that women were better remunerated than men. We remain committed to achieving a better gender balance and increasing the proportion of women working in senior and middle-level roles.

GENDER DISTRIBUTION ACROSS DIFFERENT POSITIONS*



**The data in the given table is presented for the Bank only.*

Female Male

ETHICAL STANDARDS, RESPONSIBLE CONDUCT AND SAFETY AT WORK

TBC Group is dedicated to conducting business with a focus on upholding high ethical standards, respecting human rights, cares about the environmental and community concerns, and encouraging its employees to act with integrity and responsibility towards each other and other stakeholders.

For this purpose, we have developed a set of policies at the Group level. We closely monitor adherence to these. All group level policies are revised and updated on a regular basis. During our 2023 revision process, several policies (AML Policy, Sanctions Policy, Anti-Bribery, Anti-Corruption and Prevention of the Facilitation of Tax Evasion Policy, Group Risk Appetite Statement related to Financial Crime) were combined into one policy - Anti-Financial Crime Policy. Also, Code of Ethics and Code of Conduct were combined into one policy - Code of Conduct and Ethics.

These policies can be found on our IR website at www.tbcbankgroup.com and are comprised of:

- Code of Conduct and Ethics;
- Diversity, Equality and Inclusion Policy;
- Anti-Financial Crime Policy;
- Human Rights Policy;
- Incident Response Policy (Whistleblowing Policy);
- Global Data Protection Policy;
- Environmental and Climate Change Policy.

We have introduced an Employee Discrimination, Violence and Harassment policy and the Health and Safety Policy at the Bank level, with distribution extending to the group level.

The Employee Discrimination, Violence and Harassment policy applies to all employees, customers and all persons with whom employees communicate or provide financial services. The policy defines types of violence covering physical and/or mental violence as well as the threat of damage to a person or property, verbal abuse, psychological pressure, sexual harassment, etc. Furthermore, the policy establishes a committee which is responsible for reviewing reported cases, decision-making and adequate response actions, including cancelation and/or restriction of services for a customer, contractor or other third party. The policy emphasizes once more, how important it is to provide a safe and secure environment to our employees, both in the front and back office.

In 2023, we implemented a newHealth and Safety Policy. According to Georgian legislation, since September 2019 every company has been obliged to hire a Health, Safety and Environment (HSE) specialist to ensure implementation of the HSE management system and standards. Currently, we outsource HSE management to an experienced company that, together with the Bank's team, is in the process of developing an HSE policy and strategy. Once every four months, HSE specialists carry out inspections and develop specific reports about the risks and hazards in all branches and offices. Twice a year, HSE specialists measure the microclimate and light in every branch and office to make a more comfortable working environment for employees. Risk assessments are updated every four months, highlighting which risks and hazards should be controlled. Every six months, we conduct fire and evacuation drills. Once a year we conduct trainings for all employees in HSE, fire, electric, ergonomics, emergency action plan, stress and human factors. The Health and Safety framework applies to all employees and contractors, both full-time and part-time.

The Compliance Department regularly conducts tailored training sessions for different employee groups based on their job specifications in the following areas: anti-corruption, anti-bribery, ethical issues, as well as anti-money laundering and sanctions. During 2023, over 7,420 employees have undergone such training. Periodic audits are also conducted by the Internal Audit Department to identify any violations or inappropriate behaviour.

Furthermore, on an annual basis, we conduct mandatory tests for all employees of the TBC Group to raise awareness and highlight the importance of our internal policies and procedures. The topics include but are not limited to: safe working environment, code of conduct and code of ethics, data and information security, whistleblowing, environmental issues, inside information, corruption, money laundering, fraud and operational risks.

This year, internal control team conducted in-person fraud awareness trainings for our front office staff, involving approximately 1,400 employees. These sessions aimed to enhance their ability to identify and prevent potentially fraudulent activities, reinforcing our commitment to a secure operational environment. This proactive approach aligns with our ongoing efforts to uphold the highest standards of integrity and protect our organisation from threats.

Given that the Group does not have a demonstrable business presence in the UK, TBC is not required to publish a statement under section 54 of the Modern Slavery Act. The Group nonetheless is fully committed to the eradication of all forms of modern slavery in its countries of operation.

1 The gender pay gap is calculated as of April 2023.

Together we'll win – supporting the Georgian Rugby team in France

As an integral part of our corporate culture, around 500 members of the TBC Group visited France for the Rugby World Cup to celebrate our accomplishments and foster a spirit of collaboration.

COMMUNITY

We acknowledge our social responsibility and are committed to create a more promising future for the communities in which we operate. Our wide range of impactful and sustainable initiatives primarily center around promoting business growth, empowering youth and women, and fostering culture and sports.

ENCOURAGING MSME BUSINESS DEVELOPMENT AND ENTREPRENEURSHIP

In the ever-evolving landscape of the business world, micro, small and medium enterprises (MSMEs) play an important role in promoting economic growth and entrepreneurship. With a deep understanding of the unique challenges faced by MSMEs, TBC Bank continues to empower these businesses, enabling them to thrive and contribute to the prosperity of the nation. Detailed information regarding these initiatives can be found in our MSME section on pages 54-59.

SUPPORTING YOUNG GENERATIONS IN GEORGIA

Throughout its history, TBC has consistently backed aspiring young individuals, many of whom have flourished into accomplished artists, scientists and professionals, excelling in diverse fields both within Georgia and internationally. In 2023, TBC maintained its support of the younger generation through the following initiatives:

- Since 2018, **TBC Scholarship** has been one of the largest social responsibility projects in Georgia. The project aims to discover and support young, talented people from vulnerable families from all over the country. Each year, in co-operation with 14 partner organizations that specialise in children's education and development, up to 200 Georgian young talented adults receive the scholarship in order to develop their knowledge and skills to become successful professionals. Since the launch of the project, TBC has supported up to 400 schoolchildren with various talents in science, sport and arts.
- In 2023, TBC Bank was a general sponsor of the **Tbilisi 2023 International Book Festival**, an event with a 26-year legacy that has grown to become one of the largest and most influential educational fairs in Georgia. Notably, it has become a source of great inspiration for the youth of our nation, as nearly 40% of its attendees belong to Gen Z.
- Supporting **STEM education** is one of TBC's priorities. This year, with the general support of the TBC Education Program, **WRO – World Robot Olympiad** was held. The purpose of the competition is to popularize STEM among students and help them develop creative thinking and practical skills. 123 children from 8 different regions of Georgia took part in this year's Olympics. For the last nine years, TBC has partnered with young researchers and innovators in the annual competition for Georgian high school students - **Leonardo da Vinci**. The competition enables schoolchildren to demonstrate their talents in tech fields and gain access to further their educational opportunities. TBC provides marketing support for the competition, allocates its facilities and awards the winners.
- Under the general support and sponsorship of TBC, the 10th anniversary event of the intellectual forum **TEDxTbilisi** was held in Georgia. TEDxTbilisi is an educational platform, which hosts more than 500 guests every year and allows them to hear innovative and interesting ideas. This was the first collaboration between TEDxTbilisi and TBC, wherein TBC has provided financial and communicational support for the forum.
- In 2023, TBC, in collaboration with Geolab, PH International and USAID, created fully funded online technological courses for 10th and 11th graders within the **TBC Educational Program**. This is one of the company's biggest educational projects that has beneficiaries in all the regions of Georgia. The program includes three-month technological courses in 9 different focus areas. Within the framework of the project, regional outings all over Georgia are organized. These meetings include recommendations and panel discussions from leading specialists in various fields of technology. At the end of 2023, there are more than 1,200 graduates throughout Georgia.

SOCIAL INITIATIVES IN UZBEKISTAN

Our digital financial services businesses in Uzbekistan are actively contributing towards increasing financial literacy and inclusion in a country where financial penetration remains relatively low. Alongside these operations, we are undertaking a number of social initiatives in Uzbekistan.

- **Payme Mahalla** is a charity initiative, within the Payme app, where users can contribute their own loyalty points to complete missions, supporting beneficiaries from different regions of Uzbekistan. During 2023, we have completed 5 missions and with the help of our users we supported c. 8,000 schoolchildren with modern computers, sports equipment and other school supplies.
- **TBC Edu** is an educational project in Uzbekistan, in the format of video and audio podcasts on subjects such as banking, finance and the environment.

CREATING EQUAL OPPORTUNITIES FOR WOMEN

- TBC and USAID Economic Security Program jointly hosted for the third consecutive year the **Grace Hopper Award**, which recognizes accomplished women in the information and communication technology (ICT) industries in 6 different categories. The award also recognizes individuals and organizations for their contributions in empowering women in ICT industry and for leading positive change in the sector in Georgia.
- The **"500 Women in Tech"** project is an important initiative aimed at eliminating gender biases in the tech industry in Georgia. Developed in cooperation with the Business and Technology University of Tbilisi, UN Women, and the Government of Norway, this program covered over 18 months and provided opportunities for women to study various professions in the tech field. One of the key goals of the program was to empower women through continuous learning and skill development. To further this mission, more than 60 participants were upskilled by TBC IT Academy after completing the project's courses.
- In order to support talented and entrepreneurial women in Uzbekistan, within the scope of **#Onthesideofwomensbusiness**, we created the platform www.growth.payme.uz. On this platform, women in business can advertise their companies. The platform has already received hundreds of applications within its first few weeks. The initiative has been supported by local businesswomen, influencers and international organisations such as UNDP Uzbekistan.

SUPPORTING OUR CULTURAL HERITAGE

- Since 2003, TBC has been the main sponsor of the **SABA Literary award**, the biggest and preeminent literary event in Georgia. To celebrate the 21st Anniversary of SABA, we decided to give our readers a special opportunity and added a new nomination - "SABA Reader". This year, up to 400 books were reviewed and 16 winners were chosen in 12 different categories, with a prize fund of GEL 70,000. TBC and SABA also collaborate on www.saba.com.ge the largest online platform for Georgian electronic and audio books. The platform was established in 2012 and provides access to around 7,500 audio and electronic books for approximately 400,000 users.
- **Libraries for emigrants** - The collaborative efforts of the "TBC for Immigrants" team led to a partnership between TBC and the National Parliamentary Library of Georgia which aims to make Georgian books available to Georgian migrants worldwide. As a result of this initiative, thousands of Georgians living abroad now have access to literature in their native language, with Georgian books distributed to various international libraries, including in Turkey and Italy.
- **TBC Ornaments** is a social project of TBC Bank Uzbekistan, the goal of which was to create a complete digital catalog of digitized ornaments of applied art and folk art of Uzbekistan. In order to collect a database of national ornaments, the project participants went on an expedition to the cities of Uzbekistan and visited national museums, cultural centers and applied arts workshops. The platform now includes more than 300 ornaments and sorts them by categories, regions, and purpose of usage.

SUPPORTING RUGBY IN GEORGIA

The year 2023 was very important for Georgian Rugby, as the national team participated in the men's Rugby World Cup for the sixth time. TBC and the Georgian Rugby Union are working hand in hand to popularize rugby in Georgia and to generate national interest in this sport. We believe that rugby can become one of Georgia's calling cards in the world and play an important role in the development of young generations.

We are committed to the long-term development goals of the Georgian Rugby Union and we believe that in the end we will win together - this is also the slogan of our campaign dedicated to the national team of Georgia.

SHOVI NATURAL DISASTER RELIEF FUND

On August 3rd, 2023, a TBC charity account was opened to help the victims of the natural disaster in Racha. TBC donated GEL 500,000, while GEL 200,000 was donated by Georgian citizens, companies and organizations.

TBC has been cooperating with the Red Cross Society of Georgia and USAID's "Strong Village Program" in the process of targeting the funds collected in the Shovi Fund. In partnership with USAID's Strong Village Program, a grant competition was announced to support micro and small enterprises in the Glola community of Oni Municipality. A portion of the total cost of the grant project (GEL 55,000) was financed by TBC's charity account.

SUPPORTING UKRAINIANS

Following the Russian invasion of Ukraine, TBC established a charity fund and invited organizations and individuals to donate funds in support of the Ukrainian people. Over the past two years around GEL 2,000,000 has been raised collectively by individuals, organizations and TBC (GEL 250,000 contribution). These funds have been transferred to the National Bank of Ukraine to support such causes as to alleviate hardships of the Ukrainian people caused by the war, rebuild Ukraine, support education and health sectors. At the local level, TBC's Ukraine charity fund financed local reputable organizations and various projects assisting Ukrainian nationals who had to move to Georgia as war refugees.

"These courses allowed me to learn **new things in technology** and test myself in this field. With the knowledge gained in TBC courses, I can already create simple websites. **I would definitely recommend this course to my friend who is interested in computer technology**

Mariam Suluashvili from Poti

"I definitely recommend to all my peers who are interested in getting to know modern technologies better to register for TBC courses, where you will find a **friendly environment, professional trainers and interesting challenges**

Luka Zedginidze from Akhaltsihke

Georgia's Biggest Technology Education Program

Fully funded, online technology courses for school students from all across Georgia.

Financial review

FINANCIAL HIGHLIGHTS

Income statement

in thousands of GEL	2023	2022	Change YoY
Net interest income	1,635,798	1,290,052	26.8%
Net fee and commission income	412,325	322,666	27.8%
Other non-interest income	325,377	458,046	-29.0%
Total operating income	**2,373,500**	**2,070,764**	**14.6%**
Total credit loss allowance	(180,740)	(132,900)	36.0%
Operating expenses	(858,927)	(691,320)	24.2%
Profit before tax	**1,333,833**	**1,246,544**	**7.0%**
Income tax expense	(193,858)	(243,205)	-20.3%
Profit for the year	**1,139,975**	**1,003,339**	**13.6%**

Balance sheet

in thousands of GEL	31-Dec-23	31-Dec-22*	Change YoY
Total Assets	32,964,827	28,988,141	13.7%
Gross Loans	22,073,679	18,204,971	21.3%
Customer Deposits	20,375,498	18,036,533	13.0%
Total Equity	4,820,182	3,966,414	21.5%
CET 1 Capital (Basel III)	4,235,033	3,333,039	n/a
Tier 1 Capital (Basel III)	4,772,913	3,873,439	n/a
Total Capital (Basel III)	5,374,301	4,516,525	n/a
Risk Weighted Assets (Basel III)	24,336,690	21,508,072	n/a
Number of shares	55,393,664	55,102,766	0.5%

** The capital numbers for 2022 are calculated based on the local accounting standards*

Key APMs

	2023	2022*	Change YoY
ROE	26.5%	27.0%	-0.5 pp
ROE – Georgia FS	25.5%	26.0%	-0.5 pp
ROA	3.9%	3.8%	0.1 pp
ROA – Georgia FS	4.0%	4.1%	-0.1 pp
NIM	6.7%	6.0%	0.7 pp
Cost to income	36.2%	33.4%	2.8 pp
Cost to income – Georgia FS	31.9%	28.9%	3.0 pp
Cost of risk	0.8%	0.7%	0.1 pp
NPL to gross loans	2.0%	2.2%	-0.2 pp
NPL provision coverage ratio	79.8%	93.7%	-13.9 pp
Total NPL coverage ratio	146.3%	155.6%	-9.3 pp
CET 1 CAR (Basel III)	17.4%	15.5%	n/a
Tier 1 CAR (Basel III)	19.6%	18.0%	n/a
Total CAR (Basel III)	22.1%	21.0%	n/a
Leverage (Times)	6.8x	7.3x	-0.5x
EPS (GEL)	20.74	18.14	14.3%
Diluted EPS (GEL)	20.58	17.86	15.2%
BVPS (GEL)	86.32	71.27	21.1%

Georgia FS refers to Georgian financial services
** Capital ratios for 2022 are calculated based on local accounting standards*

For the ratio definitions please refer to APMs on pages 410-414.

Net interest income

In 2023, net interest income amounted to GEL 1,635.8 million, up by 26.8% on a YoY basis.

The YoY rise in interest income by GEL 617.2 million, or 26.5%, was mostly attributable to an increase in interest income from loans related to a GEL 3,868.7 million, or 21.3%, increase in the respective portfolio, as well as a 1.0 pp rise in the respective yield.

YoY interest expense increased by GEL 271.5 million, or 26.1%, mainly related to an increase in the deposit portfolio of GEL 2,339.0 million, or 13.0%, and a 1.1 pp growth in deposit cost.

In 2023, our NIM stood at 6.7%, up by 0.7 pp on a YoY basis.

In thousands of GEL	2023	2022	Change YoY
Interest income	2,948,056	2,330,838	26.5%
Interest expense*	(1,312,258)	(1,040,786)	26.1%
Net interest income	1,635,798	1,290,052	26.8%
NIM	**6.7%**	**6.0%**	**0.7 pp**

** Interest expense includes net interest gains from currency swaps*

Non-interest income

Total non-interest income amounted to GEL 737.7 million in 2023, decreasing by 5.5% YoY, primarily due to a normalisation of FX revenues, offset by significant growth in fee and commission income.

In 2023 our net fee and commission income increased by 27.8% on a YoY basis, related to increased payments transactions in both Georgia and Uzbekistan. Our Uzbek business contributed 18% of the Group's net fee and commission income.

In thousands of GEL	2023	2022	Change YoY
Non-interest income			
Net fee and commission income	412,325	322,666	27.8%
Net gains from currency derivatives, foreign currency operations and translation	256,924	398,866	-35.6%
Net insurance premium earned after claims and acquisition costs	31,290	29,203	7.1%
Other operating income	37,163	29,977	24.0%
Total other non-interest income	**737,702**	**780,712**	**-5.5%**

Credit loss allowance

Credit loss allowance for loans in 2023 amounted to GEL 162.7 million, which translated into 0.8% cost of risk. The increase in credit loss allowance for loans was mainly driven by strong loan book growth as well as normalisation of cost of risk (CoR).

In thousands of GEL	2023	2022	Change YoY
Credit loss allowance for loans to customers	(162,659)	(118,943)	36.8%
Credit loss allowance for other transactions	(18,081)	(13,957)	29.5%
Total credit loss allowance	**(180,740)**	**(132,900)**	**36.0%**
Operating income after expected credit and non-financial asset impairment losses	**2,192,760**	**1,937,864**	**13.2%**
Cost of risk	**0.8%**	**0.7%**	**0.1 pp**

Operating expenses

In 2023, our operating expenses rose by 24.2% on a YoY basis. This growth was mainly driven by overall business growth, both in Georgia and Uzbekistan.

In thousands of GEL	2023	2022	Change YoY
Operating expenses			
Staff costs	(472,972)	(374,816)	26.2%
Allowance of provision for liabilities and charges	(155)	(2,200)	-93.0%
Depreciation and amortisation	(115,975)	(101,197)	14.6%
Administrative and other operating expenses	(269,825)	(213,107)	26.6%
Total operating expenses	**(858,927)**	**(691,320)**	**24.2%**
Cost to income	**36.2%**	**33.4%**	**2.8 pp**
Georgian financial services' cost to income	**31.9%**	**28.9%**	**3.0 pp**

Profit

In 2023, we delivered strong profitability and generated GEL 1,140.0 million in profit, up by 13.6% YoY, driven by strong core revenue growth and asset quality trends. Our Uzbek operations contributed GEL 59.3 million or 5% of the Group's 2023 profit.

The YoY decrease in income tax expense is mainly driven by a one-off tax charge in 2022, due to changes in the Georgian taxation model.

As a result, our ROE and ROA for full year 2023 were 26.5% and 3.9%, respectively.

In thousands of GEL	2023	2022	Change YoY
Profit before tax	**1,333,833**	**1,246,544**	**7.0%**
Income tax expense	(193,858)	(243,205)	-20.3%
Profit for the year	**1,139,975**	**1,003,339**	**13.6%**
ROE	**26.5%**	**27.0%**	**-0.5 pp**
Georgian financial services' ROE	**25.5%**	**26.0%**	**-0.5 pp**
ROA	**3.9%**	**3.8%**	**0.1 pp**
Georgian financial services' ROA	**4.0%**	**4.1%**	**-0.1 pp**

Funding and Liquidity

As of 31 December 2023, the total liquidity coverage ratio (LCR), as defined by the NBG, was 115.3%, above the 100% limit, while the LCR in GEL and foreign currency (FC) stood at 109.8% and 120.1%, accordingly, above the respective limits of 75% and 100%.

Over the same period, the net stable funding ratio (NSFR), as defined by the NBG, stood at 119.9%, compared to the regulatory limit of 100%.

	31-Dec-23	31-Dec-22*
Minimum net stable funding ratio, as defined by the NBG	100.0%	100.0%
Net stable funding ratio as defined by the NBG	119.9%	135.3%
Net loans to deposits + IFI funding	96.1%	88.5%
Leverage (Times)	6.8x	7.3x
Minimum total liquidity coverage ratio, as defined by the NBG	100.0%	100.0%
Minimum LCR in GEL, as defined by the NBG	75.0%	75.0%
Minimum LCR in FC, as defined by the NBG	100.0%	100.0%
Total liquidity coverage ratio, as defined by the NBG	115.3%	146.6%
LCR in GEL, as defined by the NBG	109.8%	164.2%
LCR in FC, as defined by the NBG	120.1%	135.9%

** The capital ratios for 2022 are calculated based on the local accounting standards*

Regulatory Capital for Georgian Bank

As of 31 December 2023, our capital ratios remained at a strong level and as a result, our CET1, Tier 1 and Total Capital ratios stood at 17.4%, 19.6% and 22.1%, respectively, above the minimum regulatory requirements by 3.1 pp, 3.0 pp and 2.3 pp, accordingly.

In thousands of GEL	31-Dec-23	31-Dec-22*
CET 1 capital	4,235,033	3,333,039
Tier 1 capital	4,772,913	3,873,439
Total capital	5,374,301	4,516,525
Total Risk-weighted assets	24,336,690	21,508,072
Minimum CET 1 ratio	14.3%	11.6%
CET 1 Capital adequacy ratio	17.4%	15.5%
Minimum Tier 1 ratio	16.6%	13.8%
Tier 1 Capital adequacy ratio	19.6%	18.0%
Minimum total capital adequacy ratio	19.8%	17.3%
Total Capital adequacy ratio	22.1%	21.0%

** The capital figures for 2022 are calculated based on the local accounting standards*

Loan portfolio

As of 31 December 2023, the gross loan portfolio reached GEL 22,073.7 million, up by 21.3% YoY or 21.2% on a constant currency basis.

By the end of December 2023, the Georgian financial services' loan portfolio increased by 19.2% on a YoY basis and reached GEL 21,257.7 million, with 18.6% growth on a constant currency basis. Over the same period, our Uzbek loan portfolio more than doubled, reaching GEL 796.9 million.

In thousands of GEL	31-Dec-23	31-Dec-22[1,2]	Change YoY
Gross loans and advances to customers			
Georgian financial services (Georgia FS)*	**21,257,692**	**17,839,697**	**19.2%**
Retail Georgia	**7,513,229**	**6,753,242**	**11.3%**
– GEL	5,000,607	4,374,224	14.3%
– FC	2,512,622	2,379,018	5.6%
CIB Georgia	**8,283,723**	**6,301,961**	**31.4%**
– GEL	3,061,811	2,455,229	24.7%
– FC	5,221,912	3,846,732	35.7%
MSME Georgia	**5,480,822**	**4,803,986**	**14.1%**
– GEL	2,868,942	2,627,760	9.2%
– FC	2,611,880	2,176,226	20.0%
Uzbekistan	**796,930**	**347,695**	**NMF**
– UZS	796,930	347,695	NMF
Total loans and advances to customers**	**22,073,679**	**18,204,971**	**21.3%**

** Georgia FS includes sub-segment eliminations*
*** Total gross loans and advances to customers include Azerbaijan loan portfolio*

	2023	2022[2]	Change YoY
Loan yields	**12.6%**	**11.6%**	**1.0 pp**
– GEL	14.9%	15.5%	-0.6 pp
– FC	8.5%	7.0%	1.5 pp
– UZS	42.3%	42.7%	-0.4 pp
Georgia FS	**11.8%**	**11.2%**	**0.6 pp**
– GEL	14.9%	15.5%	-0.6 pp
– FC	8.5%	7.0%	1.5 pp
Uzbekistan	**42.3%**	**42.7%**	**-0.4 pp**
– UZS	42.3%	42.7%	-0.4 pp
Total loan yields*	**12.6%**	**11.6%**	**1.0 pp**

** Total loans yields include Azerbaijan*

Loan portfolio quality

As of 31 December 2023, our asset quality metrics remained strong with NPL to gross loans at 2.0%, driven by strong portfolio performance in both Georgia and Uzbekistan. Over the same period our PAR 90 remained broadly stable for both Georgia and Uzbekistan.

Par 90	31-Dec-23	31-Dec-22	Change YoY
Georgia FS*	**1.1%**	**1.2%**	**-0.1 pp**
– Retail Georgia	0.8%	1.2%	-0.4 pp
– CIB Georgia	0.7%	0.4%	0.3 pp
– MSME Georgia	2.2%	2.2%	0.0 pp
Uzbekistan	**1.9%**	**2.0%**	**-0.1 pp**
Total PAR 90**	**1.1%**	**1.2%**	**-0.1 pp**

** Georgia FS includes sub-segment eliminations*
*** Total PAR 90 includes Azerbaijan*

Non-performing Loans (NPL)

in thousands of GEL	31-Dec-23	31-Dec-22[2]	Change YoY
Georgia FS*	**425,061**	**388,585**	**9.4%**
– Retail Georgia	127,102	146,167	-13.0%
– CIB Georgia	114,130	80,307	42.1%
– MSME Georgia	183,829	162,111	13.4%
Uzbekistan	**15,006**	**6,794**	**120.9%**
Total non-performing loans**	**440,750**	**397,444**	**10.9%**

** Georgian FS includes sub-segment eliminations*
*** Total non-performing loans include Azerbaijan NPLs*

1 The comparative numbers of portfolios for 2022 do not correspond to the portfolios shown in Note 29 to the financial statements, since they exclude the effects of standard re-segmentation.
2 Segmental numbers of 2022 do not correspond to the numbers disclosed in 2022, due to the updated methodology. For detailed information, please refer to Note 29.

NPL to gross loans	31-Dec-23	31-Dec-22[2]	Change YoY
Georgia FS*	**2.0%**	**2.2%**	**-0.2 pp**
– Retail Georgia	1.7%	2.2%	-0.5 pp
– CIB Georgia	1.4%	1.3%	0.1 pp
– MSME Georgia	3.4%	3.4%	0.0 pp
Uzbekistan	**1.9%**	**2.0%**	**-0.1 pp**
Total NPL to gross loans**	**2.0%**	**2.2%**	**-0.2 pp**

** Georgia FS includes sub-segment eliminations*
*** Total NPL to gross loans include Azerbaijan NPLs*

	31-Dec-23		31-Dec-22[2]	
NPL Coverage	Provision Coverage	Total Coverage***	Provision Coverage	Total Coverage***
Georgia FS*	**73.4%**	**142.2%**	**91.0%**	**153.2%**
– Retail Georgia	120.4%	179.5%	146.6%	190.3%
– CIB Georgia	46.9%	110.6%	57.9%	119.9%
– MSME Georgia	57.5%	136.0%	57.3%	136.2%
Uzbekistan	**222.3%**	**222.3%**	**184.0%**	**184.0%**
Total NPL coverage**	**79.8%**	**146.3%**	**93.7%**	**155.6%**

** Georgia FS includes sub-segment eliminations*
*** Total NPL coverage include Azerbaijan loans coverage*
**** Total NPL coverage ratio includes provision and collateral coverage*

Cost of risk

In 2023, our cost of risk (CoR) was within the expected range at 0.8%.

The CoR for our Georgian financial services remained stable YoY and stood at 0.7%, while CoR for our Uzbek business amounted to 6.0%, down by 0.8 pp on YoY basis, driven by improved portfolio quality.

Cost of risk (CoR)	2023	2022[2]	Change YoY
Georgia FS*	**0.7%**	**0.6%**	**0.1 pp**
– Retail Georgia	0.8%	1.4%	-0.6 pp
– CIB Georgia	0.1%	0.0%[2]	0.1 pp
– MSME Georgia	1.4%	0.5%	0.9 pp
Uzbekistan	**6.0%**	**6.8%**	**-0.8 pp**
Total cost of risk**	**0.8%**	**0.7%**	**0.1 pp**

** Georgia FS includes sub-segment eliminations*
*** Total cost of risk includes Azerbaijan CoR*

Deposit portfolio

The total deposit portfolio amounted to GEL 20,375.5 million as of end 2023, increasing by 13.0% YoY or 13.2% on a constant currency basis.

As of 31 December 2023, the Georgian financial services' portfolio increased by 11.8% on a YoY basis to GEL 19,900.3 million, with 11.7% growth on a constant currency basis. Over the same period, our Uzbek portfolio almost doubled and stood at GEL 581.5 million.

In thousands of GEL	31-Dec-23	31-Dec-22[1,2]	Change YoY
Customer accounts			
Georgia FS*	**19,900,342**	**17,799,899**	**11.8%**
Retail Georgia	**7,469,587**	**6,536,649[1,2]**	**14.3%**
– GEL	2,532,317	1,905,377	32.9%
– FC	4,937,270	4,631,272	6.6%
CIB Georgia	**10,200,321**	**9,249,232**	**10.3%**
– GEL	6,105,284	5,136,442	18.9%
– FC	4,095,037	4,112,790	-0.4%
MSME Georgia	**1,900,459**	**1,761,342**	**7.9%**
– GEL	1,052,675	908,024	15.9%
– FC	847,784	853,318	-0.6%
MOF	**515,079**	**412,442**	**24.9%**
– GEL	515,079	412,442	24.9%
Uzbekistan	**581,483**	**330,976**	**75.7%**
– FC	1,864	1,160	60.7%
– UZS	579,619	329,816	75.7%
Total customer accounts**	**20,375,498**	**18,036,533**	**13.0%**

** Georgia FS includes sub-segment eliminations*
*** Total customer accounts are adjusted for eliminations*

	2023	2022[2]	Change YoY
Deposit rates	**5.0%**	**3.9%**	**1.1 pp**
– GEL	8.3%	7.7%	0.6 pp
– FC	0.9%	0.9%	0.0 pp
– UZS	24.9%	24.1%	0.8 pp
Georgian financial services	**4.5%**	**3.6%**	**0.9 pp**
– GEL	8.4%	7.7%	0.7 pp
– FC	0.9%	0.9%	0.0 pp
Uzbek business	**24.9%**	**24.1%**	**0.8 pp**
– FC	4.2%	0.0%	4.2 pp
– UZS	24.9%	24.1%	0.8 pp
Total deposit rates*	**5.0%**	**3.9%**	**1.1 pp**

** Total deposit rates include MOF deposits*

1 The comparative numbers of portfolios for 2022 do not correspond to the portfolios shown in Note 29 to the financial statements, since they exclude the effects of standard re-segmentation.
2 Segmental numbers of 2022 do not correspond to the numbers disclosed in 2022, due to the updated methodology. For detailed information, please refer to Note 29.

APMs (based on monthly averages, where applicable)	2023	2022*
Profitability ratios:		
ROE	26.5%	27.0%
ROA	3.9%	3.8%
Cost to income	36.2%	33.4%
NIM	6.7%	6.0%
Loan yields	12.6%	11.6%
Deposit rates	5.0%	3.9%
Cost of funding	5.6%	4.9%
Asset quality & portfolio concentration:		
Cost of risk	0.8%	0.7%
PAR 90 to gross loans	1.1%	1.2%
NPLs to gross loans	2.0%	2.2%
NPL provision coverage	79.8%	93.7%
Total NPL coverage	146.3%	155.6%
Credit loss level to gross loans	1.6%	2.0%
Related party loans to gross loans	0.1%	0.1%
Top 10 Borrowers to total portfolio	6.2%	5.3%
Top 20 Borrowers to total portfolio	9.1%	8.3%
Capital & liquidity positions:		
Net loans to deposits plus IFI funding	96.1%	88.5%
Net stable funding ratio (NSFR)	119.9%	135.3%
Liquidity coverage ratio (LCR)	115.3%	146.6%
Leverage	6.8x	7.3x
CET 1 CAR (Basel III)	17.4%	15.5%
Tier 1 CAR (Basel III)	19.6%	18.0%
Total 1 CAR (Basel III)	22.1%	21.0%

** Capital ratios for 2022 are calculated based on the local accounting standards*

2023	Georgia FS	Uzbekistan	Group
Profitability ratios:			
ROE	25.5%	26.0%	26.5%
ROA	4.0%	7.9%	3.9%
Cost to income	31.9%	51.9%	36.2%
NIM	6.3%	22.4%	6.7%
Loan yields	11.8%	42.3%	12.6%
Deposit rates	4.5%	24.9%	5.0%
Cost of funding	5.2%	24.2%	5.6%
Asset quality & portfolio concentration:			
Cost of risk	0.7%	6.0%	0.8%
PAR 90 to gross loans	1.1%	1.9%	1.1%
NPLs to gross loans	2.0%	1.9%	2.0%
NPL provision coverage	73.4%	222.3%	79.8%
Total NPL coverage	142.2%	222.3%	146.3%

The detailed information about APMs is given on pages 410-414.

TAX STRATEGY

TBC is committed to complying with all applicable tax laws in all jurisdictions where TBC Group operates, including in the UK. In particular, we aim to pay the correct amount of tax within applicable time limits.

Our objectives are built around the following key principles:

- transparency;
- responsibility; and
- effective interaction with tax authorities.

We ensure that the management of tax risk and proper governance around our tax operations is supported by appropriately trained personnel who have clear responsibilities to identify, analyse, assess and manage tax risks.

TBC has robust tax risk management procedures in place which include risk review processes, internal assurances and, where necessary, discussions with tax authorities and/or consultations with reputable external advisors.

For more details, please view our tax strategy on our website at www.tbcbankgroup.com under the “ESG” section.

Risk management

OVERVIEW

The Group operates a strong, independent, business-minded risk management system. Its main objective is to safeguard the sustainable earnings capacity of the balance sheet on the basis of risk-adjusted returns through the implementation of an efficient risk management system. The Group has adopted four primary risk management principles to better accomplish its major objectives:

- **Govern risks transparently to ensure cross-functional, harmonised understanding and trust.** Consistency and transparency in risk-related processes and policies are preconditions for gaining the trust of multiple stakeholders. Communicating risk goals and strategic priorities to governing bodies and providing a comprehensive follow-up in an accountable manner are key priorities for the staff responsible for risk management;
- **Manage risks prudently to promote sustainable earnings growth and resilience.** Risk management acts as a backstop against unrewarded or even excessive risk-taking. Strong risk management with a well-established, forward-looking stress testing framework ensures the Group's sustainability and resilience;
- **Ensure that risk management underpins the implementation of strategy.** Staff responsible for risk management provide assurance on the feasibility of achieving objectives through risk identification and management. The risk management function provides a framework under which stakeholders are empowered to make risk-based decisions by identifying, quantifying, and adequately pricing risks. It also creates the conditions for formulating risk mitigation actions, thus supporting the long-term generation of desired returns and the achievement of planned targets;
- **Use risk management to gain a competitive advantage.** Providing tools for faster decision-making and supporting business operations, ensuring the sustainability and resilience of the business model, establishes risk management as a core component of the Group's competitive strategy.

Risk management framework

The Group 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 Group's overarching strategic objectives, the risk management framework establishes standards and objectives while delineating roles and responsibilities. The Group'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 Group's independent Risk function, the framework undergoes an annual review and approval process by the Board. It encompasses risk governance through the Group's three lines of defence operating model.

The Group'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 Group 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 Board Risk Committee on the Group's risk profile and performance as well as on the effectiveness of the Group's system of internal control.

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

GOVERNANCE

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

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 committees for effective handling. Responsibilities encompass aligning risk practices with strategic goals, setting 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 Group.

At the management board level, committees assume a crucial role in steering effective risk management within subsidiaries. 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. In cases where Group companies are of a smaller scale, risk committees may not be present, and the management board itself assumes these responsibilities.

Risk culture and three lines of defence

At the core of the Group's Risk Management Framework and practices is a robust risk culture that underscores the institution's commitment to prudent and strategic risk-taking. The Group 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 all the Group's subsidiaries include: Board leadership (the Board sets the tone and establishes a foundation for a risk-aware culture throughout the organisation); employee understanding and accountability (the Group ensures that employees at every level understand the institution's approach to risk and there is a clear understanding that individuals are accountable for their actions concerning risk-taking behaviors aligned with the Group's standards); communication (open, transparent, and effective communication is fundamental to the Group's risk culture); and remuneration incentives (the Group reinforces its risk culture by aligning remuneration incentives with sound risk management practices).

This holistic approach to risk culture ensures that the Group 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 Group 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 Group's objectives. A well-established risk culture is a foundation for 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 combinatory level of risk that the Group or its key subsidiaries are prepared to accept in pursuit of return and value creation consistent with the approved strategy. The Group's Risk Appetite Framework, which governs enterprise risk management, establishes the extent and process of permissible risk-taking to guide the Group's business outcomes.

Considering the ever-changing risk profile of the Group, the risk appetite frameworks of the Group and its key subsidiaries are regularly reviewed, updated, and approved by the Board to make sure they remain aligned with the Group's desired level of risk-taking.

Risk identification

The identification of risks serves as the foundational step in the Group's risk management process. This process systematically recognises and documents any potential direct or indirect risks that could impact the achievement of organizational objectives. It is imperative that this identification leverages input from the Group's lines of defence within the organisation as well as external stakeholders to ensure a comprehensive and anticipatory definition.

The risk identification process within the Group 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 Group places significant emphasis on a comprehensive approach to risk measurement, aligning with its commitment towards 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 minimizing the potential negative consequences of risks. To proactively approach every material risk, the Group 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 stands as a cornerstone within the Group's robust risk management framework. The Group and its subsidiaries are 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 as well as senior management.

Regular monitoring is essential to ensure compliance with established risk appetite and regulatory limits. It serves as a proactive measure to observe the evolution of the prevailing risk environment. The Group emphasises a structured approach to risk reporting, encompassing 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 Group is introducing its streamlined Integrated Control Assurance Framework, seamlessly aligning 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. The integrated view enables a collective audit asset database that is generated across first, second, and third lines of defence as well as regulatory and legal, 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, enhancing operational effectiveness within the framework. 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 Group to examine its financial performance under conditions that diverge from baseline expectations. For that reason, the Group subjects itself to various stress scenarios with the intent to identify vulnerabilities, quantify potential losses, and assess the sufficiency of risk mitigation measures. Currently, JSC TBC 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 either within predefined frameworks such as ICAAP, ILAAP and Recovery Planning, or/and on an ad-hoc basis to assess the impact of certain system-wide or idiosyncatic events on the Bank's capital, liquidity, and financial positions. Although the overall stress testing approach is consistent, the severity of the stress scenarios differ 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 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.

Material existing and emerging risks

Risk Management is a critical pillar of the Group's strategy. It is essential to identify emerging risks and uncertainties that could adversely impact the Group's performance, financial condition, and prospects. This section analyses the material principal and emerging risks and uncertainties that the Group faces. However, we cannot exclude the possibility of the Group's performance being affected by risks and uncertainties other than those listed below.

The Board has undertaken a robust assessment of both the principal and emerging risks facing the Group and the long-term viability of the Group's operations, in order to determine whether to adopt the going concern basis of accounting. For more information, please see the Going Concern and Viability Statements on pages 138-139.

PRINCIPAL RISKS AND UNCERTAINTIES

SPECIFIC FOCUS IN 2023

1. The Group'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 as well as further military escalation in the middle east, which could have a material impact on the operating environment in Georgia and Uzbekistan.

Risk description

The Group's performance is highly vulnerable to geopolitical developments in its two major operation markets – Georgia and Uzbekistan.

Although inflows to the Georgian economy are quite diversified, the country is still vulnerable to geopolitical and economic developments in the region. In particular, the Russian invasion of Ukraine, the consequent sanctions imposed on Russia and the resulting elevated uncertainties may have an adverse impact on 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 USD, higher oil prices, migration flows, etc.

While the migration effect continues to make an important contribution to economic activity, any sizeable outflow could lead to a deterioration in the business environment. The reverse would probably be the case in any rapid conflict resolution scenario, which would create positive economic spillovers as well, such as the likely stronger rebound of growth in Russia and Ukraine.

Moreover, the Russian invasion of Ukraine and related economic policy and geopolitical uncertainties pose a risk to the business environment in Uzbekistan, including but not limited to the geopolitical tensions in Central Asia.

Materialisation of these risks could severely hamper economic activity in Georgia and Uzbekistan, and negatively impact the business environment and client and customer base of the Group.

Risk mitigation

The Group 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 any 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 Board and the management through the process of recovery of the capital and/or liquidity positions within a prescribed timeframe.

2. The Group's operating region introduces financial crime risk.

Risk description

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 Group's specific focus in 2023 remained on managing sanctions risk.

Historically, Georgia has enjoyed close business relations with Russia and Ukraine. The aggression launched by the Russian Federation against Ukraine on the 24th of February 2022 resulted in a vigorous international response, which included the imposition of 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 specific sectors of activity and categories of goods and services in Russia, Belarus, Crimea, and other occupied territories. Leading countries are tightening and expanding the sanctions programme by extending some restrictions and adding new entities and individuals to their list. Moreover, as a consequence of the conflict, many Russian citizens have relocated to Georgia. Considering the level of interaction between the Group, 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 addition to the sanctions risk related to Russia, a significant increase in international shipping costs has exposed Georgia to the risk of financing of transshipments via Iran for its import and export activities with Asian countries, which is prohibited by the US government.

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

Risk mitigation

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

The Group has adopted a Group-wide 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 Group member companies, business activities and employees. Employees receive trainings on financial crime risk management. The employees are made aware of the Group's appetite for and approach to financial crime management as well as the potential consequences following the failure to comply with the financial crime policy.

The Group aims to protect its customers, shareholders, and society from financial crime and any resulting threat. The Group is fully committed to complying with applicable international and domestic laws and regulations related to financial crime as well as relevant legislation in other countries where Group member financial institutions operate. It has a long-standing ambition to meet the respective industry best practice standards.

The Group 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 Group'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; customer screening against a global list of terrorists, specially designated nationalities, 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 dedicated material resources to sanctions risk management. It has:

- Purchased software and databases that assist the Bank on sanctions risk mitigation;
- Engaged external advisers to produce recommendations on improvements in sanctions risk management;
- Engaged external audits to assess internal policies and procedures; and
- Empowered dedicated staff with the relevant, specific knowledge

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 Group and promotes a strong risk culture throughout the organisation. The Group 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 Group developed an anomaly detection tool to bring very complex cases to the surface, using client network analysis to identify organized 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. The Bank performs an enterprise-wide AML Risk Assessment annually, in line with the approved methodology. Overall, during the annual assessment, which took place in 2023, Group-wide residual risks for the year 2022 were assessed as medium. The Bank's Compliance Department addresses areas of attention in a timely and proper manner.

FINANCIAL RISKS

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

Risk description

Credit risk is the greatest material risk faced by the Group, given that the Group 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 Group'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 Group'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 groups of connected borrowers, or loan concentration in certain economic industries. Losses incurred due to credit risk may be further aggravated by unfavourable macroeconomic conditions.

Currency-induced credit risk (CICR) - While the Group's banking business in Uzbekistan is focused on lending in the local currency, 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 2023, 50.6% of the Group's total gross loans and advances to customers (before provision for loan impairment) was 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 2023, the average USD/GEL currency exchange rate strengthened by 9.9% year-on-year.

Concentration risk – Although the Group is exposed to single-name and sectoral concentration risks, the Group'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. At a consolidated level, the Group's maximum exposure to the single largest industry (real estate) stood at 9% of the loan portfolio as of 31 December 2023. At the same time, exposure to the 20 largest borrowers stood at 9.1% of the loan portfolio.

In addition, credit risk also includes counterparty credit risk, as the Group 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 Group is exposed to the risk of losses due to the failure of a counterparty bank to meet its obligations.

Risk mitigation

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 processes differ by segment and product type to reflect the diverse nature of these asset classes. The Group's credit portfolio is highly diversified across customer types, product types and industry segments, which minimises credit risk at the Group level. As of 31 December 2023, the retail segment represented 37.7% of the total portfolio, which was comprised of 56.8% mortgage and 43.2% non-mortgage exposures. No single business sector represented more than 9% of the total portfolio as of 31 December 2023.

Credit approval

The Group 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 standards, which also include significant currency depreciation buffers for unhedged borrowers.

Credit monitoring

The Group emphasizes 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 currency-induced credit risk, due to the high share of loans denominated in foreign currencies in the Bank's portfolio. The vulnerability to exchange rate depreciation is monitored in order to promptly implement an action plan, as and when needed. 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 utilise 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 Group is defined by the Risk Appetite Frameworks of the Group 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 Currency-Induced Credit Risk 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 Group to effectively navigate the changing credit risk landscape with resilience and agility.

Collateral management

Collateral is a key factor in mitigating credit risk, forming a large part of loan portfolios. TBC Bank accepts diverse collaterals like real estate, cash deposits, vehicles, equipment, inventory, precious metals, securities, and third-party guarantees, according to credit product type and the borrower's credit risk. A centralised unit of TBC Bank oversees collateral management, ensuring its adequacy in credit risk mitigation.

The collateral management framework includes policy-making, independent valuation, a haircut system during underwriting, monitoring (revaluations, statistical analysis) and portfolio analysis. Collateral Management & Appraisal Department (CMAD) complies the draft documents: collateral management policy (approved by the SB of TBC Bank Group PLC), collateral management procedures manual (approved by BoD of the 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 NBG 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 quality checks for valuations involves internal employee reviews and external company assessments. Collateral management activities are largely automated through a web-application.

Collections and recoveries

In managing credit risk, the Group activates collection and recovery procedures when clients miss payments or their financial standing deteriorates, threatening exposure coverage. This process begins after failed attempts at restructuring non-performing exposures. Specialised teams in each segment handle overdue exposures, creating loan recovery plans tailored to clients' specific situations and adhering to our ethical code.

Our collections processes involve supporting clients struggling to meet their obligations. The strategies depend on exposure size and type, with customised plans for different customer subgroups based on their risk levels. The goal is to negotiate with clients to secure cash recoveries through revised payment schedules as the primary repayment source. If acceptable terms are not reached, recovery may involve selling assets or repossessing collateral. Foreclosure may be initiated through legal processes if negotiation fails. Additional recovery strategies include sale of the portfolio and collaboration with external debt collection agencies.

These measures reflect our commitment to responsible credit risk management, safeguarding financial stability, and maintaining ethical standards within the Group.

Counterparty risk

To manage counterparty risk, the Group defines limits on an individual basis for each counterparty, while on a portfolio basis it limits the expected loss from both treasury and trade finance exposures. As of 31 December 2023, 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.

Measurement of expected credit losses

The Group's provisioning methodology is in line with IFRS 9 requirements. The methodology, along with a corresponding IT provisioning tool, was developed with support from Deloitte and representatives of the Group's risk, finance and IT departments.

The IFRS 9 models are complex and make it possible to incorporate expectations of macro developments based on predefined scenarios. The expected credit loss (ECL) measurement is based on four components used by the Group: (i) the probability of default (PD); (ii) exposure at default (EAD); (iii) loss given default (LGD); and (iv) the discount rate. The Bank uses a three-stage model for ECL measurement and classifies its borrowers in three stages:

- Stage I – the Bank classifies its exposures as Stage I if no significant deterioration in credit quality has occurred since the initial recognition, and the instrument was not credit-impaired when initially recognised;
- Stage II – the exposure is classified as Stage II if any significant deterioration in credit quality has been identified since the initial recognition, but the financial instrument is not considered credit-impaired; and
- Stage III – the exposures for which credit-impaired indicators have been identified are classified as Stage III instruments.
- The ECL amount differs depending on exposure allocation to one of the three stages:
- Stage I instruments – the ECL represents that portion of the lifetime ECL that can be attributed to default events occurring within the subsequent 12 months from the reporting date;
- Stage II instruments – the ECL represents the lifetime ECL, i.e. credit losses that can be attributed to possible default events during the whole lifetime of a financial instrument. Generally, lifetime is set equal to the remaining contractual maturity of the financial instrument. Factors such as the existence of contractual repayment schedules, options for the extension of repayment maturity and monitoring processes held by the Bank affect the lifetime determination;
- Stage III instruments – a default event has already occurred and the lifetime ECL is estimated based on the expected recoveries.

The Group actively reviews and monitors the results produced from the IFRS 9 models to ensure that the respective results adequately capture the expected losses.

2. 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 capital adequacy ratios.

Risk description

Capital risk is a significant focus area for the Group. Capital risk is the risk that a 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 Group's ability to continue as a going concern.

The Group'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 0.8 pp, 0.7 pp and 0.6 pp drop in JSC TBC Bank's CET 1, Tier 1 and Total regulatory capital adequacy ratios, respectively.

Risk mitigation

The Group's entities undertake 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 periodically. The latest regulatory stress test was performed in 2023.

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 amount of local currency fluctuation.

3. The Group inherently is exposed to funding and market liquidity risks.

Liquidity risk is the risk that the Group 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 Group 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 Group cannot easily offset or eliminate a position at the then-current market price because of inadequate market depth or market disruption.

While the Group 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 Group's future indebtedness.

Both funding and market liquidity risks can emerge from a number of factors that are beyond the Group'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 Group's business, financial condition, and results of operations and/or prospects.

Risk mitigation

The Group's liquidity risk is managed though the Board's Group 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 Group's Liquidity Risk Management Policy are met on a daily basis. The approved Liquidity Risk Management Framework ensures the Group meets it payment obligations under both normal and stress situations.

To mitigate the liquidity risk, the Group 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 Frameworks of the Group's relevant financial institutions, which set 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 ALCOs of JSC TBC Bank and JSC TBC UZ 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 gross loans divided by the sum of the total value of deposits and funds received from international financial institutions) stood at 96.1%, 88.5% and 100.9%, as of 31 December 2023, 2022 and 2021, 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.

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

Risk description

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 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 Group identifies, assesses, monitors, and communicates the risk arising from exchange rate movements and the factors that influence this risk.

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

The majority of the deposits and part of the loans offered by the Bank are at fixed interest rates, while a portion of the Group's borrowing is based on a floating interest rate. Since the interest margins on those assets and liabilities have different repricing characteristics, they may increase or decrease as a result of market interest rate changes.

Risk mitigation

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

FX Risk: To mitigate FX Risk, the Group 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 respective ALCOs of JSC TBC Bank and JSC UZ 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 heads of 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 swap transactions.

To assess currency risk, JSC TBC Bank performs a VAR sensitivity analysis on a regular basis. This analysis calculates the effect on the Group'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 2023 and 2022, this sensitivity analysis did not reveal any significant potential effect on the Group's equity: as of 31 December 2023, the maximum loss with a 99% confidence interval was equal to GEL 9.6 million, compared to a maximum loss of GEL 4.9 million as of 31 December 2022).

Interest rate risk: 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. Please see details in Interest Rate Risk in Note 38, Financial and Other Risk Management on page 375.

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 the 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 Group's interest rate margins provide a reasonable buffer to mitigate the effect of a possible adverse interest rate movement.

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

Risk description

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

In 2023, the robust 0.7 pp YoY growth in NIM to 6.7% was mainly driven by the growth in loan yields in Georgia and the expanding share of the Uzbekistan portfolio.

Risk mitigation

The Group continues to focus on the growth of fee and commission income, driven by increased efforts towards customer experience-related initiatives and innovative products in both the Georgian and Uzbekistani markets. This safeguards the Group from potential margin compressions on lending and deposit products in the future. Additionally, the scale-up of operations in Uzbekistan prevents a decrease in NIM on a Group level and ensures the diversification of income streams, aligning with the Group's profitability goals in compliance with the strategy and medium-term targets.

To meet its asset-liability objectives and manage the interest rate risk, the Group uses a high-quality investment securities portfolio, long-term funding, and derivative contracts.

6. The Group's performance may be compromised by adverse developments in the economic environment.

Risk description

A potential slowdown in economic growth in Georgia or Uzbekistan 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 Group's performance in various ways, such as exchange rate depreciation, a sizable decline in gold prices, 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 or Uzbekistan's neighbouring countries and main trading/economic partners could negatively affect their economic outlook through worsening current and financial accounts in the balance of payments (e.g. decreased exports, tourism inflows, remittances and foreign direct investments).

After two years of consecutive double-digit expansion, Georgian economic growth started to normalise, although it still remained strong at 7.5% in 2023. Normalisation was driven by a moderation in trade flows and remittances, which were affected by lower international commodity prices and broadly flat migrant inflows. At the same time, conventional tourism and FDIs remained resilient. Disinflationary movement in consumer price dynamics, mainly driven by the imports, led annual CPI growth to decelerate significantly, standing at 0.4% in December 2023. Resilient inflows enabled the GEL to continue appreciating in the first half of the year. The second half was characterised by normalisation towards the long-term trend. Accordingly, while the GEL exchange rate experienced some volatility throughout the year, currency inflows aided by central bank interventions in the second half of the year were sufficient to keep the rate broadly stable. The NBG remained hawkish and delivered only four cuts, reducing the monetary policy rate from 11.0% to 9.5%. Moreover, the central bank accumulated a substantial amount of reserves with a net purchase of USD 1,446 million in January-August 2023, causing gross international reserves to hit an all time high of USD5.3 billion. The NBG only switched to net sales in September, supplying USD 169 million to the market in the last four months of the year.

Uzbekistan, the second country of the Group's operations, also demonstrated solid economic activity with 6.0% real GDP growth in 2023. As in Georgia, inflation and central bank policy rate have also declined in Uzbekistan, from 12.3% and 15% in December 2022 to 8.8% and 14% in December 2023, respectively. External trade was strong as exports of goods increased by 25.4% and imports by 26.3% YoY. FDIs remained resilient while remittances experienced a significant drop in annual terms due to the high base effect primarily arising from the high share of Russia in remittances. The USD/UZS maintained its slight depreciation trend, standing at 12,338.7 at the end of December 2023. While depreciating against the USD, in terms of REER against Uzbekistan's main trade partners' currencies the UZS gained some value in the first half of the year and then remained broadly unchanged.

Risk mitigation

To decrease its vulnerability to economic cycles, the Group identifies cyclical industries and proactively manages its underwriting approach and clients within its Risk Appetite Framework. The Group 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 Group to promptly assess significant economic and political events and analyse their implications for the Group'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 stress testing and scenario analysis conducted during the credit review and portfolio-monitoring processes enable the Group to evaluate the impact of macroeconomic shocks on its business in advance. Resilience towards a changing macroeconomic environment is incorporated into the Group's credit underwriting standards. As such, borrowers are expected to withstand certain adverse economic developments through prudent financials, debt-servicing capabilities and conservative collateral coverage.

Taking into account the regional crisis, the Group adjusted its Risk Management Framework, leveraging its pre-existing stress testing practices. This included more thorough and frequent monitoring of the portfolio as well as stress testing, to ensure close control of changes in capital, liquidity, and portfolio quality in times of increased uncertainty.

For more details on the developments in the economies of the Group's operations in 2023, please refer to the Operating Environment section on pages 26-29.

NON-FINANCIAL RISKS

1. The Group is exposed to regulatory and enforcement action risk.

Risk description

The Group's activities are highly regulated and thus face regulatory risk. In Georgia, 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 Company's listing on the London Stock Exchange's premium segment, the Group became subject to increased regulations from the UK Financial Conduct Authority. In addition to its banking operations, the Group also offers other regulated financial services products, including leasing, insurance, and brokerage services. As a result of its expansion into Uzbekistan, the Group's regulatory compliance requirements have increased. Uzbekistan has a highly regulated banking environment.

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

Risk mitigation

The Group has established systems and processes to ensure full regulatory compliance, which are embedded in all levels of the Group's operations. The Group's "three lines of defence" model defines the roles and responsibilities for risk management.

The first line of defence is responsible for compliance risk, strongly supported by the Bank's compliance department as the second line of defence. 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 CEO. The Group's Audit Committee is responsible for ensuring regulatory compliance at the Board level.

The Bank's compliance programme provides compliance policies, trainings, risk-based oversight and ensures compliance with regulatory requirements.

The Bank's Compliance Department manages regulatory risk by:

- ensuring that applicable changes in laws and regulations are implemented by the process owners in a timely manner;
- participating in the new product/process risk approval process;
- conducting analysis of customer complaints, the operational risk event database, internal audit findings and litigation cases to proactively reveal process weaknesses; and
- conducting an annual compliance risk assessment (RCSA) of internal processes.

The Bank's Compliance Department ensures that all outcomes of the above mentioned analysis and processes are addressed in a timely and appropriate manner. Additionally, as a second line of defence the Compliance Department defines the risk metrics and monitors them at the frequencies defined by the Bank's Risk Appetite Framework. The Compliance Department is responsible for escalating breaches of defined limits to the relevant boards.

2. The Group is exposed to legal risk.

Risk description

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 one or more entities of the Group and/or its employees, business lines, operations, products and/or its services, and results from the failure of the Group to meet its legal obligations, including regulatory, contractual or non-contractual requirements.

Risk mitigation

The legal function as a second line of defence is an independent function hierarchically integrated with all the Group's legal teams. The Group'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 prevention) legal risks; and (b) interpreting the laws and regulations applicable to the Group's activities and providing legal advice and guidance to the Group. The management of the legal risks includes defining the relevant legal risk policies, developing Group-wide 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 Group. The legal risk profile and control environment are reviewed by management through business risk committees and control committees. The Group Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of legal risk management across the Group.

3. The Group's operational complexity generates risk that arises from inefficient and uncontrolled operations that could in turn adversely impact profitability and reputation.

Risk description

One of the main risks that the Group 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 Group 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 cyberattacks from an external party with the intention of making the Group's services or supporting infrastructure unavailable to its intended users, which in turn may jeopardize sensitive information and the financial transactions of the Group, its clients, counterparties, or customers.

Moreover, the Group 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 Group.

The operational risks discussed above are also applicable where the Group 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 Group.

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 Group, most frequently involving events related to banking cards, loans, and client phishing. Internal fraud events arise from actions committed by the Group's employees, although such events happen less frequently. During the reporting period, the Group faced several instances of fraud, none of which had a material impact on the Group'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.

Risk mitigation

To oversee and mitigate operational risk, the Group 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 Group, 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 Risk Committee of the Board.

The Group utillises the three lines of defence principle, where the operational risk management department serves as a second line of defence, responsible for implementing the framework and appropriate policies and methodologies to enable the Group to manage operational risks.

The Group 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 Group 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 Group's Risk Assessment Policy, which enables thorough risk evaluation prior to the adoption of new products, services, or procedures;
- The Group's Outsourcing Risk Management Policy, which enables the Group 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 Group 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 Group's Operational Risk Event Identification Policy, which enables the Group 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 Group's Operational Risk Awareness Programme, which provides regular trainings to the Group's employees and strengthens the Group's internal risk culture;
- The Group also utilises risk transfer strategies, including obtaining various insurance policies to transfer the risks of critical operational losses.

The Operational Risk Management Department has reinforced its risk assessment teams and methodologies to further fine-tune the existing control environment. The same applies to the set of actions aimed at homogenising operational risk management processes throughout the Group's member companies.

During the reporting period, one of the key operational risk management focus areas was the Risk and Control Self-Assessment (RCSA) exercise, under which the Group's top priority processes were reviewed and areas of improvement were identified.

Moreover, to further mitigate operational risks driven by fraudulent activities, the Group has introduced a sophiticated ditigal fraud prevention system, which analyses client behaviour 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.

4. The Group's digitally-oriented operational footprint faces a growing and evolving threat of cyberattacks.

Risk description

The Group's rising dependency on IT systems increases its exposure to potential cyberattacks. Given their increasing sophistication, potential cyberattacks may lead to significant security breaches. Such risks change rapidly and require continued focus and investment.

No material cyber-security breaches have happened at the Bank in recent years, however, one of the bank's software suppliers faced a ransomware attack. We received timely information about the incident and responded in accordance with our incident response procedures. After conducting thorough analysis and investigations, we confirmed that there was no risk to the Bank's infrastructure, software, or production services. While we investigated and responded to the incident, only some new feature development processes experienced delays. The development process was reinstated once we ensured that the vendors had fully resolved the incident and its root causes.

Risk mitigation

The Group has in place a comprehensive system in place to mitigate the risk of cyberattacks, as described below.

Threat landscape

In order to adequately address the challenges posed by cyberattacks, we are continuously analysing the Group'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 four are below:

- Attacks against internet facing applications and infrastructure;
- Software supply chain attacks;
- Phishing attacks against our customers; and
- Phishing attacks against our employees.

Our vision and strategic objectives

Information and cyber security are an integral part of the Group's governance practices and strategic development. The Group'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 maintain 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 optimize and automate security processes and provide security services seamlessly to the Group's business (where possible).

Our security in depth approach and cyber-resilience program

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
  - 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 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 Group 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 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.
- On top of all of the above, 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 penetration tests, which are conducted by our high professional internal team and reputable external third-party partners.

- On an annual basis we conduct:
  - An external audit of SWIFT Customer Protection Framework;
  - An external audit of the NBG's Cyber Security Framework, which is based on the NIST Cyber Security Management Framework;
  - External surveillance audits of ISO 27001;
  - Penetration tests against internet facing applications and critical infrastructure with 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.

5. The Group identifies risk in its growing dependence on data.

Risk description

In the domain of data management and data governance within the Group, two prominent risks are noteworthy, each presenting unique challenges to the preservation and efficacy of the Group's information assets. The first risk centres on the imperative need for data quality, a cornerstone for 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 Group confronts a second pivotal risk associated with outdated and sometimes obsolete infrastructure. Legacy systems, characterized 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 Group '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.

Risk mitigation

Mitigating these data risks requires a holistic and strategic approach tailored to the Group. To address the challenge of data quality, the Bank is adopting advanced data quality management systems, implementing data profiling techniques, and enforces 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 Group has embarked on a strategic and phased modernization approach. Investing in state-of-the-art technologies such as cloud computing and virtualization 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 Group is positioning itself to capitalise on emerging opportunities while effectively mitigating the risks associated with both compromised data quality and outdated technological foundations.

6. The Group is exposed to Model Risk.

Risk description

Statistical, machine learning and artificial intelligence models are increasingly used in key business processes due to the rapid adoption of big data technologies and advanced data modelling techniques. In line with regulatory guidance and best practices, the Group defines a model as a quantitative method, system, or approach that applies statistical, economic, financial, or mathematical theories, techniques, and assumptions to process input data into quantitative estimates. The Group has also developed model identification standards to operationalise the model definition.

Increasing reliance on models increases the need for proactive model risk management. The Group defines model risk as a risk of adverse consequences (e.g., financial loss, reputational damage, etc.) arising from decisions based on incorrectly developed, implemented, or used models.

Risk mitigation

The Model Risk Management (MRM) function is the second line of defence and is responsible for identifying, measuring, and managing model risk in the Group. MRM is organized around two components – governance and validation. The governance component of MRM develops and implements the policy, risk appetite and standards that define the roles and responsibilities of the different stakeholders and encompass all phases of the model lifecycle, from planning and development to initial model validation, model use, model monitoring, ongoing model validation and model retirement. It is also responsible for managing the model inventory and keeping model risk within the risk appetite. The validation component of the MRM is responsible for conceptual and technical model validations in line with the policy and standards developed and implemented by the governance component.

To mitigate model risk, the MRM function uses a risk-based approach during model validation processes. Model risk is identified during initial and ongoing model validations. Countermeasures to mitigate model risk and keep it within the risk appetite depend on the nature of the identified risk and can include actions like increasing validation frequency and/or depth, and calibration or redevelopment of the model.

7. The Group remains exposed to reputational risk.

Risk description

There are reputational risks to which the Group may be exposed, such as country risks related to international sanctions imposed on Russia in response to the war in Ukraine, relations with correspondent banks and international financial institutions. There are risks of phishing, other cybercrimes, and temporary service interruptions, which can be viewed as reputational risks due to the increasing digitalisation of services that the Group provides. There may also be isolated cases of anti-banking narratives in the mass media, which particularly intensify in the run-up to elections. However, most of these risks are not unique to the Group as they apply to the entire banking sector.

Risk mitigation

To mitigate the possibility of reputational risks, the Group works continuously to maintain strong brand recognition among its stakeholders. The Group follows all relevant external and internal policies and procedures and prevention mechanisms to minimise the impact of direct and indirect reputational risks. The Group monitors its brand value through public opinion studies and surveys and by receiving feedback from stakeholders on an ongoing basis. Dedicated internal and external marketing and communications teams actively monitor mainstream media and social media coverage on a daily basis. These teams monitor risks and develop prevention policies, risk scenarios, and contingency plans. The Group tries to identify early warning signs of potential reputational or brand damage in order to mitigate and elevate them to the attention of the Board before they escalate. A special Task Force is in place at the top management level, comprised of the management, strategic communications, marketing and legal teams to manage reputational risks when they occur. Communications and cyber security teams conduct extensive awareness-raising campaigns on cyber security and financial literacy, involving the media, the Banking Association of Georgia and Edufin (TBC's inhouse financial education platform), aimed at mitigating and preventing cyber threats and phishing cases.

8. The Group faces the risk that its strategic initiatives do not translate into long-term sustainable value for its stakeholders.

Risk description

The Group may face the risk of developing a business strategy that ensures sustained value creation, adapting to evolving customer needs, heightened competition, and regulatory restrictions. Additionally, uncertainties from economic and social disruptions, such as the ongoing war in Ukraine and the developing market in Uzbekistan, may hinder the Group's timely execution of its strategy, potentially compromising its capacity for long-term value creation.

Risk mitigation

To mitigate the combined risks from a local and international perspective, the Group employs a multifaceted approach.

The formation of our strategic portfolio is primarily driven by the Group's strategy to broaden and diversify our business revenue streams. Thorough curation is conducted in the execution of strategy involving the Board, the executive management, and middle management. These sessions serve as crucial checkpoints to ensure alignment with our strategic long-term objectives and our company's guiding principles that steer our course.

Moreover, monitoring of the performance of strategic projects extends to quarterly analyses and tracking of metrics used to measure strategy execution. In cases of significant deviations, corrective or mitigation actions are promptly implemented.

9. The Group is exposed to risks related to its ability to attract and retain highly qualified employees.

Risk description

As the Group 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 Group's objectives is vital. The situation calls for strategic planning in human resources to effectively manage this risk while supporting the Group's digital evolution.

Risk mitigation

The aim of the Group 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. To this end, the Group actively monitors the labour market both in Georgia and abroad, proactively recruiting the best candidates and expanding its networks of key personnel. 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 Group 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 loop. We give our staff an opportunity to grow and expand internationally. We have a Succession Planning Framework developed 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 Group.

Since 2019, our internal IT Academy has been a hub for tech education, offering courses in front-end and back-end development, DevOps, and other topics. These courses are available to both our employees and potential candidates at no cost. Led by experienced staff and industry professionals, the Academy has trained over 1,100 individuals from outside the organisation and 1,500 within it, bringing in 300 skilled professionals to TBC Group.

In 2023, our IT Academy launched a project in partnership with USAID focused on women's empowerment in the regional areas of Georgia. The project aims to train more than 700 participants, through nine newly designed courses. The IT Academy has also introduced an iOS Laboratory.

Candidates selected for courses have the opportunity to become highly paid professionals in the field of information technology by working on bootcamps, practical lectures, mentorship sessions and real projects under the guidance of leading specialists from JSC TBC Bank. Courses are updated through consultations with top management, which allows us to integrate the latest trends in the field into the teaching process.

The IT academy also enables the Bank to ensure the development of technological skills of existing employees, allowing them to transition into tech-based professions and digitize and automate their day-to-day work.

10. The Group is exposed to conduct risk.

Risk description

Conduct risk is defined as the risk of failing to achieve fair outcomes for customers and other stakeholders. The Bank's Code of Ethics serves as a moral compass for all staff and sets high ethical standards that each employee is required to uphold. The Bank's employees undertake and perform their responsibilities with honesty and integrity. They are critical to maintaining trust and confidence in its operations and upholding important values of trust, loyalty, prudence and care.

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

Risk mitigation

In managing conduct risk, the Bank entrusts different departments and divisions with carrying out the task of managing, mitigating, and eliminating conduct risk across all of the Bank's operations with clients and other stakeholders. The Compliance, Human Capital and Operational Risk departments cooperate to create a unified conduct Risk Management Framework and assist business lines and departments, in the following ways:

1. Developing and maintaining policies and procedures to ensure that individual employees and departments comply with regulatory provisions, best practices, the Code of Conduct, and the Code of Ethics;
2. Maintaining liaison with the Compliance Department, administering policies and procedures in conjunction with the compliance department and investigating complaints about the conduct of the department, its manager, or its employees;
3. The front-line employees of the organisation should ensure that product information is accurate and complete, and is conveyed both in writing and orally in a simple, understandable manner, regardless of the level of sophistication of the client;
4. Keeping records of client interactions and emails containing sensitive and sales-related information, such as information in relation to the acquisition of new clients and the formulation of complex product offers;
5. By providing periodic training to all employees regarding evolving compliance standards within the Group, we ensure that new employees are educated regarding proper conduct;
6. By creating a culture of openness that encourages employees to speak out without fear of punishment, we are preventing and detecting conflicts of interest, creating moral incentive programmes, creating bonuses, and achieving a risk-adequate incentive and disciplinary policy for the Group;
7. Investing considerable time and effort in investigating, analysing, implementing, and monitoring sales and after-sales activities, and putting proper conduct into the required job skills, which ensures that conduct risk is not just managed by risk management units, including compliance departments.

EMERGING RISKS

The Group recognizes its exposure to risks arising from climate change.

Risk description

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 could materialise through impaired asset values and the deteriorating creditworthiness of our customers, which could result in a reduction of the Group's profitability. The Group 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.

Risk mitigation

The Group has in place an Environmental and Climate Change Policy. The policy governs its Environmental Management System (EMS) and ensures that the Group'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 Group's lending process through the application of the EMS. The Group has developed risk management procedures to identify, assess, manage, and monitor environmental and social risks. These procedures are fully integrated in the Group's credit risk management process. To identify, assess and manage risks associated with climate change, the Group introduced an overall climate risk assessment and conducted a general analysis to understand the maturity level of the climate-related framework. The general analysis process covered assessment of the existing policies and procedures, identification of areas for further development, and gap analysis. Based on the analysis, the main focus areas were identified and reflected in the climate action strategy, considering the Group'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 2022, we advanced our TCFD framework further, especially in strategic planning and risk management, and performed climate stress testing. In 2023, we reviewed our climate stress testing model in order to consider new approaches, where available. Please see pages 140-164 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 Group's portfolio has strong collateral coverage, with around 75% of the loan book collateralised with cash, real estate, or gold. Since the collateral evaluation procedure includes monitoring, any need to change collateral values arises from our regular collateral monitoring process.

In June 2023, the Group released its full-scale sustainability report for 2022 in reference to 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 2022. It presents our endeavours to create value for our employees, clients, suppliers, partners, and society as a whole. The Sustainability Report 2022 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 Group 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 ESG strategy section on pages 38-40.

VIABILITY STATEMENT

The assessment of principal risks underpins the Viability Statement in the Directors' Report for 2023 (see pages 254-258). The assessment involved consideration of the Group's current financial position over three years of coverage ending 1 January 2027, which is relevant to the strategic considerations of the Group.

SELECTED REGULATIONS ON FINANCIAL RISKS

CAPITAL ADEQUACY

The Group'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 Group's ability to continue as a going concern.

The Group complied with all its internally and externally imposed capital requirements throughout 2023.

Georgian subsidiary – JSC TBC Bank

In December 2017, the NBG adopted amendments to the regulations relating to capital adequacy requirements. The changes include amendments to the regulation on capital adequacy requirements for commercial banks, and the introduction of new requirements (i) on additional capital buffer requirements for commercial banks within Pillar 2; (ii) on the determination of the countercyclical buffer rate; and (iii) on the identification of systematically important banks and determining systemic buffer requirements. The purpose of these amendments is to improve the quality of banks' regulatory capital and achieve better compliance with the Basel III framework.

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

In January 2023, the NBG made amendments to the systemic risk buffer calculation methodology. According to the new methodology, the current systemic risk buffer for JSC TBC Bank amounts to 2.5% and can be increased by 0.5% if the Bank's non-banking deposits market share in the previous three-month period exceeds 40%. The Bank must comply with the increased requirement in a 12-month period unless the average market share of the previous 12-month period falls below 40%.

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.

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

in thousands of GEL	31-Dec-23	31-Dec-22[1]	31-Dec-21[1]
CET 1 capital	4,235,033	3,333,039	2,759,894
Tier 1 capital	4,772,913	3,873,439	3,379,414
Tier 2 capital	601,388	643,086	723,513
Total regulatory capital	**5,374,301**	**4,516,525**	**4,102,927**
Risk-weighted exposures:			
Credit risk-weighted exposures	21,018,445	18,818,597	18,091,753
Risk-weighted exposures for market risk	69,880	86,250	21,981
Risk-weighted exposures for operational risk	3,248,365	2,603,225	2,103,895
Total risk-weighted exposures	**24,336,690**	**21,508,072**	**20,217,629**
Minimum CET 1 ratio	14.3%	11.6%	11.7%
CET 1 capital adequacy ratio	17.4%	15.5%	13.7%
Minimum Tier 1 ratio	16.6%	13.8%	14.0%
Tier 1 capital adequacy ratio	19.6%	18.0%	16.7%
Minimum total capital adequacy ratio	19.8%	17.3%	18.4%
Total capital adequacy ratio	22.1%	21.0%	20.3%

GEL volatility has been and remains a significant risk to the Bank's capital adequacy. A 10% GEL depreciation would translate into a 0.8pp, 0.7pp and 0.6 pp drop in the Bank's CET 1, Tier 1 and Total regulatory capital adequacy ratios, respectively.

Uzbekistan subsidiary – TBC UZ

In the management of capital, the Bank has the following objectives: compliance with the capital requirements established by the Central Bank of Uzbekistan (CBU) and, in particular, the requirements of the deposit insurance system; ensuring the Bank's ability to function as a going concern; and maintaining the capital base at the level necessary to ensure the compliance of the capital adequacy ratio with the requirements of the CBU. The compliance with the capital adequacy ratio established by the CBU is monitored monthly through the forecast and actual data, which contain the relevant calculations and are verified and vetted by the Bank's management.

As of 31 December 2023, the Bank met the requirements to regulatory capital set by Regulation On the Requirements for the Adequacy of the Capital of Commercial Banks No. 2693 dated July 6, 2015.

LIQUIDITY

The Group's objectives in terms of liquidity management are to maintain appropriate levels of liquidity to support the business strategy, meet regulatory and stress testing-related requirements, and safeguard the Group's ability to continue as a going concern.

The Group complied with all its internally and externally imposed liquidity requirements throughout 2023.

Georgian subsidiary – JSC TBC Bank

The Bank assesses LCR and NSFR per NBG guidelines, whereby the ratios are implemented by the NBG have more conservative approaches than those set by Basel III standards. The LCR enhsnces short-term resilience. In addi tion to the total LCR limit set at 100%, the NBG defines limits per currency for the GEL and foreign currencies (FC). To promote Larisation in Georgia, the NBG set a lower limit for the GEL LCR than that for the FC LCR.

The NSFR is used for long-term liquidity risk management to promote resilience over a longer time horizon by creating additional incentives for JSC TBC Bank to rely on more stable sources of funding on a continuing basis. The regulatory limit is set at 100%.

1 2022 and 2021 figures are shown in accordance with NBG accounting standards, as for this period local GAAP was in force.

As of 31 December 2023, the ratios were well above the prudential limits set by the NBG, as follows:

	31-Dec-23	31-Dec-22	31-Dec-21
Minimum net stable funding ratio, as defined by the NBG	100.0%	100.0%	100.0%
Net stable funding ratio as defined by the NBG	**119.9%**	**135.3%**	**127.3%**
Minimum total liquidity coverage ratio, as defined by the NBG	100.0%	100.0%	100.0%
Minimum LCR in GEL, as defined by the NBG	75.0%	75.0%	75.0%
Minimum LCR in FC, as defined by the NBG	100.0%	100.0%	100.0%
Total liquidity coverage ratio, as defined by the NBG	**115.3%**	**146.6%**	**115.8%**
LCR in GEL, as defined by the NBG	**109.8%**	**164.2%**	**107.7%**
LCR in FC, as defined by the NBG	**120.1%**	**135.9%**	**120.8%**

Uzbekistan subsidiary – TBC UZ

The regulatory framework established by the Central Bank of Uzbekistan (CBU) mandates specific liquidity ratios for financial institutions to uphold financial stability and mitigate potential risks. In compliance with these regulations, financial institutions are required to maintain a High Quality Liquid Assets/Total Assets ratio of 10%, ensuring a sufficient buffer of liquid assets to cover a proportion of their total assets.

Moreover, institutions are obligated to maintain a 25% Instant Liquidity Ratio, ensuring prompt liquidity availability for unforeseen financial obligations. Further reinforcing risk resilience, a liquidity coverage ratio (LCR) of ≥100% is mandated, requiring sufficient high-quality liquid assets to offset potential liquidity shortfalls during stress periods.

Complementary to these measures, financial entities must sustain a net stable funding ratio (NSFR) of ≥100%, highlighting the need for a stable funding structure over an extended time horizon to mitigate liquidity risks effectively. As of 31 December 2023, the Bank met the requirements set by the Regulator.

MARKET RISK

The Group's objectives in terms of market risk management are to support the business strategy, meet regulatory and stress testing-related requirements and safeguard the Group's ability to continue as a going concern.

The Group complied with all its internally and externally imposed market risk requirements throughout 2023.

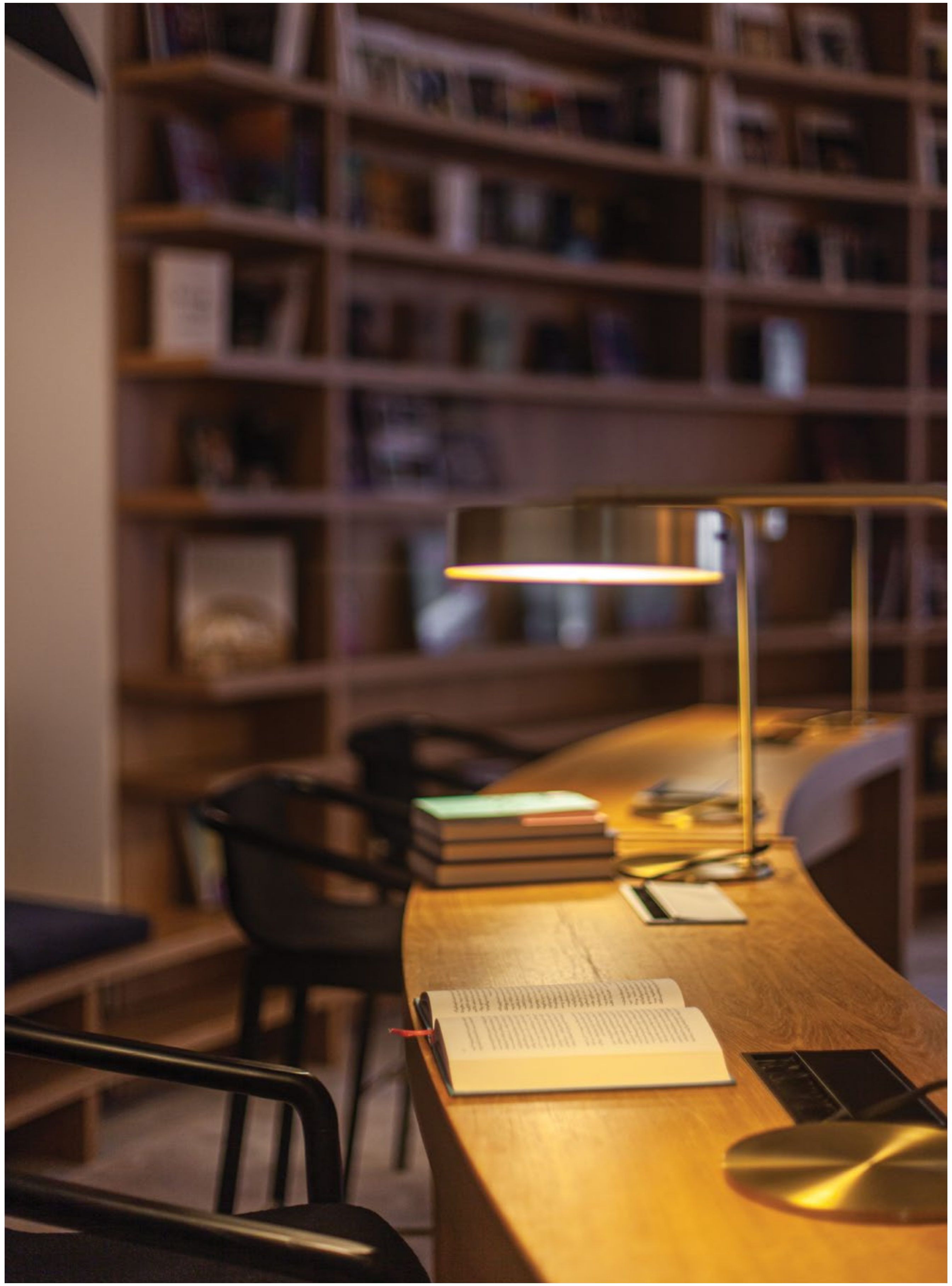
FX risk

JSC TBC Bank (Georgia) and TBC Bank Uzbekistan are required to maintain open currency positions in line with NBG's and CBU's limits respectively.

- The NBG requires the Bank to monitor both balance sheet and total aggregate (including off-balance sheet) open currency positions and to maintain the later one within 20% of the Bank's regulatory capital.
- CBU limits are set separately for aggregate OCP and for each foreign currency position at 15% and 10% of UZ TBC's regulatory capital respectively.

Interest rate risk

JSC TBC Bank (Georgia) assess interest rate risk from both the NII and Economic Value of Equity (EVE) perspectives. As per regulatory requirements, the Bank assesses the impact of interest rate shock scenarios on EVE and NII. According to NBG guidelines, the NII sensitivity under parallel shifts of interest rate scenarios is maintained for monitoring purposes, while EVE sensitivity is calculated under six predefined stress scenarios of interest rate changes, with the limit applied to the result of the worst case scenario. As of 31 December 2023, TBC Bank's EVE ratio stood at 7.34%, comfortably below the regulatory limit (15%).



Going concern and viability statement

GOING CONCERN

The Board has fully reviewed the available information pertaining to the Material Existing and Emerging Risks (as set out on pages 116-136), strategy (as set out on pages 32-34), financial health, profitability of operations, liquidity and solvency of the Group, performed stress testing exercise under different frameworks and determined that the Group's business remains a going concern. The Directors have not identified any material uncertainties that could threaten the going concern assumption and have a reasonable expectation that the Group has adequate resources to remain operational and solvent for the foreseeable future (which is, for this purpose, a period of 12 months from the date of approval of these financial statements). Accordingly, the accompanying financial statements are prepared in line with the going concern basis of accounting.

VIABILITY STATEMENT

In compliance with the Code, the Directors assessed the prospects of the Group and its viability over a three-year period beginning on 1 January 2024. The Directors determined the three-year period ending on 1 January 2027 to be appropriate, as it is consistent with the Group's standard planning cycle, covering financial forecasts and the strategic considerations of the Group. While assessing the viability of the Group and its operations, the Directors carried out a robust and thorough assessment of the Group's risk profile, including material existing and emerging risks that could cause a deviation in the Group's financial condition, operations and prospects from the expectations over the period of assessment. In assessing the Group's viability, the Directors mainly focused on JSC TBC Bank, since it represents the largest asset of the Group (94% share in the Group's assets, as of 31 December 2023) and it is the key income-generating subsidiary (95% of the Group's profit, as of the year ended 31 December 2023).

As part of their strategic planning, the Directors looked beyond this period and took into consideration, as far as possible, information from a variety of sources relating to local, regional and other, broader macro-economic, political, technological, social and environmental changes that could affect the Group's business and development. At this point, the Directors have no reason to believe the Group will not stay viable over the longer-term.

In addition, the Directors analysed the Group's ability to meet all regulatory requirements. The Directors' assessment considered all of the principal and emerging risks of the Group and the effectiveness of current and proposed mitigating actions. The key areas of focus were:

- The risk of economic and political instability and its impact on the Group's future performance;
- The risk of not meeting regulatory requirements, with a key focus on minimum capital adequacy;
- Foreign exchange rate risk, which is significant due to the high share of foreign currency in the Group's portfolio;
- The risk of decreasing net interest income and net interest margin as a result of increased competition and changing funding structure;
- Financial sanctions risk management due to the toughest economic sanctions imposed as a response to the aggression launched by the Russian Federation against Ukraine; and
- The risk of cyberattacks and the potential losses caused by them.
- A summary of all of the Material Existing and Emerging Risks to which the Group is exposed and the mitigating actions taken by the Group are set out on page 116-136.

THE GROUP'S STRATEGIC PLANS

While reviewing and analysing the Group's strategic plans, the Directors assessed all potential risks related to the strategic plans and the achievement of the Group's strategic objective, and ensured those risks were properly managed. The key focus areas were:

- The current business position and future prospects of the Group;
- The capital, funding and liquidity profile of the Group; and
- The availability and efficient use of respective human and technical resources.

Effectiveness of the Group's risk management framework, practice and internal control mechanisms

The Directors ensure that the Group's governance structure enables adequate oversight and accountability, as well as a clear segregation of duties. The involvement of all governance levels in risk management, the clear segregation of authority, and effective communications between different entities facilitate clarity regarding the Group's strategic and risk objectives, adherence to the established risk appetite, risk budget and sound risk management. The centralised ERM function of the Bank ensures effective development, communication and implementation of the risk strategy and risk appetite across the Group. The Directors have determined that the Group's risk management framework is adequate for managing the principal and emerging risks set out in the Annual Report and reducing their likelihood and impact, wherever possible. Having reviewed and analysed the information presented in this Annual Report, the Directors can confirm that they have a reasonable expectation that the Group will remain viable over the next three years up to 1 January 2027, and that the Group will be able to continue its operations and meet its liabilities as they fall due over the three-year period from 1 January 2024 to 1 January 2027.

STRESS TESTING

Stress testing is an essential tool in risk management at the Group. Subjecting an entity to various stress scenarios helps identify vulnerabilities, quantify potential losses, and assess the sufficiency of risk mitigation measures. Currently, JSC TBC 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 tests serving multiple purposes. They are performed routinely, under below-listed frameworks, or ad-hoc, to assess the magnitude of a certain stressful environment. The stress testing is performed for Internal Capital Adequacy Assessment Process, Internal Liquidity Adequacy Assessment Process, Regulatory stress and Recovery Plan, among other purposes.

Throughout 2023, stress scenarios focused on factors relevant to the prevailing risk environment, namely deterioration of the political environment in the region, cyberattacks, financial sanctions, and unfavorable changes in the economy.

The system-wide stress scenarios stressed all key macroeconomic parameters such as GDP growth, interest rates, currency exchange rates, unemployment, and real estate prices among others. For recovery plan stress scenarios are severe but plausible and covers the Bank's expectations of major macroeconomic parameters of the Georgian economy. According to the scenarios, GDP growth drops in the range of from -6% to -4.5%. GEL/USD rate was assumed in the range of 3.67 to 3.8. The employment rate drops are in the range of 3.5% to 4.2% and the real estate prices drop in USD by 30% to 40%.

Climate-related financial disclosures 2023

INTRODUCTION

This report sets out the Group's disclosures in relation to the implementation of the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) recommendations, in line with the UK Government's initiative to enshrine in regulations mandatory TCFD-aligned requirements for premium and standard-listed companies in the UK. The report includes climate-related disclosures to align with the TCFD recommendations, TCFD published guidance, and where appropriate, the supplemental guidance for the financial sector and the Financial Conduct Authority Listing Rules.

We set out below our climate-related financial disclosures, which are consistent with the TCFD recommendations and recommended disclosures. 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. Hence, we consider ourselves fully consistent with the TCFD requirements.

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 the progress made, notwithstanding the challenges that exist given the incompleteness and novelty of the data sets and the methodologies required for the Georgian environment, in which most of our activities occur. We expect the availability and reliability of the required data to improve over time, and we intend to integrate improved data into our reporting as it becomes available.

Below is the disclosure prepared by the Group considering the implementation of TCFD recommendations.

Recommended disclosure	– Short summary	Where to find
Governance		
a) Describe the organisation's governance around climate-related risks and opportunities		
Process, frequency, and training	– The Board of Directors (Board of Directors of TBC Bank Group PLC) approves and oversees the Group's ESG Strategy in order to address specifically 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 and Ethics Committee have been established at the Board level. – The ESG and Ethics Committee met four times during 2023. – The Board of Directors has established a diverse and comprehensive training agenda, which is reviewed annually.	Page 144
Committee accountability	– The Board of Directors retains the primary responsibility for overseeing the implementation of the strategy, as part of its commitment to having direct oversight over the Group's climate-related issues. – The role of the ESG and Ethics Committee has been formalised to support and advise the Board of Directors in its oversight of the implementation of: (i) strategy; (ii) policies; and (iii) programmes of the Company and its subsidiaries in relation to ESG matters, ensuring that the ESG strategy is implemented across all of the Group's relevant businesses.	Page 144
Examples of the Board and relevant Board committees taking climate into account	– Key topics covered in 2023 by the ESG and Ethics Committee are as follows: the Group's direct GHG emissions; a review of the Environmental and Climate Change Policy; a review of the Exclusion List and ESG risk appetite; and a review of the climate action strategy, including progress reports on TCFD implementation.	Page 144
b) Describe executive management's role in assessing and managing climate-related risks and opportunities		
Who is responsible for climate-related risks and opportunities	– Since March 2021, responsibility for climate change-related risks and opportunities have been assigned to the executive level ESG Committee.	Page 145
How management reports to the Board	– The ESG Committee's responsibilities also include the review and monitoring of climate-related risks and opportunities as well as the establishment of an effective mitigation and control system to manage identified (material) climate-related risks. The ESG Committee meets on a quarterly basis.	Page 145
Processes used to inform management	– The implementation of the ESG strategy is supported by the various organisational functions responsible for ESG matters: the Environmental and Social Risk Management Team, the ESG Department and the ESG competences centre – a working group initiated in order to support the enhancement of the TCFD framework. Furthermore, the Environmental Committee oversees the implementation and operation of the Environmental Management System. The ESG Department and Environmental and Social Risk Management Team regularly report to the Environmental Committee, which reports to the Chief Risk Officer.	Page 145
Strategy		
a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term - Page		
Short-, medium-, and long-term time horizons	– The time horizons considered in the assessment are short (0-3 years), medium (4-8 years), and long (over eight years). The levels of possible impact are classified as low, medium or high.	Page 147
Climate-related risks	– As a summary of the potential impact of the various transition risks and physical risks identified, the transitional risks in Georgia and on the TBC Bank's activities are low. – The 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, there is no material impact on TBC Bank's activities observable.	Page 147
Climate-related opportunities	– The main opportunity directions are energy-efficiency and renewable energy financing. However, we offer a wide range of other green and climate-related financing to our customers.	Page 149
b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning		

Recommended disclosure	Short summary	Where to find
Impact on strategy, business, and financial planning	– In 2023, we continued to incorporate climate and broader ESG considerations into our financial planning processes. The Group aligned loan portfolio growth planning with risks and opportunities in different business segments: retail, MSME and corporate. Furthermore, climate-related opportunities were address by economic sectors, as well.	Page 150
Impact on products and services	– The main opportunity directions are energy-efficiency and renewable energy financing. However, we offer a wide range of other green and climate-related financing to our customers.	Page 152
Transition plan	– In 2024, we will focus on the development of detailed transitional plans, which will be based on the results of measurement of the Group's performance against the Paris Agreement targets for the reduction of GHG emissions. We have contracted an international consultancy company and have developed a detailed scope of work covering the following: calculation of financed emissions, carbon reporting, Paris Agreement alignment, a decarbonization action plan, a carbon impact assessment methodology, carbon footprint assessments of selected customers, and building institutional capacity.	Page 150
c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario		
Scenarios used	– Multiple scenarios were used to explore different plausible scenarios and trade-offs and to gain a more holistic view of the risks: Below 2 °C, Net Zero 2050, Delayed Transition.	Page 153
Conclusions	– 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 effect cannot be observed sufficiently, as the average maturity of the TBC's loan portfolio is shorter than the time horizon of the climate stress testing which considers the period of the following 30 years. Furthermore, the climate stress tests show that the most vulnerable sectors are energy (non-renewable) and utilities and oil and gas, if the transition risks materialise. However, transition risk is rather low in Georgia.	Page 154
Risk Management		
a) Describe the organisation's processes for identifying and assessing climate-related risks		
Process	– TBC Bank has reviewed all of 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.	Page 154
Integration into policies and procedures	– TBC has a comprehensive Environmental and Climate Change Policy in place, which governs our Environmental Management System (EMS) and climate-related framework within the Group.	Page 154
b) Describe the organisation's processes for managing climate-related risks		
Process	– TBC Bank has developed E&S risk management procedures to identify, assess, manage, and monitor environmental and social risks which are fully compliant with Georgian environmental legislation and follow international best practices.	Page 157

Recommended disclosure	Short summary	Where to find
Decision-making	– Projects that are to be financed are classified according to E&S categories (low, medium, high and A category), based on analysis; where necessary, deep-dive analysis and due diligence are performed. When categorising the transaction in line with the E&S risk categories, priority is given to the higher risk.	Page 158
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management		
Integration process	– TBC Bank has developed E&S risk management procedures, which are fully integrated into the credit risk management process and are routinely applied to SMEs and corporate customers. – In 2023, TBC Bank finalized a pilot project which tested the ESG Profile Methodology on its top 20 corporate customers. The aim was to incorporate the ESG Profile scorecard in the overall risk management process.	Page 157
Metrics and Targets		
a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process		
Metrics used to assess the direct environmental performance	– GHG emissions, consumption of energy, water and paper	Page 161
Metrics used to assess the indirect impact	– Financed emissions – Sustainable portfolio	Page 162 Page 164
b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks		
Our own operations	– The summary of Scope 1, Scope 2, and Scope 3 GHG emissions (flights), 2023 targets versus actual results, as well as targets for 2024 are disclosed.	Page 161
Financed emissions	– Financed emissions - 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).	Page 162
c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets		
Targets set and progress	– GHG emissions (Scope 1 and Scope 2), water and paper – The total sustainable portfolio volume exceeded the 2023 target volume GEL 1.0 bln by GEL 233 mln. The target for 2024 is set at GEL 1.4 billion	Page 161 Page 164

DEFINING MATERIAL TOPICS FOR CLIMATE-RELATED FINANCIAL DISCLOSURES

The materiality of topics covered in the climate-related financial disclosures is informed by different factors: a) the climate-related topics which are included in the ESG Strategy of TBC; b) The stakeholder engagement results which process provides information about the issues that are most important and relevant to our stakeholders (the stakeholder engagement process is described in more detail on pp. 168); c) Furthermore, our disclosures are informed by regulatory disclosure rules as well as the expectations of international financial institutions and external ESG rating agencies. For certain topics as specified below, we also defined numeric materiality thresholds such as the share in total assets (3%) or the share in GHG emissions (40%), which are referenced in the respective parts of the disclosure. The ESG and Ethics Committee at board level and the ESG Committee at executive level, as well as the responsible organizational departments – ESG Department, Environmental and Social Risk Management Team, Enterprise Risk Management, Investors Relations and International Financial Markets Departments - regularly discuss emerging and existing topics that matter to our stakeholders and consider them in our ESG and climate action strategy.

1. GOVERNANCE

1.1. The Board's oversight of climate-related risks and opportunities

The Board of Directors (Board of Directors of TBC Bank Group PLC) approves and oversees the Group 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 and talent management, workplace diversity and inclusion. The Board of Directors retains the primary responsibility for overseeing the implementation of the strategy, as part of its commitment to having direct oversight over the Group's climate-related issues.

In January 2022, the Group established an Environmental, Social and Governance (ESG) and Ethics Committee at the Board level, as well as at the Supervisory Board (Supervisory Board of Joint Stock Company TBC Bank) level of the Company's main subsidiary, JSC TBC Bank, in line with the Company's "mirror boards" policy. This reflects the importance of sustainability in TBC's corporate governance and allows Board members to dedicate more time and attention to ESG topics.

The role of the Committee has been formalised to support and advise the Board of Directors in its oversight of the implementation of the: (i) strategy; (ii) policies; and (iii) programmes of the Company and its subsidiaries in relation to ESG matters and ensuring that the ESG strategy is implemented across all of the Group's relevant businesses. Furthermore, the ESG and Ethics Committee supports the Board of Directors in promoting its collective vision of values, conduct and culture and overseeing the efforts of the executive management (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 Board of Directors, which has overall oversight.

The ESG and Ethics Committee met four times during 2023 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. Key topics covered in 2023 by the ESG and Ethics Committee are 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, Human Rights Policy and Diversity, Equality and Inclusion Policy; review of the Exclusion List[1] and ESG risk appetite; review of the climate action strategy, including the progress reports on the TCFD implementation; the involvement of external consultants in the advancement of the climate-related topics; review of the TCFD reporting for the Annual Report 2022 and the Sustainability Report 2022; the ESG and climate-related training agenda for TBC staff; and the ESG Strategy 2024.

The Board of Directors is supported by the Risk Committee. For example, progress against the reporting metrics, such as the volume of the sustainable portfolio, is reported to the Risk Committee, which also received updates four times a year through the Chief Risk Officers' (CRO) report. In 2022, we elaborated on our ESG Risk Appetite and integrated it into our Risk Appetite Framework (RAF). The reporting started in June 2023. Furthermore, the responsibilities of the Audit Committee cover the review of annual reports, including TCFD reporting, as well as follow up on compliance through policies, procedures, and regulations.

The Remuneration Committee covered the ESG-related Key Performance Indicators of the executive management. Please see more details on the page 229.

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

1.2. Executive management's role

At the executive level, responsibility for climate change-related risks and opportunities is assigned to the ESG Committee, which was established by the executive management in March 2021 and is responsible for implementing the ESG strategy and approving annual action plans and separate, detailed action plans for key projects. The progress and implementation status of action plans are monitored at the ESG Committee's meetings. In 2023, the ESG Committee met four times and covered various climate-related topics: TCFD reporting; the TCFD implementation action plan; the ESG risk appetite, progress against the ESG Strategy targets such as the volume of the sustainability loan portfolio; the Environmental and Climate Change Policy; direct GHG emissions reports; 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 ESG Committee meets on a quarterly basis.

The implementation of the ESG strategy is supported by the various organisational functions responsible for ESG matters: a) the Environmental and Social Risk Management Team - responsible for the E&S risk assessment in lending, b) the ESG Department - coordinating and supporting the implementation of the ESG Strategy , and c) the ESG competences centre, which is a working group initiated in order to support the enhancement of the TCFD framework.

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

2. 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 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.

TBC Bank has reviewed all the operational activities, procured items and outsourced services that it can control (present and planned), and has identified all 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.

In 2020, TBC obtained an ISO 14001:2015 certificate for its Environmental Management System. In 2021 and 2022, TBC completed the re-certification process successfully. The renewal of the certificate for 2023 was conducted in December 2023 and was also completed successfully. More information about the Environmental Management System can be found in the Risk Management section of this chapter on pages 154-160.

In 2021, the Group developed and approved its ESG Strategy. In 2023, we updated our ESG Strategy in order to reflect the progress made during 2022 and adjust the targets and initiatives for future years.

1 List of activities which are excluded from financing.

Summary table on ESG Strategy progress during 2023:

2021 ESG Strategy target / initiative	2022 status	2023 status
Establish an ESG governance framework until the end of 2021	ESG governance framework established at both Board and executive management levels.	Enhanced ESG governance and achieve a higher maturity level.
Set up a system for measuring impacts on sustainability across the Group, customers, employees, and society	Regular reports on key parameters to the ESG-related Committees at Board and executive management level established.	Increased granularity and automation of reporting, regular reporting on climate-related risks, scenario analysis, stress testing, and ESG risk appetite.
Increase the sustainable portfolio	Target volume for 2022 was GEL 750 mln; Volume of GEL 782 mln was achieved.	Target volume for 2023 was GEL 1.0 bln; Volume of GEL 1.23 bln was achieved.
Group's Policy on Climate Change	Climate Change Policy developed and approved[1].	Development of sectoral guidelines – Climate Risk Radar of the NBG.
Green Taxonomy of the National Bank of Georgia	The National Bank of Georgia introduced the Green Taxonomy, developed in line with the best international taxonomies. The implementation process has been finalised.	The Green Taxonomy has been implemented.
Implementation of the green lending framework	Green lending procedure implemented.	Harmonisation of the green lending procedure and the Green Taxonomy of the National Bank of Georgia (NBG).
ESG profiles for corporate customers	The framework on ESG profiles for corporate customers developed.	Implemented for the existing Top 20 corporate customers.
Incorporation of ESG matters in risk appetite	Development of ESG risk appetite.	Regular reporting, monitoring and review established.
Increase customer loyalty, investor confidence and employee motivation	Establishment of ESG training framework for all TBC employees.	Measure ESG awareness among employees and customers. ESG Survey for investors.
ESG strategies in material subsidiaries	Separate ESG Strategies developed.	ESG Strategies implemented and supporting ESG function at the Group level established.
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 indirect environmental impact to also reach net zero.	A methodology to calculate financed emissions defined and the availability of necessary data analysed.	A methodology to calculate financed emissions based on the PCAF approaches has been developed and financed emissions have been calculated for six asset classes.

TBC Group's ambition is to be the leading supporter of ESG principles in Georgia and the wider region. We aspire to make our direct environmental impact net zero (Scope 1 and Scope 2 GHG emissions) by 2025 and to continue to develop our plan to enable our indirect environmental impact (Scope 3 emissions) to also reach net zero as soon as practicable thereafter.

Our long-term aspirations are supported by the different measures outlined in the ESG Strategy. The key components for 2024 and 2025 are listed below:

- Action plan for our direct net-zero target;
- Measure the Group's indirect performance against the Paris Agreement targets for the reduction of GHG emissions;
- Development of a long-term transition plan;
- Forecasting methodology and tools for supporting medium and long-term targets for GHG emissions reduction;
- Excluding/limiting high-carbon activities (Please see our Exclusion List – www.tbcbankgroup.com);
- Increase ESG awareness and knowledge of the risks and opportunities of climate change among employees, customers and the wider public;
- ESG Academy - green financing training courses for employees and customers;
- Implementation of IFRS S1 and IFRS S2.

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

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

2.1. Climate-related risks and opportunities

Climate-related risks

The table below contains a summary of potential transitional and physical risks identified by the Group for the Georgian environment. The second largest subsidiary of the group is TBC UZ which accounted for 2.5% of the Group's assets at end 2023. Considering that TBC UZ's business activities focus on the retail segment with a very low volume of the average exposure (USD 636), it is considered to be immaterial for the Group from a climate-risk perspective.

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 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.

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

1 Policy available at: www.tbcbankgroup.com

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

Furthermore, we employ the Methodology of the Risk Radar for Climate-related Risks[1], which was developed by the National Bank of Georgia (NBG) and can be applicable to the local context. This scoring system of the Climate Risk Radar has been applied for all sectors in Georgia classified as main sectors according to the NACE sector codes (Eurostat 2008). For the time being the highest score is 7, so there are no critical sectors yet identified in Georgia. However, some sectors (namely scores 7 and 6) need to be considered as potentially high risk and others (scores 4 and 5) render the portfolio vulnerable to climates risks[2]. The Risk Radar for Climate-related Risks gives a foundation for the assessment of the climate-related risks on a sectoral and customer level. We consider the Climate Risk Radar scores when addressing the risks and opportunities of climate-related activities. We developed our internal methodology of ESG profiles based on the Climate Risk Radar. More details are given in the section on the overall risk management process on pages 159. Furthermore, the opportunities related to climate-exposed sectors are given below in the section on climate-related opportunities on pages 151.

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

Georgia's 2030 Climate Change Strategy[3] and Climate Strategy Action Plan[4] lays out different policy measures on which TBC Bank based its identification of the potential impact of the policy measures on the different economic sectors that are financed by TBC. 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. The assessment considers that trade and services dominate the Georgian economy, and the policy measures outlined in Georgia's 2030 Climate Change Strategy will have a low overall impact on those economic sectors, especially in the short and medium term. Taking into consideration Georgia's status as a transitional and 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 products[5], 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 TBC 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 154-160.

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 healthcare[6].

The impact of acute and chronic physical risks on economic sectors which are financed by TBC Bank will materialise over time. For the Group, the risks can materialise through the impairment of asset values and the deterioration in the creditworthiness of customers operating in Georgia. Certain geographic areas and economic sectors, such as winter resorts and agricultural land, are already partially affected and might deteriorate further in the medium term. The overall assessment of the potential impact of acute and chronic risks on Georgia and on TBC Bank's activities is medium in a long-term perspective. Currently, there is no material impact on TBC Bank's activities 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.

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.

1 www.nbg.gov.ge - The NBG, in cooperation with German Sparkassenstiftung for International Cooperation (DSIK), has prepared a report on the Climate-related Risk Radar for Georgian Economic Sectors and its possible application for the Financial Sector. The report develops a climate risk scorecard for Georgian economic sectors and assesses the financial sector's exposure to the identified risky sectors.
2 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,
3 Georgia's 2023 Climate Change Strategy
4 2021-2023 Action Plan of Georgia's 2030 Climate Strategy
5 Key elements of the 2021 Biennial Exploratory Scenario: Financial risks from climate change | Bank of England
6 Georgia's Third National Communication to the UNFCCC

TBC'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 847 million out of GEL 1.23 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 respective business departments of TBC Bank. For 2024, the target volume of GEL 1.4 billion was approved by the Board of Directors.

Considering the existing potential of renewable energy production, TBC 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 2023, TBC attracted various green facilities from several long-standing international partners, such as EIB, EBRD, GGF, GCPF, FMO, and ProParco, totaling up to GEL 663 million.
- In addition, in 2022, after receiving accreditation from the Green Climate Fund (GCF) in 2021, TBC 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 TBC'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.
- TBC Bank has in place several guarantee facilities with a special focus on start-ups, women, and regional entrepreneurs. These risk-sharing instruments serve as a partial substitute for collateral and enable the Bank to increase access to financing for underserved target groups, granting them better growth and development opportunities.

2.2. Climate-related risks and opportunities on the businesses, strategy, and financial planning

In 2024, we will focus on the development of detailed transitional plans, which will be based on the results of measuring the Group's performance against the Paris Agreement targets for the reduction of GHG emissions. To support the elaboration process, we contracted an international consultant company, local and international experts and developed a detailed scope of work covering the following activities: calculation of financed emissions, carbon reporting, Paris Agreement alignment, decarbonization action plan, carbon impact assessment methodology, carbon footprint assessments of selected customers, and building institutional capacity. The technical assistance for the project is provided by the Global Climate Partnership Fund (GCPF).

Nevertheless, even in the absence of a detailed, holistic transition plan, we have already implemented several different measures to support our direct net-zero target:

- We have started to use renewable energy and installed solar power plants in two locations with a total capacity of 130 kW. Total investments equal to GEL 23 000. The plan is to increase the share of renewable energy up to 50% of our total electricity consumption in regions;
- We are gradually increasing the share of electric and hybrid cars in our car fleet, which is currently equal to 67%; total investment equals to GEL 914 900.
- Starting from 2022, we are installing energy-efficient heating / cooling systems in all newly renovated branches; total investments including construction works equal to GEL 2.15 million.
- During 2023, we renewed a part of the IT infrastructure and migration to the cloud with energy-efficient servers, that will reduce the respective portion of the electricity consumption by 10-15%.

In 2024, we are going to install 36 electric charger stations at our head office and other premises; the planned investments equal to GEL 450 000.

The total investments by end 2023 were GEL 3.54 million.

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 2023, we exceeded our strategic target of GEL 1.0 billion for the sustainable portfolio volume by 23 %, reaching GEL 1.23 billion.
- Acquired green funding from various international financial institutions is increasing every year. As of end 2023, it equals to GEL 663 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[1]	Climate Risk Score[2]	Product Catalogue
Agriculture	4.6%	4	7	Energy-efficiency loans Climate-smart technologies New irrigation systems
Automotive	1.3%	4	5	Hybrid and electric cars, Euro 5, Euro 6 and Euro 7 cars Energy-efficiency loans Industry autos
Construction	6.9%	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	4.7%	4	7	Renewable energy financing Charging stations for electric cars
Food Industry	5.4%	4	7	Energy-efficiency loans (warehouses, storage, appliances, cars)
Individuals	37.1%	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	9.5%	3	5	Energy-efficiency loans Renewable energy financing (solar panels)
Transportation	1.4%	3.5	6	Hybrid and electric cars, Euro 5, Euro 6 and Euro 7 cars, buses, trucks

In 2023, 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 financial planning cycle for 2023. In 2023, the Group aligned loan portfolio growth planning with the risks and opportunities in different business segments: retail, MSME and corporate.

As of the end of 2023, the sustainable portfolio of TBC Bank (which equals to GEL 1.23 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 TBC Bank's loan book	Share in the sustainable portfolio	Focus areas for financing in 2024
Retail segment	35%	1.1%	Energy-efficiency Electric and hybrid cars Mortgages Solar panels
MSME segment	26%	5.9%	Energy-efficiency Renewable energy Climate-smart technologies Hybrid and electric cars Industry autos
Corporate segment	39 %	93 %	Energy-efficiency Renewable energy Climate-smart technologies New irrigation systems Industry autos

In 2024, we will focus on integrating tailored transitions plans and Paris Agreement alignment considerations into the financial planning process and elaborating the respective methodologies and tools.

2.3. 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 2023, we continued working with an external consultant and upgraded our stress testing model covering different economic sectors in Georgia in order to capture the stress testing impact on the whole credit portfolio of TBC Bank.

Scenario Selection

Multiple scenarios were used to explore different plausible scenarios and trade-offs and to gain a more holistic view of the risks: Below 2° C (B2C)[3], Net Zero 2050 (NZ2050)[4], and Delayed Transition (DT)[5]. The selected set of scenarios spans across the timeframe from 2020 to 2050. The scenarios reflect different assumptions about the likelihood and timing of government actions, technological developments, and their spill-over effects on productivity. Each scenario combines assumptions related to: i) the introduction of a public policy measure (a higher carbon tax); and (ii) productivity shocks resulting from the insufficient maturity of technological innovations (higher energy prices), and the effects on investments in non-energy sectors. The input for scenario analysis comes from the GCAM model used

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

2 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 critical risk profile.

3 This scenario "Below 2° C" gradually increases the stringency of climate policies, giving a 67% chance of limiting global warming to below 2° C. This scenario assumes that climate policies are introduced immediately and become gradually more stringent, though not as high as in Net Zero 2050. CDR (Carbon Dioxide Removal) deployment is relatively low. Net-zero CO_2 emissions are achieved after 2070. Physical and transition risks are both relatively low.

4 Net Zero 2050 is an ambitious scenario that limits global warming to 1.5° C through stringent climate policies and innovation, reaching net zero CO_2 emissions around 2050. Some jurisdictions such as the US, EU and Japan reach net zero for all greenhouse gases by this point. This scenario assumes that ambitious climate policies are introduced immediately. CDR is used to accelerate the decarbonisation but kept to the minimum possible and broadly in line with sustainable levels of bioenergy production. Net CO_2 emissions reach zero around 2050, giving at least a 50 % chance of limiting global warming to below 1.5 °C by the end of the century, with no or low overshoot (< 0.1 °C) of 1.5 °C in earlier years. Physical risks are relatively low, but transition risks are high.

5 Delayed Transition assumes that global annual emissions do not decrease until 2030. Strong policies are then needed to limit warming to below 2° C. Negative emissions are limited. This scenario assumes new climate policies are not introduced until 2030 and the level of action differs across countries and regions based on currently implemented policies. The availability of CDR technologies is assumed to be low, pushing carbon prices higher than in Net Zero 2050. As a result, emissions exceed the carbon budget temporarily and decline more rapidly than in Well-below 2° C after 2030 to ensure a 67 % chance of limiting global warming to below 2° C. This leads to both higher transition and physical risks than the Net Zero 2050 and Below 2° C scenarios.

to derive the NGFS scenarios. The data was sourced from the NGFS Phase II database and the GCAM5.3 (GCAM-USA) model – an Integrated Assessment Model for the evolution of energy and socio-economic systems.

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

Scenario Implementation

To complement the output from the GCAM model, three additional transition channels have been included:

1. Increased Capex - Transitioning towards a decarbonised economy requires the replacement of "traditional" or carbon-intensive technology with sustainable technology[1]. These new technologies are more expensive, implying higher Capital Expenditure / Leverage/ debt-servicing burden for TBC's borrowers;
2. Direct Emissions - Energy prices are the main transition channel for a carbon tax, but direct emissions (own heating, own fuel use, livestock emissions, etc.) might also be taxed. Direct emissions are not captured by the energy-based IAMs;
3. Transition Winners - Certain sectors can be considered sector winners because they are likely to benefit from higher and accelerated investment cycles. Some of these include Construction, Automotive, Trade, and Manufacturing due to the move to carbon-light activities.

In terms of physical risk, the models and scenarios provided by NGFS were examined for physical risks. It was also preferred to be compatible with scenarios in transition risks. The available data sources made it appropriate only to use physical risk indicators for the REMIND-MAgPIE[2] model under the three scenarios (Current Policies, Net Zero 2050, and Delayed Transition). Next, two indicators of physical risk were chosen that were most relevant to Georgia, one of which was acute and the other, chronic. The first, "Annual Expected Damage from River Floods", was chosen as an acute risk indicator because Georgia's natural disaster history indicates that the most harmful, high risk physical event is flooding. "Mean Air Temperature" was chosen as a fundamental indicator of chronic risk.

The shocks which are used in climate stress testing calculations are derived from long-term shocks: The average shock between 2020 and 2050 (the shocks are defined for every 5-year period) was applied in order to calculate the climate stress effects. Thus, shocks considered in the calculations are much higher than the shocks which are defined for the following 10-15 years by stress testing model; it is to consider that the typical maturity of exposures at TBC is up to 15 years.

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

Conclusions

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

In the Delayed Transition scenario, the results differ slightly: climate shocks only impact the payment capacity of customers in the retail, Micro and SME segments insignificantly. Few corporate customers show negative trends, as the collateral value was not initially considered; however, after considering the collateral value, the results become 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 effect cannot be observed sufficiently, as the average maturity of the TBC's loan portfolio is shorter than the time horizon of the climate stress testing which considers the period of the following 30 years. It is worth noting, that the maximum maturity of a loan is limited to 15 years (with few exceptions) by the local regulator. Furthermore, the climate stress tests show that the most vulnerable sectors are energy (non-renewable) and utilities and oil and gas, if the transition risks materialise. However, as mentioned above, transition risk is rather low in Georgia.

3. Risk management

Processes for identifying and assessing climate-related risks

TBC 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 www.tbcbankgroup.com.

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. TBC 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.

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. More details on the Group's GHG emissions and targets are given in the section on metrics and targets on pages 161-162.

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. Therefore, as a first step, we looked at the largest subsidiary of the Group by assets, constituting 94% of the Group's assets – JSC TBC Bank. 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 Georgia[3]. 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.

1 According to the Sustainable Finance Taxonomy for Georgia.
2 The REMIND-MAgPIE framework couples the energy-economy model REMIND and the agricultural production model MAgPIE. The Integrated Assessment Model REMIND (Regional Model of Investment and Development) represents the future evolution of the world economies with a special focus on the development of the energy sector and its implications for our world climate. The Model of Agricultural Production and its Impact on the Environment (MAgPIE) is a global land use allocation model. It takes into account regional economic conditions such as demand for agricultural commodities, technological development, and production costs as well as spatially explicit data on potential crop yields, land, and water constraints.
3 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.

The sectoral distribution of the loan portfolio as of Q4 2023 is given in the table below.

Gross loans by sectors for standalone Bank	Total exposure (GEL in mln)	% of Gross Portfolio
Individuals	7900.4	37.1%
Real Estate	2020.0	9.5%
Construction	1471.1	6.9%
Trade	1340.6	6.3%
Hospitality & Leisure	1252.7	5.9%
Food Industry	1154.9	5.4%
Energy & Utilities	996.9	4.7%
Agriculture	988.5	4.6%
Healthcare	623.3	2.9%
Services	499.9	2.3%
Financial Services	345.4	1.6%
Transportation	302.0	1.4%
Automotive	282.8	1.3%
Oil and Gas	245.6	1.2%
Pawn Shops	208.2	1.0%
Metals and Mining	179.5	0.8%
Manufacturing	150.9	0.7%
Media & Publishing	104.7	0.5%
Communication	55.0	0.3%
NGOs and Public sector	1.3	0.0%
Government sector	0.1	0.0%
Other	1154.0	5.6%
Total Loans to Customers (Gross)	**21277.8**	**100.0%**

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 2023 is given in the table below.

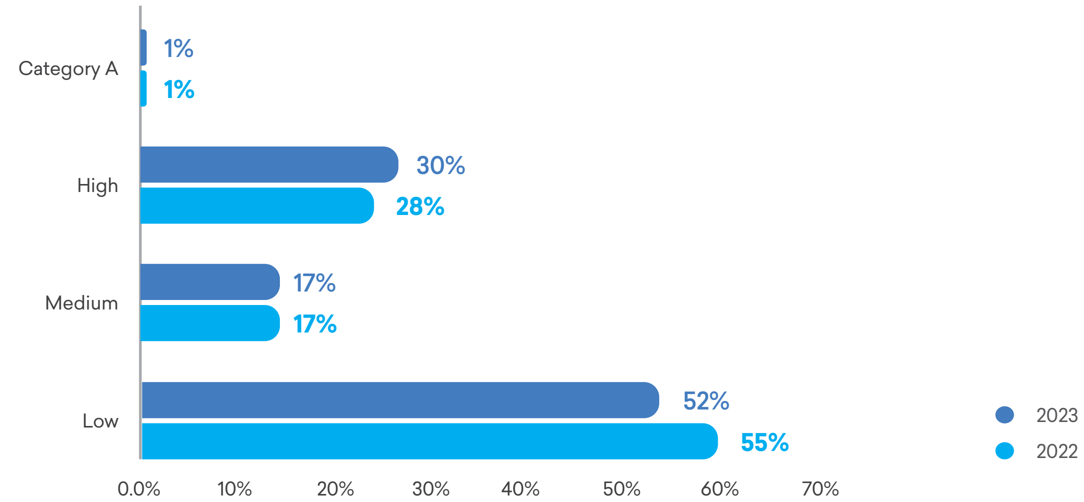
Client IFRS Sector Name	Total Exposure (GEL in mln)	%of Gross Portfolio	Volume of Loans <8y	Share of Loans <8y	Volume of Loans <15y	Share of Loans <15y
Healthcare	623.3	2.9%	459.8	73.8%	623.3	100.0%
Individual	7,900.4	37.1%	3,742.6	47.4%	7,078.9	89.6%
Hospitality & Leisure	1,252.7	5.9%	564.2	45.0%	1,251.2	99.9%
Manufacturing	150.9	0.7%	122.5	81.2%	150.9	100.0%
Metals and Mining	179.5	0.8%	147.1	81.9%	179.5	100.0%
Government sector	0.1	0.0%	0.1	100.0%	0.1	100.0%
Food Industry	1,154.9	5.4%	1,080.5	93.6%	1,154.9	100.0%
Media & Publishing	104.7	0.5%	98.0	93.6%	104.7	100.0%
Real Estate	2,020.0	9.5%	1,328.1	65.7%	2,020.0	100.0%
Services	499.9	2.3%	294.2	58.9%	499.8	100.0%
Transportation	302.0	1.4%	281.2	93.1%	302.0	100.0%
Agriculture	988.5	4.6%	834.1	84.4%	988.5	100.0%
Pawn Shops	208.2	1.0%	208.2	100.0%	208.2	100.0%
Trade	1,340.6	6.3%	1,165.0	86.9%	1,340.2	100.0%
Oil and Gas	245.6	1.2%	243.1	99.0%	245.6	100.0%
Automotive	282.8	1.3%	252.9	89.4%	282.8	100.0%
Communication	55.0	0.3%	54.6	99.3%	55.0	100.0%
NGOs and Public sector	1.3	0.0%	1.3	100.0%	1.3	100.0%
Construction	1,471.1	6.9%	1,279.8	87.0%	1,471.1	100.0%
Other	1,154.0	5.6%	842.1	73.0%	1,153.8	100.0%
Energy & Utilities	996.9	4.7%	453.4	45.5%	871.6	87.4%
Financial Services	345.4	1.6%	342.1	99.0%	345.4	100.0%
Total Loans to Customers (Gross)	21,277.8	100%	13,794.9	64.8%	20,328.8	95.5%

Processes for managing climate-related and environmental risks in lending

Since 2012, TBC Bank has had in place a process to consider environmental and social risk, which was established in line with industry guidelines, that aims to mitigate climate change. TBC Bank has developed E&S risk management procedures to identify, assess, manage, and monitor environmental and social risks 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. When categorising the transaction according to E&S risk category, priority is given to the higher risk. Additionally, external specialised companies are involved in the detailed assessment of E&S risks for A category projects, such as hydroelectric plants.

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

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



Low Risk – transactions with minimal or no adverse social or environmental impacts, which are not generally subject to further assessment (beyond their identification as such) 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 or environmental 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 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 or environmental impacts that may be diverse, irreversible, or unprecedented, the assessment of which usually requires inputs from independent external experts and may require the involvement of IFI E&S specialists in the due diligence assessment process.

In addition, we strive to make a positive contribution to the development of private companies and assist them in 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.

Starting in April 2022, TBC received support from the Technical Assistance Trust Fund (EPTATF)[1] through its Climate Action Support Facility (CASF) for Promoting Climate Action for SMEs in Georgia. The support from EPTATF comprised one year of consultancy services for the implementation of TBC's climate action strategy, provided by the Frankfurt School of Finance and Management, covering:

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

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

In 2023, we continued working with external consultants on following topics: financed emissions, our climate stress testing model, and measurement of Group's direct performance against the Paris Agreements targets.

ESG profiles for corporate customers

In 2023, TBC Bank finalized a pilot project which tested the ESG Profile Methodology on its top 20 corporate customers. The aim was to incorporate an ESG Profile scorecard in the overall risk management process. 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 the respective scores are assigned based on expert judgment.

The ESG profile consists of four main components:

1. Climate change – covering physical and transitional risks;
2. Environmental – covering environmental and social risks;
3. Social – covering diversity, employee benefits and equal/fair pay;
4. 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 decarbonization and transition plans. The ESG Profile Methodology is considered as being at an initial stage and will evolve in the future as far as knowledge, expertise within TBC, and the local regulatory framework for climate-related topics advance.

Other risk categories

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

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

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.

1 These services are financed through financial support from the EPTATF Trust Fund. Information given to the press or to any third parties, all related publicity material, official notices, reports, and publications shall acknowledge that the services are delivered "with funding by the Eastern Partnership Technical Assistance Trust Fund (EPTATF)." The Fund was established in 2010 with a view to enhancing the quality and development impact of the Bank's Eastern Partnership operations through the financing of pre-feasibility and feasibility studies, institutional and legal appraisals, Environmental and Social Impact Assessments for potential investments, project management support and capacity building for the beneficiaries during the implementation of investment projects, as well as of other upstream studies and horizontal activities. It focuses on four priority sectors: energy, environment, transport, and telecommunications with climate change and urban development as cross-cutting issues.

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;

In 2023, 98% of all staff, including senior management, successfully passed an online course and a self-evaluation test about TBC's EMS.

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

EXTERNAL COMMUNICATION

TBC pays significant attention to 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.

TBC Bank has successfully passed the third-year surveillance audit of the Environmental Management System, ISO 14001:2015. This means that TBC's Environmental System is managed in accordance with international standards and requirements. The renewal of the certificate for 2023 was conducted in December 2023 and was also completed successfully.

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

Since 2019, TBC Bank released its third full-scale Sustainability Report, which was prepared in accordance with Global Reporting Initiative (GRI) standards. The Sustainability Report helps the Company to understand its role and influence on sustainable development issues such as climate change, human rights, and social welfare. The report is available at www.tbcbankgroup.com.

4. Metrics and targets

The metrics used by the organisation 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 G&L Management LTD, an independent Health, Safety, and Environment (HSE) consulting 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 Scope 1, Scope 2, and Scope 3 (flights) GHG emissions, water and paper consumption, 2023 targets versus actual results, as well as targets for 2024.

Total GHG emissions (CO_2) (tonnes) and KPIs	Actual 2021	Actual 2022	Actual 2023	2023 target increase	Future target for 2024
Scope 1* Fuel Combustion (heating, vehicles, generators)	3,281	3,360	**3,373**	Below 6%	**Increase below 6%**
Scope 2 (Electricity consumption)	1,712	1,934	**1,809**	Below 7%	**Increase below 0.3%**
Scope 3 (International flights)	72	778	**2,129**	----	**Decrease -32%**
Total emissions (tCO_2)	**5,065**	**6,072**	**7,311**	Below 6%	**Decrease -7%**
Total emissions per full time employee (tCO_2/pp)	**0.56**	**0.60**	**0.68**	Below 2%	**Decrease -11%**
Water consumption per employee (m^3/pp)	9.11	8.1	**7.6**	Below 4%	**Decrease -1%**
Printing paper per person in reams	12.05	10.78	**10.17**	Below 5%	**Decrease-3.7%**

*** Scope 1:**

a. 1,490 CO_2e emissions in tonnes (from combustion of fuel (NG) from owned operation and facilities of TBC) in 2023 compared to 1,689 tCO_2e in 2022 and 1,581 tCO_2e in 2021.
b. 1,736 CO_2e emissions in tonnes (from owned vehicles of TBC) in 2023 compared to 1,556 tCO_2e in 2022 and 1,596 tCO_2e in 2021.
c. 147 CO_2e emissions in tonnes (from owned generators of TBC) in 2023 compared to 115 tCO_2e in 2022 and 104 tCO_2e in 2021.

Intensity Ratio	2021	2022	2023
Revenue (tCO_2/US$)	0.000011	**0.000008**	**0.000008**
EBTDA (tCO_2/US$)	0.000016	**0.000012**	**0.000013**
Net profit (tCO_2/US$)	0.000020	**0.000017**	**0.000017**

Compared to other companies listed in the United Kingdom, the Group is a low energy user in the United Kingdom and does not consume more than 40,000 kWh of energy. Therefore, it is a voluntary disclosure.

Energy consumption in kWh	2023
The annual quantity of energy consumed from activities for which the Group is responsible, including:	
The combustion of fuel	602,324
The operation of any facility	7,377,902
The annual quantity of energy consumed resulting from the purchase of electricity, heat, steam or cooling by the Company for its own use.	16,618,415

Scope 1 - In 2023, this indicator increased only by 0.4% compared to 2022 at the Group level and remained significantly below the target level of an increase of 6%. The decrease was mainly related to the measures implemented by TBC Bank which are listed on the page 151 of the chapter.

Scope 2 – In 2023, total electricity consumption decreased by 6% compared to 2022 at the Group level and remained significantly below the target level of an increase of 7%. The decrease was mainly related to the measures implemented by TBC Bank which are listed on the page 151 of the chapter.

Scope 3 – In 2023, business flights increase by 174% at the Group level. The main contribution comes from an one-off marketing project which considered supporting the Georgian National Rugby team at the Rugby World Championship 2023 in Paris.

Overall, total emissions increased by 20% in 2023 compared to 2022 levels, while total emissions per full time employee increased by 14.3% over the same period.

In 2023, water consumption per employee decreased by 6% year-on-year, while usage of printing paper went down by 4.7%.

Calculation methodology

To calculate the GHG inventory, we took the following steps: we set the organisational boundaries, established the operational scope, and developed a structured approach for data collection and the calculation of carbon dioxide (CO_2) equivalent. This report describes all emission sources required under the Companies Act 2006 (Strategic Report and Directors' Reports) Regulations 2013 (Scope 1 and 2) and, additionally, the emissions under Scope 3 that are applicable to the business. In preparing emissions data, the UK Government's Greenhouse Gas Conversion Factors for Company Reporting 2017 and National IPCC emission factors for electricity (tCO_2*/MWhe) were used. The required data were collected, and a report was generated for TBC Bank's main activities, as follows:

Scope 1 (the combustion of fuel and operation of facilities) includes emissions from the combustion of natural gas, diesel and/or petrol in equipment at TBC Bank's owned and controlled sites, including the combustion of petrol, diesel fuel, natural gas etc. in TBC 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 TBC Bank-owned and controlled sites. To calculate the emissions, the conversion factor for National IPCC emission factors for electricity (tCO_2*/MWhe) was used.

Scope 3 includes emissions from 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: www.atmosfair.de.

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

7 categories are considered to be not relevant, as TBC Bank does not engage in these activities; other 6 categories are assessed to be 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: financed emissions constitute more than 40% of the total GHG emissions (indirect impact), while business travels are considered to be material due to their increasing share since 2021, which was above 30% in 2023.

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 2023.

N.	Asset Type	Financed GHG Emissions GgCO2e/y
	TOTAL	3,166.70
1	Listed Equity and Corporate Bonds	61.3
2	Business Loans and Unlisted Equity	2,856.60
3	Project Finance	-15.1
4	Commercial Real Estate	2.3
5	Mortgages	30.4
6	Motor Vehicle Loans	0.9
7	Sovereign Debt	230.3

Calculation methodology

- Listed Equity and Corporate Bonds - consists of securities for which verified emissions data are available
- Business loans[1]-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 l mortgages
- Motor vehicles - consists of all car loans
- Sovereign debts[2]- consists of all sovereign papers which are on the balance of TBC Bank SA.

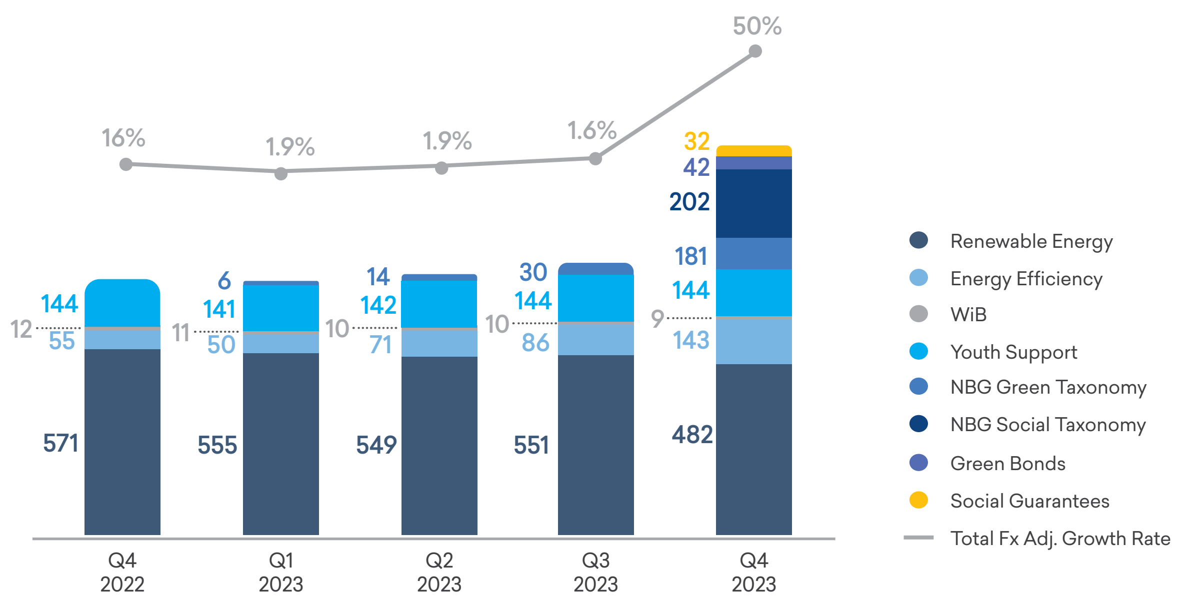
It should be noted that the data we have used for calculation of financed emissions is the best available at the current stage, notwithstanding the challenges that exist given the incompleteness and novelty of the data sets and the methodologies required for the Georgian environment, which most of our 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 the overall ESG strategy, which is reviewed and approved by the Board of Directors annually. The ESG strategy sets aspirational targets, such as net-zero GHG emissions[3] (Scope 1 and Scope 2 GHG emissions) related to the direct environmental impact by 2025 and an increase in the sustainable portfolio, which consists of renewable energy loans, energy efficiency loans, and financing with social components, etc. As of Q4 2023, the total sustainable portfolio[4] stood at GEL 1.23 billion, which exceeds the 2023 target volume of GEL 1.0 billion by GEL 233 million. The target for 2024 has been set at GEL 1.4 billion.

1 www.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).
2 The calculation methodologies for the other six 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.
3 Please refer to the definitions of Scope 1, Scope 2 and Scope 3 on the page 161.
4 Our sustainable loan 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 categorized based on the Social Taxonomy of the National Bank of Georgia, d) green loans which are assessed based on criteria defined by the Green Taxonomy of the National Bank of Georgia (www.nbg.gov.ge).

Sustainable portfolio development



During 2023, our renewable energy portfolio impact (avoided GHG emissions) amounted to 7 681.18 tCO_2/a 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 financed by the European Union under the EU4Energy Initiative.

From 2022 onwards, ESG-related KPIs are included in the long-term incentive plans for executive remuneration. The executive management KPIs are linked to the target volumes of the sustainable portfolio and other sustainable assets. For more details, please see the Remuneration Committee Report, page 229.

Non-financial and sustainability information statement

We are continuously improving our disclosures in line with emerging trends to promote environmental, social, and governance (ESG) principles within our Group and the communities in which we operate, demonstrating our commitment to fostering these values. We recognise the potential implications of Corporate Sustainability Reporting Directive (CSRD) legislation to UK companies and will continue to be mindful of developments in this area, and as the wider ESG regulatory landscape continues to evolve.

We also continue to comply with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006.

The table below summarises the references to the non-financial matters described in the Strategic Report. The policies mentioned below are available at www.tbcbankgroup.com under ESG tab.

Reporting requirements	Relevant policies	Section of the annual report 2023
Environmental matters	– Environmental and Climate Change Policy	– ESG strategy, page 38
Climate-related matters	– Environmental and Climate Change Policy	– Climate-related Financial Disclosures, page 140
Employees	– Code of Conduct and Ethics – Diversity, Equality and Inclusion Policy – Incident Response Policy (whistleblowing policy)	– Colleagues, page 90
Social matters		– Community, page 98
Human rights	– Human Rights Policy – Global Data Protection Policy	– Ethical Standards, Responsible Conduct and Safety at Work, page 94
Anti-corruption and anti-bribery matters	– Code of Conduct and Ethics – Anti-Financial Crime Policy	– Ethical Standards, Responsible Conduct and Safety at Work, page 94 – Non-financial Risk Management, page 125
Description of the business model		– Business Model, page 30
Description of principal risks and impact on business activity		– Material Existing and Emerging Risks, page 116
Non-financial key performance indicators		– Key Performance Indicators, page 34

Further information on non-financial and ESG matters can be found within our sustainable report available at www.tbcbankgroup.com under ESG tab.

Stakeholder engagement

Stakeholder engagement & s172 statement

We put the balance of stakeholder interests and the long-term interests of the Group at the heart of all our decision-making

THE BOARD'S ROLE

As set out in Section 172 ("s172") of the Companies Act, the role of the Board is to promote the long-term sustainable success of the Company, generating long-term value for shareholders and making a positive contribution to wider society. The Board recognises the importance of ensuring that the interests of all parties that have a stake in the Company are factored into our decision-making process, both as a general principle and as part of each Director's s172 duty under the Companies Act 2006. The Board's decisions can have a significant impact on one or a number of its stakeholder groups, and it is therefore important to engage with those groups in a way that helps and supports an understanding of the potential wider, long-term impact of those decisions.

STAKEHOLDERS

As it has done in previous years, the Board continues to identify the Group's customers, employees, and investors, as well as the community and the environment it operates in, as its primary stakeholders.

STAKEHOLDER ENGAGEMENT

In 2023, the Board considered the provisions of the UK Corporate Governance Code 2018 in respect of stakeholder engagement, and the duties of each Director to take into account the Company's stakeholders and the long-term interest of the Company in accordance with s172 of the Companies Act 2006. The Company communicates with its stakeholders through a range of channels. The Board is informed of these engagement activities and the key themes arising from such engagement via a number of ways. This is set out in more detail on the following pages.

During the year, the Chairman ensured that the Board received the necessary information on issues affecting its key stakeholders and had adequate time to discuss these issues at its meetings. The Chairman set up the Board's annual schedule of work and detailed agendas for each meeting specifically to incorporate stakeholder considerations when making decisions.

It is important for all members of the Board to gain sufficient understanding of the issues relating to each of the key stakeholder groups. Board members are invited to provide updates during Board meetings on any engagement that they have had with stakeholders. The Chairs of the Committees are also given a standing agenda item to update the Board on the views and recommendations made by the relevant Committee.

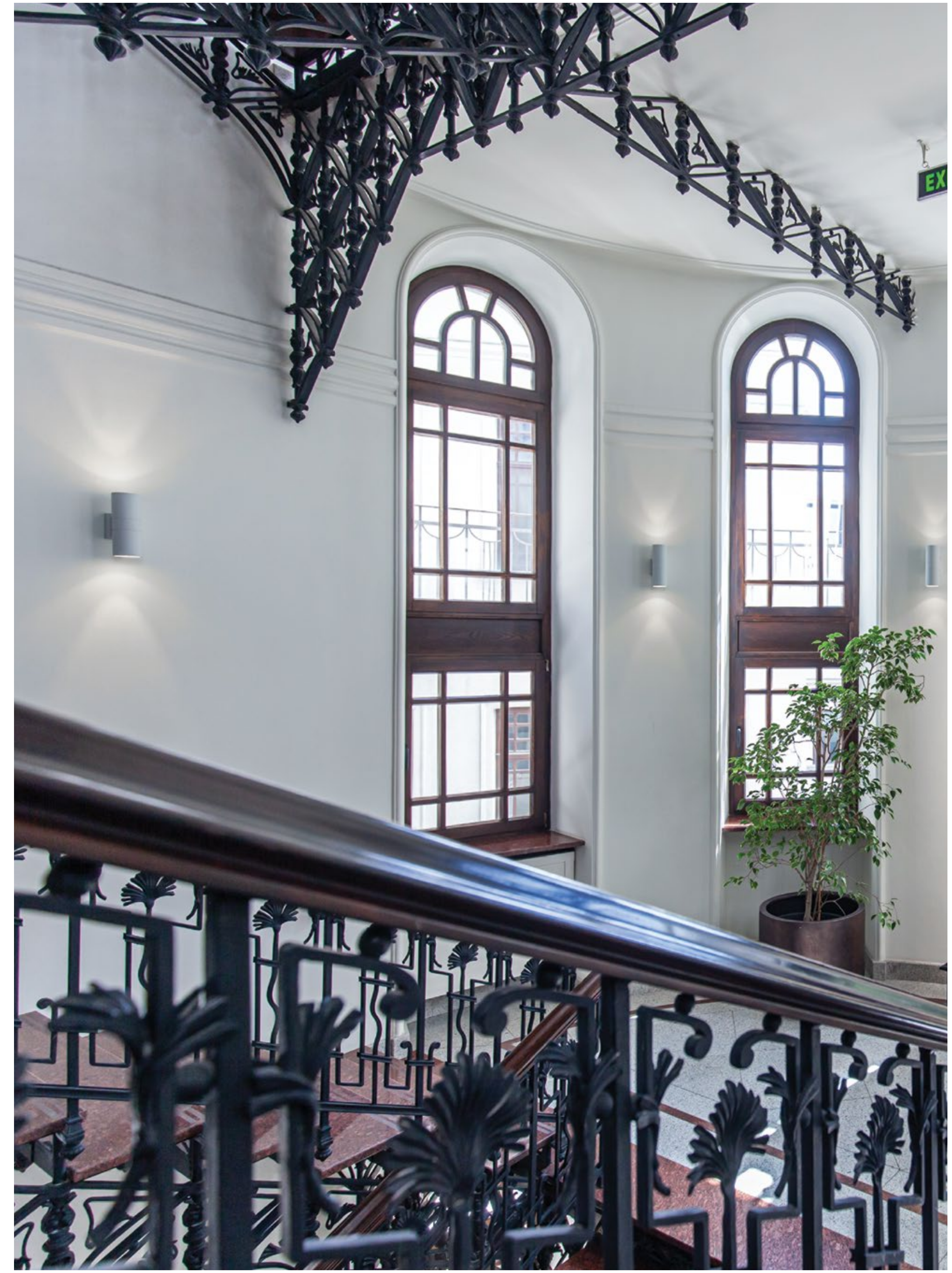
In addition to ensuring that stakeholder interests are clearly presented in Board materials and considered during the decision-making process, the Board organised and attended meetings in Georgia to engage directly with the Company's employees on-site. During the Board's meetings in Georgia and Uzbekistan, and when using online platforms, the Directors also engaged with and considered the interests of the Company's other stakeholders, including engaging with the National Bank of Georgia, the regulating entity of the Company's biggest subsidiary, JSC TBC Bank. The Company continues to foster its stakeholder engagement programme to ensure that the Board has had regard to its duties under s172. As explained in the Governance Report on pages 187, 193 and 194, the Board considers that it has complied with its duties under s172 of the Companies Act 2006 through its active engagement with stakeholders. Additional detail on the principal decisions and significant issues taken by the Board can be found on page 190. The following report sets out further information about our stakeholder engagement activities, and the Board's consideration towards all stakeholder groups throughout the year.

The Board's consideration of the Payme Acquisition

In May 2023 the Board announced its acquisition of the remaining 49% stake in Payme, the Groups payments subsidiary operating under the Payme brand in Uzbekistan. Following the acquisition of the minority share of Payme, TBC PLC became the 100% shareholder of Payme.

Throughout the process, the Board received regular updates from management concerning the transaction parameters and impact on the risk appetite of the Group. The transaction was conducted within the scope of the shareholder agreement entered by both TBC and Payme, during the Group's initial acquisition of 51% in Payme in April 2019. The exercise price of the option was based on a set of pre-determined parameters defined at the time of the original agreement, including Payme's revenue, EBIT and the number of active customers.

In reaching its decision to approve the transaction, the Board considered and debated the minority buyout, discussing the risks, challenges and opportunities of the acquisition. The synergies between the payments business and the Group's digital bank, TBC UZ, were deliberated, and the benefits of the transaction to the Company's previously outlined expansion strategy in Uzbekistan. The Board was satisfied that the transaction would accelerate the achievement of the Company's mid-term targets for its Uzbek operations, with an expected return of equity of at least 30%, monthly active users of 5 million, and 10-15% share of the Group's net income.



CUSTOMERS

TBC Bank's mission is to make people's lives easier. Its customers are key stakeholders in everything it does. The Company makes its decisions on strategy, products and services with this mission in mind.

ENGAGEMENT

The Company engages with its customers every day through the multiple touch points it has developed in order to deliver its banking and ecosystem products.

The Board met with a range of customers during the year to ensure it remained aligned to their interests and business needs. In 2023, this included meetings with business clients operating in the construction, hospitality, beverage, and residential real estate industries. For more details please refer to the Customers section of the Stakeholders chapter on pages 42 to 89.

FEEDBACK IN 2023

The Banks Customers have broadly continued to benefit from the supportive macroeconomic environment. Digital Bank customers had raised pain points regarding availability of service around midnight.

For more details please refer to the Stakeholders chapter on pages 42 to 89.

RESPONSE AND IMPACT ON BOARD DECISIONS

We continue our branch offloading activities as we transform our branches from transactional service centers into an advisory network. This enables us to increase focus on personalized sales and advisory services for our customers. The objective of our program is to to reduce costs, increase productivity, and enhance the customer experience.

The teams responsible for the digital bank accounts worked together to enhance the architecture and had resolved the issue to ensure services were available 24 hours a day. We have worked hard on digitalizing the customer experience where appropriate to make it as efficient as possible. However we are mindful to ensure we maintain the human element of our customer experience, which we believe is essential.

PRIORITIES FOR 2024 AND BEYOND

TBC Bank aspires to provide a leading customer experience across all channels, and to develop customer-tailored financial services and products, coupled with lifestyle products, which meet customer's needs. The Bank's intention is to build lasting customer relationships for sustained success.

The Company will continue investing in digital capabilities, and adding new features to products and services which will enhance customer journeys, and allow for end-to-end process automation.

COLLEAGUES

People are at the core of the business, and the Company engages closely with its employees to ensure there is communication and clarity around their careers and aspirations, health and safety, diversity, learning and development, remuneration and rewards and other key issues.

ENGAGEMENT

The Company engages closely with all its employees to ensure there is clarity around their careers and aspirations, diversity, learning and development, remuneration and rewards and other key issues.

The Bank engages with its employees in a number of ways, including in person focus groups, targeted online surveys. In addition, the CEO and management board hold regular meetings with the full workforce on topics related to delivering strategy and achieving objectives, as well as workforce health and safety and mental health.

The HR team provide regular updates to employees on matters related to mental health and wellbeing, and workshops on mental health issues are provided for in conjunction with an external company to provide support where needed.

The Board regularly receives and discusses reports from the designated Non-Executive Director for workforce engagement. More details on the issues raised and outcomes from these engagements can be found on page 194.

Through these engagements, the Company measures the workforce's happiness index and net promoter score, both of which remain high despite the global-economic challenges.

For more details, please refer to the Colleagues section of the Our Stakeholders chapter on pages 90 to 97.

FEEDBACK IN 2023

Colleagues have provided positive feedback during the year, and have expressed interest in initiatives to promote self-learning and development.

Feedback provided to the designated Non-Executive Director for workforce engagement can be found on page 194 of this Annual Report.

RESPONSE AND IMPACT ON BOARD DECISIONS

The Board's decision-making maintains a special focus on our employees as key drivers and stakeholders in the Company's overall success. The Board ensures that strategic decisions are supported by the appropriate talent availability, compensation and work arrangements. The Board made sure that a robust human resources strategy was in place at all levels of management to recruit, identify, train and promote talent throughout the Group. Additionally, the Board, with support from the Remuneration Committee, ensured that clear and competitive compensation policies and principles were in place for the Group, including in its subsidiary in Uzbekistan.

The Company continued to train its workforce internally through the free digital and in-person TBC Academy programmes, and in 2022 introduced five new programmes available to employees .

The 2021 Sustainability Report, published in 2022 and available at www.tbcbankgroup.com, provides detailed information on our diversity policy, and all the opportunities, benefits and protections available to our workforce.

Furthermore, the Corporate Governance Statement on pages 184-195 and the update from the designated Non-Executive Director for workforce engagement on page 194 provides additional information on how the Board responded to employee feedback.

PRIORITIES FOR 2024 AND BEYOND

The Company will maintain its emphasis on fostering a supportive culture, global values, and employee development. This commitment is led by our CEO through regular communication with employees. Internal promotions will be actively encouraged, facilitated by our succession planning policy aimed at talent development. The Company will continue to closely monitor employee satisfaction, focusing on well-being initiatives and recognition programs to sustain high engagement levels.

INVESTORS

The Company continues to create value and generate sustainable returns for its diverse shareholder base through a strong and diverse business model. It also works to maintain effective, long-term relationships with its debt investors and partners, as well as with its shareholders.

ENGAGEMENT

During the course of 2023 the Company undertook its regular extensive investor relations programme, which offers investors various opportunities to engage with senior management through quarterly financial results calls, post-results roadshow meetings and regular participation in investor conferences.

During 2023 an update Investor Relations strategy was presented to the Board to enhance awareness and engagement with shareholders and analysts. Regular updates were provided on engagement with shareholders to the Board.

In addition, the corporate website provides a dedicated investor section which contains all London Stock Exchange regulatory announcements and a copy of all of the Company's Annual Reports. Webcasts of the results and other investor presentations are also available to shareholders.

FEEDBACK IN 2023

Geopolitics and macroeconomics remained the most popular topics raised by shareholders during the year, with investors remaining concerned about the impact of Russia-Ukraine war on Georgia. However, the strong performance of the Georgian economy, the stability of the GEL and the potential EU candidacy of Georgia provided reassurance to investors.

Investors were broadly appreciative of the consistently strong financial performance of the Group, underpinned by strong balance sheet growth and income generation, low cost of risk and efficient cost management.

The Company's Uzbekistan operations have been an increasing topic of interest among investors as the businesses there become more material to the Group as a whole. Investor interest mainly focused on our business strategy in Uzbekistan, product roll-out and the competitive and macroeconomic landscapes.

RESPONSE AND IMPACT ON BOARD DECISIONS

The Board, represented by the Company's Chief Executive Officer (CEO) and the Group Chief Financial Officer (CFO), and supported by the Investor Relations function of the Group, has remained actively engaged with shareholders. Disclosure to the market remain detailed and consistent, providing timely assurance of the strength of the business to its investors.

The Board has also been focused on educating shareholders on the Uzbek operations including the long-term growth potential in this market. The Company has a specific focus on earning, funding and engagement of customers, unpinned by key mid-term targets.

PRIORITIES FOR 2024 AND BEYOND

The investor relations team will remain actively engaged with shareholders, through a combination of quarterly results presentations, as well as management roadshows and investor conferences.

COMMUNITY AND ENVIRONMENT

The Company's continued success is placed in the context of the society and environment where its customers and employees live and work. The Company is committed to creating a promising future for the communities in which it operates. The Company's initiatives are centred around promoting business growth, empowering youth and women and fostering culture and sports.

ENGAGEMENT

The Company is an integral part of the communities in which it operates.

The Company depends on these communities and understands the positive role it can play in developing them. Strong corporate social responsibility has been in it's DNA since its founding over 30 years ago. The Company is committed to making a positive long-term improvement and engages closely with communities.

Ways in which the Board engaged with its community and the environment during the year included:

- The CEO provides regular updates to the Board on engagement with the community. The various initiatives are set out on pages 90 to 101.
- The Board were provided with updates on the ESG strategy and its implementation.

For more details please refer tp the Community and the Environment Stakeholder Engagement pages 90 to 101.

FEEDBACK IN 2023

Communities in Georgia are primarily concerned with access to finance and education, development opportunities for the young people and support for small businesses and entrepreneurship.

RESPONSE AND IMPACT ON BOARD DECISIONS

The Board is supported in ESG matters by the ESG and Ethics Committee, and more information on this committee's work can be found on pages 252-253.

The ESG and Ethics Committee reviewed and made recommendations to the Board regarding the Human Rights and the Environmental and Climate policies and set a training agenda regarding Ethics, ESG and Climate related matters.

In addition, following the Russian invasion of Ukraine, TBC established a charity fund and invited organizations and individuals to donate funds in support of the Ukrainian people. These funds were transferred to the National Bank of Ukraine to support such causes as to alleviate hardships of the Ukrainian people caused by the war, rebuild Ukraine, support education and health sectors. At the local level, TBC's Ukraine charity fund financed local reputable organizations and various projects assisting Ukrainian nationals who had to move to Georgia as war refugees.

The Company continues to work actively with small businesses and entrepreneurs in Georgia. It continued to support young children with monthly financial assistance for their education, also continued to sponsor various projects in arts and culture, including its flagship literary award, Saba.

PRIORITIES FOR 2024 AND BEYOND

The focus will be on meeting the ESG strategic pillars and working towards the action plan for net zero and the continued enhancement of ESG reporting. There will also be a focus on green financing training courses for employees and customers.

The Company will focus on promoting access to finance, education, development of opportunities for the youth, and the support of small businesses and entrepreneurship. This will also include the promotion of equal opportunities for women across the technology and finance sector.

Chapter 2

Governance

Board biographies




	ARNE BERGGREN	TSIRA KEMULARIA	PER ANDERS FASTH	JANET HECKMAN
POSITION	Chair	Senior Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
COMMITTEE	Chair of CGN, Member of RemCo	Member of AC, CGN and RemCo	Chair of AC, Member of RC and RemCo	Chair of RemCo, Member of ESGE and RC
APPOINTED	Board: 13 August 2019, Chair: 1 March 2021	Board: 10 September 2018, Senior Independent Director: 15 September 2021	4 May 2021	23 February 2023
BORN	1958	1977	1960	1954
NATIONALITY	Swedish	British	Swedish	American
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, until recently, in Greece at Piraeus Bank.	Throughout her career, Tsira has held various roles covering market risk management and commodity trading at companies including Dynegy Inc. in the US and UK and at Shell International Trading and Shipping Ltd (STASCO) in London, Russia CIS, and Caribbean operations. Between 2005 and 2016, she served in a broad range of managerial roles covering M&A and Commercial Finance, Group Treasury and Trading and Supply in the UK, Moscow and Barbados. Tsira was previously the Head of Group Pensions Strategy and Standards at Shell International Ltd based in London. From 2019 to mid-2022, Tsira held the position of Head of Internal Audit and Investigations for Shell's global Trading and Supply organisation, the world's biggest commodity trading and supply business. In July 2022, Tsira was appointed as a Vice President of Corporate and UK Country Controller responsible for the Shell Group's financial management of the corporate segment. Tsira is a member of the Shell UK Management Board, and a member of Shell UK Country Coordination Team, Chief of Staff for UK Crises Management.	Over the past 25 years, Per Anders has served as CEO in several companies such as 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, senior executive and advisor to corporations and governments.	Janet was previously the Managing Director for the Southern and Eastern Mediterranean(SEMED) Region at the European Bank for Reconstruction and Development (EBRD). Based in Cairo, she was also the Country Head for Egypt. During her long career at Citigroup, she spent time as EMEA Corporate and Investment Managing Director and held a number of field roles across EMEA, and was responsible for Global Relationship Banking across CEMEA.
SKILLS & EXPERIENCE	Over 25 years of experience in the financial services industry internationally including advisory roles for a range of governmental and supranational bodies and institutions; He has held various roles within UK listed banks and has a breadth of corporate governance expertise; Experience in investment banking activities and in leading bank restructurings; Deep understanding of strategic planning and implementation.	More than 23 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.	Extensive CEO and senior executive experience, having spent more than 20 years at leading banks and other financial institutions; Over 30 years of accumulated experience as an independent non-executive director; Strong listed corporate governance, leadership and strategic advisory skills; Significant financial reporting, investor relations and internal controls experience; Relevant experience from the financial information technologies (fintech) and credit management industries across Europe.	Over 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	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 high calibre appointments in the last year. 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.	Per Anders is regarded as a financial expert in the context of audit and risk committee work. He has extensive experience of banking and financial services and operating in regulatory environments. Per Anders's broad financial 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. She is well suited to help guide the Company as it seeks to harness the large growth potential of the Uzbek market.
EXTERNAL APPOINTMENTS	Chairman of Hoting Innovations AB	Trustee Director of the British Gas Trustee Solutions Ltd, a closed pension fund (post British Gas acquisition by Shell) Trustee Director of Shell Trustee Solutions Ltd	Chairman of Lyra Financial Wealth, a privately held wealth management company Board member of Atle Investment Management/Services, a privately held investment management company Board member and audit committee chair of Ukrgasbank, a Ukrainian corporate bank	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	RAJEEV SAWHNEY	NINO SUKNIDZE
POSITION	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director	Independent Non-Executive Director
COMMITTEE	Chair of ESGE, Member of TD and RC	Chair of RC, Member of AC and TD	Chair of TD, Member of ESGE and CGN	Member of AC and CGN
APPOINTED	4 May 2021	4 May 2021	24 November 2021	24 November 2021
BORN	1965	1975	1957	1979
NATIONALITY	British	Greek	Indian	Georgian
CAREER	Eran is an experienced international banker and lawyer. Over a period spanning more than two decades, he held senior roles in leading financial institutions, such as Commerzbank, Citibank, ING Financial Markets and Deutsche Bank. Covering both developed and emerging markets, Eran has accumulated valuable knowledge in capital markets, SME finance, retail lending, corporate governance, liquidity and balance sheet management, as well as in risk management, audit and strategy implementation. He previously served as a Non-Executive Director and risk committee chair at Privatbank, the largest bank in Ukraine.	Thymios is a senior banking executive with considerable international experience. He specialises in operational transformation, balance sheet optimisation, risk management, financial engineering and portfolio management. 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.	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. Previously , Rajeev 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 IT services firm focussed on the Banking and Finance sector, 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 World 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	Extensive experience in banking, credit, capital markets and legal; Significant risk, corporate governance, strategy and structuring expertise; Strong Emerging Markets banking and stakeholder management experience; Relevant experience and expertise in information security risk management.	Extensive experience in global capital markets, regional banking and supervised entities; Expert risk manager, investor, investment banker and balance sheet optimiser; Operational transformation leadership and crisis management spanning systemic banks and fintech; Strong governance, risk and asset management oversight skills for both listed and quasi-governmental entities.	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	Eran brings to the Board extensive and varied risk, governance 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.	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 currently acting as chair of the risk committee of a national wealth fund, Thymios's broad multi-jurisdictional risk expertise enables him to bring innovative and positive insights to his role as Chair of the Risk Committee.	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 and chair of the investment committee of the Growthfund, the National Fund of Greece Board member of Attica Bank the Greek listed bank; Board Member of Agreed Payments SA the newly licensed fintech business	No current additional board appointments	Vice President at Georgian Chamber of Commerce and Industry Board member at Care Caucasus, a charity organisation in Georgia

VAKHTANG BUTSKHRIKIDZE

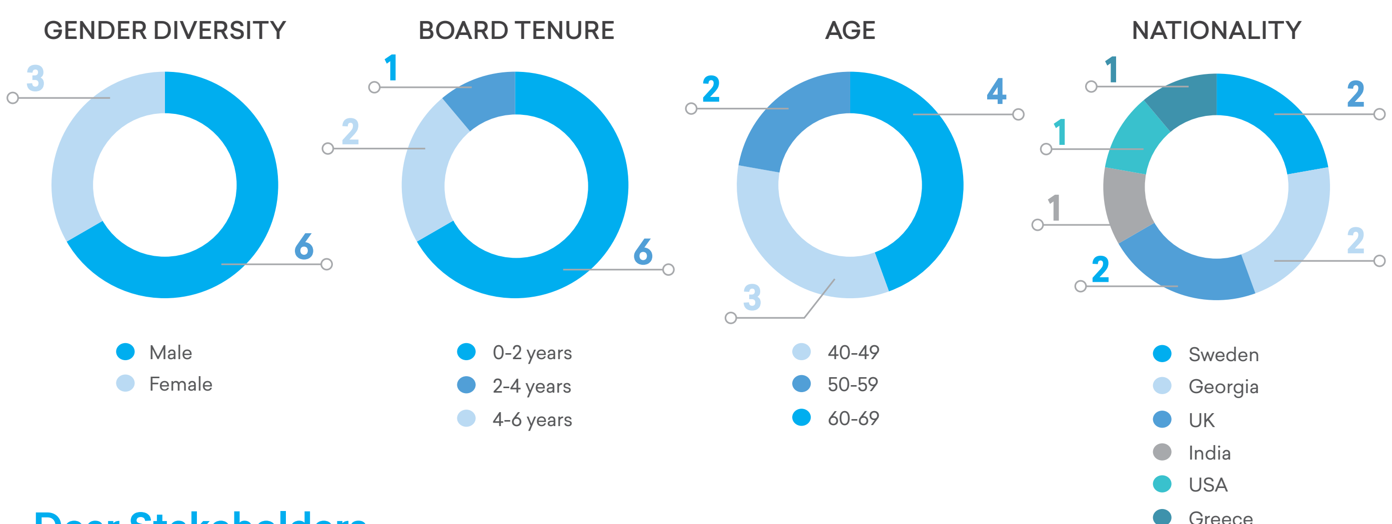
POSITION	Chief Executive Officer
COMMITTEE	-
APPOINTED	29 April 2016
BORN	1970
NATIONALITY	Georgian
CAREER	Vakhtang has more than 30 years of banking and financial industry experience. He led the Group from its founding in Georgia in 1992 as a start-up to the current market-leading financial institution. He joined TBC Bank as a Senior Manager in 1993 and became Chairman of the Management Board in 1996. Since 1998, he has held the position of Chief Executive Officer of JSC TBC Bank and was appointed as Chief Executive Officer of the Company in May 2016. Vakhtang is a prominent banker in the Caucasus and Eastern European region and has received several prestigious awards, including the Best Banker 2011 award from the GUAM Organization for Democracy and Economic Development and was named CEO of the Year 2014 for Central and Eastern Europe and the CIS by EMEA Finance magazine. In March 2019, he won the Special Award for Responsible Capitalism in Adversity from the prestigious FIRST organisation - a multi-disciplinary international affairs organisation, which aims to enhance dialogue between leaders in industry, finance and government.
SKILLS & EXPERIENCE	Leading banker in the Caucasus and Eastern European region; Over 25 years' strategic and financial leadership experience; Robust knowledge and expertise of strategic planning and development, start-up and fintech management, mergers and acquisitions, equity and debt capital raising and investor relations.
CONTRIBUTION TO THE COMPANY	Vakhtang is an experienced leader with a strong track record of building and driving profitable growth. Vakhtang has gained detailed knowledge and experience through the various positions he has held within the business. This enables him to provide the Board with highly relevant and valuable leadership as TBC Bank Group plc continues to focus on delivering long-term sustainable value for all its stakeholders.
EXTERNAL 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

CGN	Corporate Governance and Nomination Committee
AC	Audit Committee
RC	Risk Committee
RemCo	Remuneration Committee
TD	Technology and Data Committee
ESGE	ESG and Ethics Committee

Corporate Governance Statement

GOVERNANCE HIGHLIGHTS FOR 2023

- Ensured a structured approach to subsidiary board composition and recruitment;
- Undertaken an ambitious programme of policy review and implementation to ensure a comprehensive Group policy framework; and
- Sustained the momentum of improvements and built on progress made to support the future success of the Group.



Dear Stakeholders,

The Group's Corporate Governance Statement for 2023 sets out the approach to governance and the work of the Board in this area over the previous year, and the Board's ambitions for following year. It provides shareholders with an explanation of how the Company has applied the main principles of the UK Corporate Governance Code 2018 (the "Code") as well as the work of the Board and its Committees.

The Board is responsible for the long-term success of the Company, and its governance framework helps to ensure that success. One of the Board's main responsibilities is to ensure the Group applies the highest standards of corporate governance, and that this is embedded in the culture and operations of the business. In this overview, we have set out the Board's key corporate governance activities of 2023.

CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

This Corporate Governance Statement, together with the Nomination Committee Report on pages 196 to 203, the Audit Committee Report on pages 204 to 211, the Risk Committee Report on pages 212 to 217, and the Directors' Remuneration Report on pages 218 to 249, provide a description of how the main principles of the Code have been applied by the Company during 2023. The Code is published by the Financial Reporting Council and is available on its website at www.frc.org.uk. It is the Board's view that, throughout the year ended 31st December 2023, the Company fully complied with the relevant provisions set out in the Code.

It is the Board's view that, throughout the year ended 31 December 2023, the Company fully complied with the relevant provisions set out in the Code, with the exceptions:

Provision 32: The Board should establish a remuneration committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two. The Remuneration Committee comprised of two independent non-executives for the period from 1 January 2023 to 23 February 2023.

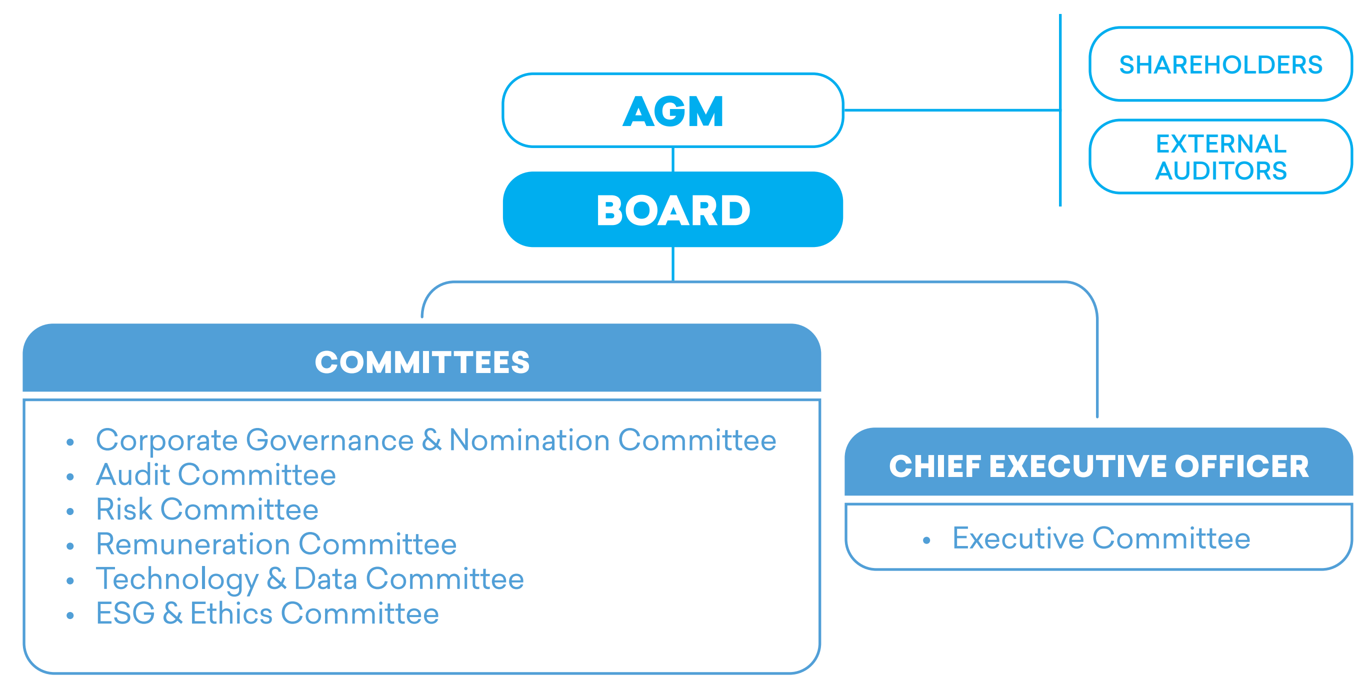
HOW WE OPERATE

The Board comprises of the Chairman, seven independent Non-Executive Directors and the Chief Executive Officer. The Company operates a "mirror board" policy approach to its main subsidiary, JSC TBC Bank. All independent Non-Executive Directors are expected to be members of the mirror board. The Chief Executive Officer is not a member of the supervisory board of JSC TBC Bank, in accordance with the requirements of Georgian legislation.

DIVISION OF RESPONSIBILITIES

Board roles

There is a clear division between Executive and Non-Executive responsibilities which ensures accountability and oversight. The roles of Chairman and Chief Executive Officer are separately held, and their responsibilities are well defined, set out in writing and regularly reviewed by the Board. The role and remits of each of the Board Committees, alongside details of how each Committee has fulfilled that role and remit over 2023, are set out in the Committee reports.



CHAIRMAN

The Chairman's principal responsibility is leadership and the effective running of the Board.

CEO

The CEO's principal responsibility is running the Group's businesses. He is responsible for all executive management matters affecting the Group.

SENIOR INDEPENDENT DIRECTOR

Provides a sounding board to the Chairman, and serves as an intermediary for other directors, as well as being available to shareholders where necessary.

NON-EXECUTIVE DIRECTORS

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, 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 can seek this directly at the Company's expense. There is an established procedure for Directors, in relevant circumstances, to obtain independent professional advice at the Company's expense. No such requests were made in 2023. Directors' and Officers' Liability Insurance is maintained for all Directors.

Company Secretary

LDC Nominee Secretary Limited was appointed as the Company Secretary in August 2022. The appointment and removal of the Company Secretary are at the discretion of the Board, as set out in the Matters Reserved for the Board.

Board Leadership

The Board is the principal decision-making body of the Group and is collectively responsible for promoting the Group's purpose, strategy, culture, values and long-term success. The Board is composed of highly skilled professionals who bring a range of perspectives and corporate experience to the Boardroom (Directors' biographies are on pages 178 to 183). It is through this diversity, and its deep understanding of its businesses, culture and stakeholders, that the Board generates sustainable long-term value.

Board attendance 2023

Board Member	Board	Corporate Governance & Nomination Committee	Audit Committee	Risk Committee	Remuneration Committee	Technology & Data Committee	ESG & Ethics Committee
Arne Berggren	20/20	5/5	-	-	7/7	-	-
Tsira Kemularia[1]	20/20	-	8/8	-	5/5	-	4/4
Per Anders Fasth	20/20	-	8/8	12/12	7/7	-	-
Janet Heckman[2]	18/18	-	-	9/10	5/5	-	2/2
Eran Klein	20/20	-	-	12/12	-	4/4	4/4
Thymios Kyriakopoulos	20/20	-	8/8	12/12	-	4/4	-
Nino Suknidze[3]	20/20	5/5	8/8	-	2/2	-	-
Rajeev Sawhney	20/20	5/5		-	-	4/4	4/4
Vakhtang Butskhrikidze	20/20	-	-	-	-	-	-

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	Strategic objective *(see key on page 11)*	Key stakeholders
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. More details on the Company's purpose, values and culture are set out later in this report.		Customers, Colleagues, Communities, Investors
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. Further details on the strategic objectives are set out on page 128. Key performance indicators are set out on pages 34-37.		Customers, Colleagues, Communities, Investors
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. Further details of the leadership team are set out on pages 178 - 183. Further details on the risk management and internal control systems and processes are set out on pages 112-115.		Customers, Colleagues, Investors
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. Further details of the financial performance are set out on pages 102-111.		Customers, Colleagues, Investors
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. Further details of how the Company has engaged with stakeholders over 2023 and how it has taken stakeholders into account in its decision-making process are set out on pages 168-175.		Investors, Customers, Colleagues, Communities

1 Tsira Kemularia joined the Remuneration Committee on 23 February 2023.
2 Janet Heckman joined the Board on 23 February 2023 and became a member of the Remuneation and Risk Commitees. She was unable to attend one ad hoc Risk Committee meeting, called at short notice due to a prior commitment, however provided full comments on the materials discussed. Janet joined the ESG and Ethics Committee in June 2023 and attended all meetings.
3 Nino Suknidze stepped down from the Remuneration Committee on 23 February 2023.

The Board maintains a formal schedule of matters which are reserved solely for its decision-making and which sets out the Board's responsibilities in full. This is regularly reviewed and is available on the website at www.tbcbankgroup.com.

ALIGNING PURPOSE, STRATEGY AND CULTURE

Purpose

TBC Bank Group PLC's primary purpose is to make people's lives easier. This is achieved through providing superior customer experience and strong brand awareness. The Company believes that continuous investment in its advanced data analytics, which helps maximise customer experience, and in new technologies which helps to disrupt the markets in which it operates, makes TBC Bank the first choice for financial services within Georgia and Uzbekistan.

Strategy

The Group's strategy is designed to create value for all its stakeholders and is centred on providing leading Georgian financial services, building the digital financial ecosystem in Uzbekistan, and committing to digital innovation to make customers' lives easier. The Group focuses on making its strategic decisions through a customer centric lens, to support the best customer experience and everyday needs of our clients. The Board has overarching responsibility for the strategy of the Group and continues to believe that strong business growth will be sustained by diversifying its income streams into areas with sound asset quality and by continuing to provide high levels of digitisation and automation. This will ultimately lead to the Group being able to deliver on its mission to make people's lives easier and at the same time generate value for all the Group's key stakeholders.

Assessing and monitoring culture

The Board is responsible for defining, monitoring and overseeing the culture of the organisation and ensuring that it is aligned with the Company's purpose and strategy. The Board believes sound governance sets the right tone from the top for every employee and it fosters responsible behaviour in all its undertakings.

The Board is committed to ensuring the right culture cascades from the top down. Through careful management of the annual Board agenda, the Chairman ensures that key stakeholder considerations and governance issues play a fundamental part of Board decision-making. The Board also receives regular people updates on the Company's culture and whether the TBC values are being embraced.

The Board receives reports on the results of the Company's engagement surveys, including levels of employee engagement, employee perceptions of TBC Bank's purpose and of their line managers (including net promoter scores), and any themes raised. The survey results also give visibility on areas on which executive management must continue to focus, including continued simplification and process improvement work across the business.

The Board of Directors is also encouraged to conduct site visits outside of formal Board meetings to engage with employees, as well as clients, and to gain a deeper understanding of the operating environment and the different experiences across the Group.

Board activities

During the year the Board considered the following matters:

Areas of focus	Strategic objective	Principal risks
Setting Strategy – Group Strategy – Business line/function/country strategy – Technology – Human Capital – Risk Strategy – ESG Strategy – Investor Relations – Group complexity		Strategy Operation & Execution People & Organisation
Performance against strategic objectives – Financial performance – Results and accounts – Dividends and interim dividends – Annual budget		Finance & Commercial
Risk – Risk function updates – Bank and Group risk appetite – Capital and liquidity – Control functions		All Risks
Governance – Recruitment and appointment of new directors – Board composition and structure – Board and Committee effectiveness – Subsidiary governance framework – Management leadership development – Review and approval of policies and procedures – Update of Committee terms of reference – Appointments and succession planning – Board and management relationship		People & Organisation Operation & Execution Regulation & Compliance
Regulatory, macroeconomic and country insights – Macroeconomic updates and thematic deep dives – Country updates – Regulatory matters		Strategy Regulation & Compliance

Principal Decisions

Strategy and business performance	The Board regularly receives an update on performance against the Group's strategy. Among the principal decisions taken by the Board in 2023 in this regard was the consideration of the Payme acquisition, as well as the approval of various loan agreements, including between its subsidiary, JSC Bank TBC Bank and Proparco, with the loan primarily used to finance climate related investments and female entrepreneurs in Georgia. The facility helped reaffirm TBC's leadership position in the Georgian banking sector for green and sustainable lending and contributed to inclusive economic growth in the country. The Board further appointed Oliver Hughes as the Head of International Operations to lead the Company's international expansion strategy. Other matters discussed during strategy sessions included the Group's international expansion plans, digital banking strategy, the wider digital ecosystem, ESG strategy, the Group's HR and People strategy, Retail and MSME strategy.
Financial decisions	During the year, with the support of the Audit Committee, the Board reviewed the Group's performance and monitored the achievement of Key Performance Indicators. The Board also considered, reviewed and approved the quarterly, interim and annual financial statements, including approval of the going concern basis of preparation and the Group's viability statement. The Board also approved the Company's interim and final dividend payments.
Risk, regulatory and legal considerations	In 2023, the Board, with the support of the Risk Committee, considered and approved the Bank's and the Group's risk appetite statement, resolution and recovery plan and long-term capital planning.
Governance	During 2023, the Board, with support from the Corporate Governance and Nomination Committee, considered the need for any additional appointments to the Board, as part of its wider work on enhancing the Board succession and composition, as well as management succession and leadership development. During the year, the relevant Committee and Board reviewed and approved all Group-wide policies in a new single format, ensuring their compatibility with each other, best practice and regulatory requirements. This included the Group Code of Conduct and Code of Ethics, the Data Protection Policy, the Gender Policy, the Environmental Policy, the Human Rights Statement, and various risk policies. On the recommendation of the Corporate Governance and Nomination Committee, the Board approved the terms of reference, which were reviewed to ensure ongoing support of the governance framework. At the end of 2023 and into Q1 2024, the Chairman and the Board reviewed the findings of the externally facilitated Board evaluation exercise and concluded that the Board and its Committee continued to function effectively. The Board also conducted a detailed analysis of these results and developed annual Board and Committee action plans in February 2023. In addition, during 2023, the Board undertook an exercise for developing a board skills matrix.

BOARD OF DIRECTORS

Balance, skills and experience

In accordance with the Code, the majority of the Board are independent Non-Executive Directors. At the time of this Report's publication, the Board comprises seven independent Non-Executive Directors and one Executive Director. Board and Committee composition can be found on pages 185-186. Each Non-Executive Director is obliged to inform the Board of any circumstances that could impair their independence.

The key contributions and relevant experience of each Director are set out on pages 178 to 182.

Diversity and 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 2023. The Policy allows the Board to ensure that Board appointments contribute to the Group-wide ambitions of diversity and inclusion. More information on Board diversity can be found in the Corporate Governance and Nomination Committee Report on pages 196 to 203 and the Board Diversity Policy is available at www.tbcbankgroup.com.

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 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. TBC Bank Group plc has the majority of its workforce in Georgia and Uzbekistan, and as such will look to set targets that are meaningful to the countries in which its workforce are based, 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, and our Company Secretary is a woman. In addition, the female representation of the Executive Committee and its direct reports is 44%. The Company was one of 68 companies within the FTSE 350 that met the Alexander Hampton Review target ahead of the deadline in 2025.

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.

We have also made good progress in our ambitions to build a strong pipeline of women across the whole organisation, as we believe that driving progress for women at all levels of the Company will help build sustainable progress in advancing women into key decision-making roles. During the year the Company elected the Head of HR, a position held by a woman, to the executive committee, which will help progress with the gender balance of this group.

Further information on our Board and Company diversity composition and initiatives can be found on pages 200 to 202 of this Annual Report.

Induction and training

Formal inductions are arranged for newly appointed Directors based on individual needs, skills and experience. Typically, these include a series of meetings with the Chairman of the Board and other Directors and executive management, as well as local site visits to provide familiarity with the business. An induction handbook is also provided to all newly appointed Directors.

In addition, all new Directors receive training on their duties as directors of a listed company with Baker & McKenzie LLP, the Company's external counsel. For Committee members, information update sessions are organised, including on-boarding information sessions with the Company's external auditors, PricewaterhouseCoopers LLP ("PwC") for the Audit Committee, and with Baker McKenzie LLP for the Remuneration Committee. Members of the Board must also complete a self-assessment process at the end of the year, which invites them to identify a relevant development programme. An outline of the training undertaken in 2023 is detailed on page 199.

Conflicts of interest

The Board has adopted guidelines for dealing with conflicts of interest, with Directors' outside interests being regularly reviewed and responsibility for authorising conflicts of interest reserved for the Board.

Directors are required to report actual or potential conflicts of interests to the Board for consideration and the Company maintains a register of authorised conflicts of interest. The Chairman notes the Register and reminds Directors of their duties under the Companies Act 2006 relating to the disclosure of any conflicts of interest at the beginning of each Board meeting.

In the case of a potential conflict, the Corporate Governance and Nomination Committee considers the circumstances, appropriate controls and protocols and makes a recommendation to the Board. The Board confirmed that it was not aware of any situations that may or did give rise to conflicts with the interests of the Company, other than those that may arise from Directors' other appointments as disclosed in their biographies.

Other external appointments

Directors must disclose to the Board any alterations to their external commitments that arise during the year with an indication of the time commitment involved, and to notify the Board in advance of any additional external appointments. In 2023, the Board reviewed the Directors' current list of external appointments and confirmed that it does not believe any current directorships will affect the Non-Executive Directors' commitment to, or involvement with, the TBC Bank Group plc Board, nor will they give rise to a potential conflict of interest which cannot be effectively managed by recusal.

Election and re-election of Directors

All Directors of the Board will be standing for either election or re-election at this year's Annual General Meeting. Further information will be set out in the Notice of AGM. Biographical details of the Directors are included on pages 178 to 182.

How the Board monitors its performance

Throughout the year, the Chairman meets regularly and individually with each Director to discuss areas of focus and development for the following year. In addition, the Senior Independent Director works with management, including on 360 feedback, and feeds back to the Chairman on matters relevant to the Board and its performance. Further, and in line with best practice, an annual evaluation process is undertaken which considers the performance of the Board, its Committees and individual Directors. 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.

The output from these activities identifies areas of strength and areas for development, informs training plans for Directors and identifies areas of knowledge, expertise or diversity which should be considered in the succession plans. The Chairman uses these outputs to inform the themes and focus areas for the upcoming year, which in turn are agreed by the Board and reviewed on a regular basis in formal Board meetings.

Process steps for the externally facilitated Board evaluation

Step 1	Step 2	Step 3	Step 4	Step 5
The Chairman and Company Secretary worked with Lintstock and undertook initial scoping and consultation on the process to be undertaken.	Following consultation and collaboration with the Board, Lintstock designed a survey appropriate to the Company's needs and tailored to its specific circumstances. As well as covering core aspects of governance, such as information, composition and dynamics, the review considered people, strategy and risk areas.	Lintstock liaised with Directors, which included an individual self-assessment by Directors as well as an in-depth interview process, to complete the Board and Committee reviews.	Lintstock subsequently finalised the questionnaires as agreed with the Chairman to cover the review of the Board, the Chairman and individual Directors performances. The anonymity of all respondents was ensured throughout the process to encourage open feedback.	Lintstock provided a report of the Board evaluation to the Chairman and Company Secretary for discussion at the Board and each of the Committees. Additionally, Lintstock briefed the Chair separately on the key findings and peer context.

2022 Board evaluation

The feedback from the 2022 evaluation had seen a strong improvement in all areas of focus, and the Board agreed that the areas of focus and actions arising from this evaluation would include the development of executive management succession planning and further development of Group strategy.

Outcomes from the 2023 Board evaluation

The feedback from the 2023 evaluation found the Board to be highly engaged with the Board review process. The Chair was seen to promote a strong high-performance culture, and all Board members were committed to adding value to the business.

Lintstock found that the Board and Senior Management had driven improvements across succession, strategy and risk since 2021, and observed that the level of alignment between the Non-Executives and management had continued to grow. Confidence was expressed in the Board's ability to provide rigorous challenge to the business.

As part of the review, Lintstock attended Board and committee meetings as well as examined Board and Committee papers, including the meeting materials, and Terms of Reference. 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:

- Reviewing ways of working at the Board and the Committees to ensure that discussions are always pitched at an appropriate level.
- Continuing to refine the subsidiary governance framework to ensure clarity on information flows and delegation limits is maintained, as TBC continues to grow internationally.
- Sustaining the momentum of improvement that has been generated in recent years, building on the progress made in multiple areas to support the future success of the Group.

TCFD RELATED DISCLOSURES

The Board has overall responsibility for ESG and climate-related risk management; and the ESG strategy was approved by the Board in November 2021. The Board created a dedicated ESG and Ethics Committee in January 2022, responsible for supporting the Board in its oversight of ESG strategy implementation. The executive management has also established an ESG Committee for JSC TBC Bank, which monitors ESG and climate-related risks daily and provides quarterly reports to the ESG and Ethics Committee.

More detail on the information that helps the board understand the Company's climate risk profile are available in the TCFD disclosure section on pages 140 to 143 and in the ESG and Ethics Committee Report on page 252.

ENGAGEMENT WITH SHAREHOLDERS

Effective communication with shareholders remains a priority for the Board. The Company's investor relations programme offers investors various opportunities to engage with executive management via quarterly financial results calls, post-results roadshow meetings, and regular participation in investor conferences.

The Company has a dedicated Investor Relations (IR) team, which is the first port of call for investors and analysts. The team answers queries in a timely manner and prepares comprehensive IR materials, including results presentations and annual reports that are available on the IR website: www.tbcbankgroup.com. The website also records all announcements issued to the London Stock Exchange (LSE).

Shareholders, potential investors and analysts are able to ask questions about the Group through the Company's permanent representative in London, who is always available to offer investor meetings and updates on investor relations and international media on behalf of the executive management team. The Chairman, Senior Independent Director and CEO are available to discuss the concerns of shareholders at any point during the year. Committee chairs are also available to answer shareholder questions at the AGM of the Company or at any time during the year.

Details of our engagement with the shareholders can be found on pages 102 to 165 and pages 174 to 175.

ANNUAL GENERAL MEETING

The Notice of Annual General Meeting ("AGM") for 2024 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.

Employee and workforce engagement

In 2023, Nino Suknidze took over the role as the designated Non-Executive Director for workforce engagement from Tsira Kemularia. In her capacity as Staff Ambassador, Ms. Suknidze has continued a comprehensive engagement programme that is focused on ensuring the employee voice is heard in the boardroom and that best practice in the area of workforce engagement is considered regularly.

Periodically throughout the year, the Staff Ambassador reports, both formally and informally, back to the Board directly to discuss and consider culture across the business, as well as any themes arising from the programme. These are then factored into the decision-making process and discussed with the CEO and HR for specific actions and follow up.

The main themes to emerge from Ms. Suknidze' s workforce engagement activities in 2023 included employees' views that the culture of the Company, as viewed from the employee perspective, was an open one, where management exemplified the core values of the Group, with growth aspirations, international expansion and digital and technological enhancements well understood. Employees expressed a desire to ensure more time was allowed for self-learning and development to allow them to contribute to the Company's ambitions. Ensuring a positive work life balance was another key theme, with employees sensitive to the need to balance the day to day role alongside self-learning and education.

There was recognition of the competitive landscape and talent pull from other industries, and an appreciation for the work undertaken throughout the year by the HR team to ensure that pay grades and bonus structures were transparent and well understood. The HR team would continue to ensure employees had clarity over these matters, with increased communications from management where necessary on such matters.

It was appreciated that informal channels had been set up via various platforms, surveys and through the staff ambassador, for employees to voice their views outside of the more formal engagement methods. Further feedback showed that the role of the Staff Ambassador was well communicated and understood by employees.

Employees voiced a desire for increased feedback from the workforce engagement activities, and it was agreed by the Board that the CEO and management would hold follow up meetings to ensure full communication of activities undertaken by management as a result of feedback received.

Staff Ambassador activities in 2023

- Engaged with the full-time workforce in Georgia via online questionnaires which were aimed at identifying areas of interest for the follow up focused group discussions
- Held focus group meetings with employees across different functions and levels of experience to gain additional insights

The Board and executive management will continue to ensure that any lessons learned, and practices implemented following feedback from employee engagement will be taken forward as appropriate to foster ongoing employee well-being.

For further details of how the Board considered results from its engagement with employees and other stakeholders, see the Section 172 statement on pages 168 to 175. The Board looks forward to continuing its workforce engagement programme with support from the Staff Ambassador in 2024.

Arne Berggren
Chairman

2 April 2024

Corporate Governance and Nomination Committee report

CORPORATE GOVERNANCE AND NOMINATION COMMITTEE REPORT

Members of the Committee

- Arne Berggren (Chairman of the Committee)
- Rajeev Sawhney*
- Nino Suknidze*

Meeting attendance shown on page 186
*Independent Director

Dear Stakeholders,

The Corporate Governance and Nomination Committee is pleased to share its report for the year ended 31 December 2023.

Key activities in 2023

- Leadership development and succession planning
- Board and Committee composition
- Director training
- Board evaluation
- Diversity and inclusion
- Shareholder and workforce engagement, and the appointment of the staff ambassador
- Talent Management Policy
- Skills Matrix

The Committee also received regular updates from the Company Secretary on recent and upcoming developments in UK corporate governance matters.

Additionally, the Corporate Governance and Nomination Committee findings and reports are regularly delivered to the Board, at least on a quarterly basis.

This report provides an overview of the Committee's work and its activities during the year.

Purpose and responsibilities

COMMITTEE PURPOSE

The Committee is constituted to ensure that future leadership needs are met by regularly reviewing the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board, as well as developing succession plans for executive Board members and other critical management roles, and to ensure an appropriate and diverse balance of skills and experience. In addition, the Committee ensures the Group has an appropriate governance framework and structure.

Responsibilities as they relate to corporate governance	Responsibilities as they relate to Nominations
Advising the Board of significant developments in the law and practice of corporate governance	Regularly reviewing the Board's structure, size and composition, including evaluating its current balance of skills, experience, independence and knowledge; and considering diversity and gender balance
Reviewing the effectiveness and adequacy of the Group's corporate governance framework and practices	Leading the search process and identifying suitable candidates from a wide range of backgrounds, via methods including open advertising and external advisors as required
Approving changes to corporate governance guidelines, monitoring the Group's compliance with such guidelines and applicable legal and regulatory requirements and recommending to the Board such changes or additional actions as it deems necessary	Considering and making recommendations to the Board on its composition
Reviewing the independence standards for Board members relating to directors' actual, potential or perceived conflicts of interest	Advising the Board on succession planning for the roles of Chairman, Senior Independent Director, CEO and all other Board appointments, as well as making recommendations on the appointment, succession planning and evaluations of senior management
Monitoring and evaluating the process for assessing the performance and effectiveness of the Board and its Committees (including the annual effectiveness self-review of this Committee)	Working with Human Resources to set diversity objectives and strategies for the Company as a whole, and monitoring the impact and outcome of diversity initiatives
Reviewing the structures and procedures of the Board and its relationship with the executive management to ensure it can function independently	Considering and making recommendations, as necessary, regarding the removal and resignation of Board members

Only Committee members have the right to attend meetings, but the Committee may invite other Board members, as well as the CEO, the Head of Human Resources and members of the executive management team, as well as external advisors, to attend all or part of any meeting if appropriate or necessary.

More information on the Corporate Governance and Nomination Committee's roles and responsibilities can be found in its Terms of Reference, reviewed in December 2023, which have been adopted by the Board and are available on the Company's website, www.tbcbankgroup.com.

Principal activities and significant issues considered during 2023

The Committee will normally meet at least four times per year and otherwise as required in order to discharge its duties. During 2023, the Committee met five times and considered the following matters:

Effective leadership development and succession planning

Board

In line with its responsibilities, the Committee continued to focus on succession planning at the Board and senior management level, to develop a strong and diverse pipeline of talent. The Committee oversaw the review and implementation of the Board Succession Policy, which included individual interviews with each Director led by the Chairman of the Board. In consideration of future potential Board members, a pipeline of potential candidates was drawn up, with the support of Pederson & Partners, for consideration. This pipeline will be subject to ongoing review and consideration during 2024, and the Committee will further continue to consider the value of an additional Board member, with the right diversity of skills to support the business. The Board also developed a comprehensive skills matrix.

Senior Management

The Board is committed to ensuring it fosters the talents and expertise of its executive management team. As part of this commitment, the Committee reviewed and monitored the implementation of the management succession plan, and worked with an external consulting firm, Egon Zehnder, to undertake an evaluation of the executive management's skills and experience. In addition, the CEO and members of the executive committee undertook a programme of coaching and personal development to further strengthen their expertise and abilities. A Talent Management Policy was further developed and reviewed by the Committee during 2023 to support the employees across the organisation, as well as the senior management.

To further support its international ambitions, the Committee oversaw, and recommended to the Board, the appointment of a new Head of International Operations of the Group, Oliver Hughes. The appointment of Mr. Hughes, a well-known fintech entrepreneur with over 25 years of experience in building and scaling up fintech businesses in emerging markets, would support the Group's business operations and ambitions in Uzbekistan in the first instance, and other future endeavours of the Group.

In addition, the Board approved the appointment of Tinatin Iamanidze to the Supervisory Board of Payme, approved the re-appointment of Zezva Tsikarishvili to JSC TBC insurance Supervisory Board and approved the appointment of Aleksandra Sroka-Krzyżak to the Supervisory Board of TBC UZ.

Step 1	Step 2	Step 3	Step 4	Step 5
The Committee agrees the criteria it is looking for in prospective candidates for appointment to the Board and develops a job description to recruit candidates with particular skill sets.	The Committee considers a longlist of candidates, who were either: recommended by an external executive search firm, were recommended by Board members or were sourced from the Committee's Previous candidate lists as part of its succession planning arrangements. Relevant candidates are approached by the CGN Committee Chair.	The Company Secretary supports the process by arranging meetings between members of the Committee and the short-listed Non-Executive Director candidates. Feedback from the Non-Executive Directors is discussed alongside consideration of potential conflicts and other matters identified through due diligence.	The Committee recommends its chosen candidates to the Board for approval, subject to completion of outstanding due diligence and clearance by the National Bank of Georgia, due to the "mirror boards" policy of the Company.	Outstanding due diligence and associated procedures are completed prior to the announcement of appointments. Induction packs are issued and the new Non-Executive Directors undertake a rigorous on-boarding process, led by the Company Secretary.

Process for Board appointments

The Board has a formal, thorough and transparent procedure in place for the recruitment and appointment of Directors. The Company's goal is to ensure that the Board is well-balanced and appropriate for the needs of the business. The Committee has regard to the Board's balance of skills, knowledge, experience and diversity, including gender and ethnic diversity.

Board and Committee composition

In addition to its work on leadership development and succession planning, the Committee continued to focus on the review of the Board's skills matrix and the suitability of the Board and Committee composition. The Board was considered to be of an appropriate size, with the right levels of collective and expert knowledge provided by the various backgrounds and professions of the Directors. The Board remains mindful of the value of gender and ethnicity representation, and more information on our efforts to further improve in these areas can be found on page 191 and later in this Committee report.

Director training

On appointment, each Director takes part in a tailored induction program, during which they meet members of executive management and receive information about the role of the Board and individual Directors, each Board Committee and the powers delegated to those Committees. They are also advised by the General Counsel and Company Secretary of the legal and regulatory obligations of a director of a company listed on the London Stock Exchange. Induction sessions are designed to be interactive and are tailored to suit the individual's needs and consider their previous experience and knowledge.

During 2023, the Committee set an extensive catalogue of professional development events and opportunities for all Directors. These events included:

- Updates on upcoming regulatory changes that impacted the PLC and its subsidiaries
- ESG training for all Directors, including a workshop on Climate Change
- A five day leadership-learning programme focused on digital acceleration
- Sanctions compliance training provided by an international expert
- A training session to better understand Georgian culture
- Additional support in areas identified through the self-assessment of each Committee's performance during 2022

Board evaluation

In 2021, the Board appointed an independent consultant, Lintstock Ltd, to run an external Board performance assessment over a three-year period. The survey and interview-based approach that the Board undertook in 2023 was started in December 2023 and the Board agreed an action plan at its meeting in February 2024. More information on the results of the 2023 assessment is provided on pages 192 to 193.

Diversity and inclusion

The Committee regularly reviews the Board's skills matrices, and monitors its diversity and inclusion targets, as well as those of the Group overall. The Board's Diversity Policy, adopted in September 2020 and reviewed annually by the Committee, is also a key step in ensuring diversity considerations are appropriately taken into account through succession planning activities. During 2023, the CGN made sure that the Company addressed the expectations of stakeholders and market best practice for diversity and inclusion.

More information on our work on diversity and inclusion can be found on page 191 of this Governance Report.

Aims	Progress
Develop diversity of senior management by supporting meritorious advancement	The Committee recognises the value of a wide range of diversity attributes being represented on the Board including, but not limited to, background, age, gender, ethnicity and disability. It is committed to pursing diversity in the upper echelons of management with the ultimate objective of diverse executives being Board appointable. The development of senior management to Board level requires significant investment in senior management, and a creative long horizon approach. On merit, diverse executives with appropriate potential are being identified, given equal opportunity and supported towards advancement. The Committee maintains oversight of this diversity aspect of senior management career progression. In addition, the female representation of the Executive Committee and its direct reports is 44%. The Company was one of 68 companies within the FTSE 350 that met the Alexander Hampton Review target ahead of the deadline in 2025.
Maintain momentum on ethnic minority background diversity	While the target of the Parker Review to have at least one Director on the Board from an ethnic minority background has been met, the Committee has not yet set formal Board quotas on ethnicity and other diversity characteristics. Even though the Group's operations are in jurisdictions with low levels of ethnic diversity, the Board embraces the significant value that inclusion and diversity of background bring to well-rounded Board discussions and robust decision-making. As the majority of the Group's workforce is based in Georgia and Uzbekistan, the Committee is considering to set targets that are meaningful to the countries in which the workforce is based, as well as being suitable for a UK listed company. The Committee remains focused on promoting Board composition diversity by considering candidates from a range of backgrounds and ethnicities and to identify suitable senior management for progression.
Increase female representation on the Board of Directors	The Hampton-Alexander Review target of at least one-third female representation on the Board has been met. Good progress has been made towards the 40% target for Women on Boards. The Committee remains ambitious to ensure it meets this target ahead of the 2025 deadline. The Committee also acknowledges the high number of female employees within the Group and the need to reflect this at Board level. The appointment of a female Head of HR to the executive committee has progressed the gender balance of this group. Over time, the current investment in and development of the female employee pipeline should yield higher female representation in senior management and on the Board.
Strengthen focus on diversity and inclusion throughout people processes	Inclusivity and diversity as core values are being embedded throughout the Group. At the Board level, there is currently a balance to be struck between selecting for diversity against selecting for an appropriate range of skills and experience to meet Board fiduciary responsibilities. Progress is being made on strengthening the focus on diversity and inclusion throughout the Group's people processes. 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 being to boards. To progress this further, where possible search firms signed up to the Voluntary Code of Conduct for Executive Search firms will be used. The Board continues to ensure that consideration of all future appointments supports the Board and Company's diversity aims.
Continue to improve transparency and accountability on diversity and inclusion by measuring and reporting against diversity objectives	The Committee is committed to annual reporting and compliance with the Corporate Governance Code diversity objectives and evolving its practice. The Committee is also sighted on inclusion and diversity initiatives, and is keeping abreast of developing best practice in this area. The Committee gives thoughtful consideration to how best to meaningfully drive diversity and inclusion forward. and improve measurement and reporting on diversity compliance, objectives and initiatives. To this end, people processes will encourage sharing of diversity data.
Engage stakeholders on diversity and inclusion	Stakeholder engagement is an important barometer for the Group gain a deeper understanding of what matters to our stakeholders. Nino Suknidze, the designated Non-Executive Director for workforce engagement, has made progress in consulting with employees on the remuneration structure and alignment with, amongst other things, diversity. She is ideally placed to gather further feedback from employees on diversity and inclusion. Consultation and engagement with other stakeholders globally will also be important areas for further development.

In accordance with Listing Rule 9.8.6R(9), the gender and ethnicity of the Board can be found below; the position of the Senior Independent Director is held by Tsira Kemularia, a woman; and at least one member of the Board is from a minority ethnic background. For more information on our ethnic and gender diversity, please see page 191 of this Annual Report.

	Number of board members	Percentage of the board (%)	Number of senior positions on the board (CEO, CFO, SID and Chair)[1]	Number in executive management	Percentage of executive management (%)
Men	6	66	2	7	77
Women	3	34	1	2	23
Not specified/ prefer not to say	-	0	-	-	0
Total	9	100	3	9	100

	Number of Board Members	Percentage of the board (%)	Number of senior positions on the board (CEO, CFO, SID and Chair)[1]	Number in executive management	Percentage of executive management (%)
White British or other White (including minority-white groups)	8	88	3	9	100
Mixed/Multiple Ethnic Groups	-	0	-	0	-
Asian/Asian British	1	12	-	0	-
Black/African/ Caribbean/Black British	-	0	-	0	-
Other ethnic group, including Arab	-	0	-	0	-
Not specified/ prefer not to say	-	0	-	0	-
Total	9	100	3	9	100

During the year, the Committee has focused on encouraging increased gender diversity at the middle-management level, and received regular updates from the Head of HR on efforts to promote and support female employees in this area.

Independence of Non-Executive Directors, conflicts of interest and time requirements

The Committee has delegated authority from the Board to assess the independence of Non-Executive Directors. In accordance with the Code, the Committee has reviewed and confirmed that all Non-Executive Directors 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.

The Company's Articles of Association contain provisions which permit unconflicted Directors to authorise conflict situations. Each Director is required to notify the Chairman of any potential conflict or potential new appointment or directorship. This year, the Committee reviewed the list of Directors' external appointments and decided that there were no apparent conflicts of interest that could not be adequately managed by recusal and, consequently, recommended the same for approval by the Board.

The Board does not specify the exact time commitment required from its Non-Executive Directors as they are expected to fulfil the role and manage their commitments accordingly. The Committee is satisfied that none of its Directors is overcommitted and unable to fulfil the responsibilities expected of a Director of the Company.

Subsidiary and Group governance

As reported in last year's Annual Report, the Committee spent time during 2023 developing the Group governance framework, which covered a broad spectrum of governance matters from structure and policies to operations and responsibilities.

Subsidiary governance has remained a focus of the Committee, and it has reviewed and recommended amendments to policies and procedures, including the Subsidiary Governance Policy and Ecosystem Policy, that enable effective management of a complex Group. The Committee also carried out a thorough review of all Board-level Committee Terms of Reference, including for this Committee. The new versions were approved by the Board in December 2023 and are available on the website at www.tbcbankgroup.com.

Shareholder Engagement

As part of the Board's wider programme of shareholder engagement (see page 168 of this Annual Report), the Committee also reviewed and responded to the views provided to the Company by the various proxy voting agencies following the Annual General Meeting. Overall, feedback had been positive, with suggestions for 2023 taken into consideration in this Annual Report.

Workforce Engagement

The Committee reviewed the appointment of the staff ambassador to the workforce, and recommended to the Board the appointment of Nino Suknidze for 2023.

Committee effectiveness

The Committee undertakes an annual review of its effectiveness as part of the Board evaluation. Feedback on the performance of the Committee was positive, with recognition given to the considerable progress made on succession planning and talent management over the year.

More information on the results of this evaluation is provided on pages 192 to 193.

2024 and beyond

In addition to its usual business, the Committee intends to focus on giving consideration to inviting another Non-Executive Director to the Board. In addition, the Committee will work on ensuring responsibility for HR matters as they relate to talent management are reflected appropriately in the various Committee responsibilities.

Arne Berggren
Chairman of the Corporate Governance & Nomination Committee

2 April 2024

1 CFO is not on the Board

Audit Committee report

AUDIT COMMITTEE REPORT

Members of the Committee

- Per Anders Fasth*
  (Chairman of the Committee)
- Tsira Kemularia*
- Thymios Kyriakopoulos*
- Nino Suknidze*

Meeting attendance shown on page 186
*Independent Director

Dear Stakeholders,

We are pleased to share the Audit Committee Report for 2023. The report seeks to provide an understanding of the Committee's work during the year, and assurance of the integrity of the Annual Report and Financial Statements.

During the year the Committee focused on the Company's financial performance and the integrity of the annual and interim financial statements. This included a thorough review of the Company's going concern, viability statement, and principal and emerging risks and uncertainties. The Directors' responsibilities statement in respect of the Annual Report and Financial Statements can be found on pages 260 to 261.

The Committee reviewed the key accounting areas of judgment, the adequacy and effectiveness of the Group's system of internal controls, including the effectiveness, performance and objectivity of the internal and external audit functions. Reports on internal controls during the year included regular updates on matters such as whistleblowing, to ensure the promotion of a robust culture of compliance and ethics, and to encourage employees to report fraudulent, improper or unethical conduct within a system of strong protections towards the reportee.

The Committee spent considerable time focused on the strengthening of the effectiveness of the internal controls systems, which will remain a focus for 2024.

As well as providing oversight to and strengthening of the Group's compliance and anti-money laundering activities, the Committee also continued to review and monitor the work undertaken to ensure sanctions compliance.

The Committee also oversaw the continuation of a project to standardise all Group policies, to ensure that these were intelligible, actionable and engaging, and to ensure that all parties were aware of their clearly defined responsibilities.

The Committee also took steps to ensure that, when taken as a whole, the Annual Report is fair, balanced and understandable.

Purpose and responsibilities

COMMITTEE PURPOSE

The Audit Committee assists the Board of Directors in fulfilling supervisory oversight responsibilities in relation to: internal control, integrity of accounting and financial reporting, external financial reporting and investor relations, compliance with regulatory and legal requirements, the effectiveness of the risk management framework and system of internal audit, external audit, and non-audit services of the Bank and its subsidiaries. The Committee's key role includes ensuring that the financial statements provide a fair and accurate view of the Group's financial situation and that the internal control system is adequate and effective.

Per Anders Fasth has chaired the Committee since June 2021. He has extensive experience in leading financial institutions and is considered by the Board to have recent and relevant financial experience. All members of the Committee are independent Non-Executive Directors. The Board is satisfied that the Committee as a whole has the competence relevant to the sector and its members have an appropriate level of experience of corporate financial matters.

As part of its duties, the Committee reviews the Company's internal controls and other controls to ensure the effectiveness of the internal control structure and to review any recommendations on changes to them, and, in conjunction with the Company's Risk Committee, to assess, manage and monitor the Group's internal control, risk management, compliance and governance functions.

The Committee also monitors the integrity of the Group's financial statements to ensure they meet all statutory requirements and appropriate International Financial Reporting Standards and that all areas of judgement are fully considered before recommending to the Board that they give a fair, balanced and understandable position of the Company.

The Committee plays a key role in considering the effectiveness and independence of the Group's internal audit activities and its relationship with the external auditors, as well as making recommendations to the Board regarding the appointment, re-appointment and removal of the Group's external auditors, and the approval of their remuneration and terms of engagement. The Committee further appoints and assesses the performance of the Head of Internal Audit.

The representatives from the external auditors and the Head of Internal Audit are each afforded time with the Committee to raise any concerns they may have without executive management being present.

The Committee is authorised to seek outside legal or other independent professional advice though this was not required during the year.

More information on the Audit Committee can be found in its Terms of Reference, revised on 12 December 2023, which have been adopted by the Board and are available on the Company's website, www.tbcbankgroup.com.

Additionally, the Audit Committee findings and reports are regularly delivered to the Board, at least on a quarterly basis.

Principal activities and significant issues considered during 2023

Investor Relations	• Preparation of external financial reports and investor presentations • Co-ordination of the annual report process • Investor and side-sell research outreach, including management roadshows
Financial reporting	• Approval of financial results announcements, including interim and year-end results • Review of financial statements, ensuring that disclosures are fair, balanced and understandable, significant accounting judgements, going concern assumptions and the viability statement • Assessment of the process and reports, consideration of Alternative Performance Measures ("APMs"), going concern, approval of the viability statement
Internal audit and internal control	• Review of the Internal Audit reports, and any remedial action plans • Review of deficiencies and effectiveness of internal financial controls • Evaluation of the effectiveness of the internal control systems • Initiation of a programme to further strengthen internal controls in the first line of defence • Review of the Internal Audit Charter • Review and approval of the 2023 Internal Audit Plan and budget • Evaluation of the effectiveness and independence of the Internal Audit function
External audit	• Review of the External Audit Plan, engagement terms and fees • Review of the independence and objectivity of PwC • Review of the level of fees paid to PwC in accordance with the policy for the provision of non-audit services • Appointment, remuneration and effectiveness of the external auditors • Consideration of the findings of the external audit and any implications for the financial reporting of the Group, or the effectiveness of internal control
Compliance	• Review of the Group's compliance related policies, including approval of the AML, Compliance, and Anti-Bribery Anti-Corruption and Anti-Facilitation of Tax Evasion Policies • Review of the work undertaken to ensure sanctions compliance
Governance	• Review of the Committee Terms of Reference • Committee evaluation • Committee schedule of work • Assessment and approval of Group-wide policies including: development of the Finance Policy; introduction of a Sanctions Policy; approval of Whistleblowing and Related Party Transactions policies

Risk management framework and internal control

The Board has delegated to the Committee responsibility for reviewing the effectiveness of the system of internal control. This covers all material controls including financial, operational and compliance controls, as well as the financial reporting process.

Whilst primary responsibility for establishing and maintaining adequate internal controls and risk management systems, which include financial, operational and compliance controls, has been delegated to executive management, the Committee is responsible for the oversight of the effectiveness of these controls and confirming they are sufficiently robust to effectively manage risks arising from changing economic conditions and activities across the Group. The Internal Audit function reports to the Committee on any control weaknesses and breakdowns providing robust root cause analysis and recommendations for improvements, along with clear ownership/accountability and deadlines for remediation. The Committee regularly reviews the progress of this vital function and alerts the CEO, CFO, CRO and divisional heads as well as the full Board if at any point it sees intractable problems and insufficient commitment to continuous process improvement. In 2023 the Audit Committee continued a programme, initiated in 2022, to further strengthen the internal controls.

In accordance with the Company's strategic commitment to fortify internal controls, a dedicated department was established to enhance risk awareness and refine internal controls within the first line of defense. Formed during the year, the Internal Control department collaborates closely with business entities to ensure the efficacy of controls, simultaneously fostering awareness and a culture of internal control within the first line. Consequently, the department focuses on enhancing business organization processes, promptly identifying and mitigating risks, thereby providing reasonable assurance to management.

Moreover, an integrated control assurance framework has been introduced, serving as a guiding force that aligns control and risk management activities across the first, second, and third lines of defense. Through strategic resource allocation across the business, a control assurance map enhances coordination, ensuring a unified approach to risk mitigation and control effectiveness. The Internal Control department oversees the control assurance map, ensuring a comprehensive evaluation, testing, and follow-up of high and critical-risk processes. This cohesive and integrated strategy underscores the Company's commitment to a proactive and resilient internal control and risk management system.

Group management regularly reviews the accounting practices applied by the reporting team to ensure the approach is aligned with the accepted financial control framework and financial reporting standard requirements, corresponds to industry best practice and responds to readers' requirements of Group financial statements. Important updates and any changes or restatements are discussed with the Audit Committee to obtain their clearance. The external audit firm is kept informed in order to reach an agreement on the final approach.

As a result of the aforementioned process, certain updates have been applied to the 2023 annual accounts, restating prior year amounts where appropriate. These restatements are summarised in Note 4 to the consolidated financial statements.

The Committee considers that there is a proper system and allocation of responsibilities for day-to-day monitoring of financial and other controls within the Group, with no significant systemic failings or weaknesses. It has also considered the risk of executive override of control, and discussed with PwC its assessment of this mandatory audit risk.

In line with the provisions of the Code, the Board has responsibility for carrying out a robust analysis of the Group's emerging and principal risks. The Board has undertaken a careful assessment of the principal and emerging risks faced by the Group, including those that could threaten the business model, and its future performance, solvency and liquidity, as well as monitoring compliance to ensure that any mitigating actions are properly managed and completed. Assisted by the Committee, the Board also reviewed the effectiveness of internal control systems and risk management processes that were in place throughout the year and up to the date of this report and a number of recommendations for further enhancement were made.

The Committee has not identified, nor been advised of, any failings or weaknesses that it has determined to be significant. As part of its review, the Committee noted that no significant internal control matters had been raised by PwC in the context of their annual external audit. Where areas for improvement were identified, new procedures have been introduced to strengthen the controls and will themselves be subject to regular review as part of the continuous assurance process.

How the Audit Committee reviewed the financial statements

The Committee, in line with the powers delegated to it under its Terms of Reference, has reviewed the Annual Report and financial statements with the intention of providing advice to the Board on whether, as required by the Code, "the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy".

To make this assessment, the Committee considered the Annual Report and financial statements in detail to ensure the key messages of the report were aligned with the Group's performance and the strategy being pursued. The significant issues relating to the financial statements were consistent with those identified by the Independent Auditors' Report on pages 264 to 272. Before the audit, the Committee considered the audit coverage levels and underlying audit materiality levels and agreed them with the external auditors, PwC. The Committee ensured that the materiality levels agreed were sufficient to obtain appropriate audit evidence and that key risk areas were adequately addressed. Details of the materiality levels agreed are disclosed in the Independent Auditors' Report on page 268.

The Committee has also considered Alternative Performance Measures (APMs) used by the Group. APMs are used in accordance with European Securities and Markets Authority (ESMA) guidelines with executive management highlighting any impact on APMs as a result of changes to accounting methods.

The Audit Committee also undertook a robust review of the financial statements published at the half year and the two quarterly statements. The Committee has reviewed the various actions the Company has taken to ensure that all decisions have been taken in accordance with Section 172 of the UK Companies Act 2006, and that all stakeholder considerations have been taken into account when making key decisions. This has enabled the Board to approve the Stakeholder Engagement disclosure on pages 168 to 175 of the Strategic Report.

Taking the above into account, the Committee recommended, and in turn the Board confirmed, that the 2023 Annual Report, taken as a whole, is fair, balanced and understandable and provides the necessary information for shareholders to assess the Company's position, performance, business model and strategy.

Significant accounting judgements

The Committee reviewed the significant financial matters in connection with the financial statements, having regard to matters communicated to the Committee by the external auditors. The significant matters considered are set out in the following table including: definition of default, credit risk parameters, estimates for forward-looking macroeconomics and judgements for their probability weightings, assumptions for individual impairment assessment, any potential post-model overlays and adjustment (PMAs) and the external auditors' observations on any potential improvements going forward.

Significant financial matters considered	How the Committee addressed the matters
Key financial metrics and reporting materials The Audit Committee considered the key judgements in relation to external reporting to investors. **Regulatory and other reporting** The Committee reviewed the required regulatory reporting, such as the Bank's Pillar 3 disclosures, and reviewed the Company's Sustainability Report.	In exercising its oversight, the Committee assessed management's assurance and preparation of external financial reporting. The Committee reviewed the draft external reporting disclosures and provided feedback and challenge on the top sensitive disclosures and key financial metrics to ensure that the Group was effective, consistent and transparent in its messaging. As mandated by the local regulations in Georgia, the Audit Committee reviewed and recommended the Bank's regular Pillar 3 reporting.
Key significant accounting matters raised by the external auditors The Committee engaged with the external auditors during regular reports throughout the year and held detailed discussions on matters raised during the audit process.	Expected Credit Losses (ECLs) are a measure of the probability-weighted estimate of credit losses, which the management needs to estimate every year. The Committee discussed with PwC the current provisioning methodology for ECLs and the key management judgements and estimates used in the ECL estimation process, including: probability of default, credit risk parameters, estimates for forward-looking macroeconomic and judgements for their probability weightings and the external auditors' observations on any potential improvements going forward.

These items were considered significant considering the level of materiality and the degree of judgment exercised by management. The Committee discussed these with the executive management and PwC to understand any areas where there had been or continued to be differences of opinion, and to satisfy itself that the conclusions drawn were reasonable and supportable based on the information available at the time, and that the corresponding disclosures were appropriate. As a result of this discussion, the Committee was satisfied that all issues had been fully and adequately addressed and that the judgments made were reasonable, appropriate, and disclosed accordingly in the financial statements, and had been reviewed and challenged by the external auditors, who concurred with the approach taken by management.

Internal Audit

Internal Audit provides an independent and objective review of the Group's design and operational effectiveness of internal controls across all areas of the business, risk management, key financial and non-financial reporting and data management tasks to protect the assets, reputation and sustainability of the organisation.

The Head of Internal Audit reports directly to the Audit Committee and regularly attends Committee meetings where appropriate. The Committee meets regularly with the Head of Internal Audit with no executive management present.

Internal Audit regularly undertakes audits of all the Group's key operating units, with a rolling risk-based audit plan agreed in advance with the Committee. In 2023, 100% of all pre-agreed internal audit assignments were completed. The Head of Internal Audit reports the outcome of all audits and identifies any deficiencies to the Committee, which then considers the issue both in terms of severity and underlying trends, noting management's proposed remediation. Operational units of the Group that have shown continuing weaknesses are routinely re-inspected to confirm that improvements have been made as the Committee advised.

Internal Audit delivers an annual assurance statement to the Committee, which sets out the Head of Internal Audit's opinion, together with summarised reports of the internal audit work performed in comparison to the plan during the year, and an assessment of compliance with auditing standards.

The Committee considers that Internal Audit has established its arms-length independence from executive management and is free from any interference in determining the scope and performance of its work and the communication of its results. During 2023, Internal Audit effectively applied a risk-based approach to designing its annual schedule of work for the year. Internal Audit is seeking to use robust root cause analysis to develop more themed reports, prioritising the higher risk areas of the Group and responding rapidly to emerging issues, undertaking special deep-dive investigations (particularly arising from situations where the Group may have heightened vulnerability or has been the victim of fraud) and ensuring that Internal Audit is able to add more strategic value.

During 2023, the Internal Audit work was conducted with the overall vision to provide risk-based assurance and insightful, proactive and future-focused advice. The annual work program was designed to focus on the most significant risks for the Group. In addition, Internal Audit maintained its focus on the identification and reporting processes around capturing and disclosing related party lending and anti-money laundering procedures within the Group, in line with regulatory requirements in Georgia.

There is a continued and particular shortage of IT internal auditors in Georgia. Given the importance of mitigating IT risk, the Committee continued to co-source these skills from Grant Thornton during 2023 to carry out appropriate reviews. The Internal Audit function has worked to strengthen its internal IT audit capabilities, as well as utilising external expertise where appropriate, and will continue to focus on improvements in this area.

External Audit

External Auditors, tenure and audit plan

PwC is engaged to conduct a statutory audit and express an opinion on the Company and the Group's financial statements. Their audit includes an assessment of the internal control systems that produce the information contained in the financial statements to the extent necessary to express an audit opinion. PwC presented their proposed audit plan to the Committee for discussion. The objective was to ensure that the focus of their work considered the Group's structure and strategy as well as the risk profile. The audit plan was risk and materiality focused, and designed to provide a high-quality audit and other valuable insights.

Objectivity and independence

The Committee is responsible for monitoring and reviewing the objectivity and independence of the external auditors. In undertaking its annual assessment, the Committee has reviewed:

- The confirmation from PwC that they maintain appropriate internal safeguards in line with applicable professional standards;
- The mitigating actions taken to safeguard PwC's independent status, including the operation of policies designed to safeguard threats arising from the non-audit services provided by PwC and the employment of former PwC employees;
- The tenure of the audit partner and quality review partner (such tenure not being greater than five and seven years respectively); and
- The internal performance and effectiveness review of PwC referred to above.

Taking the above review into account, the Committee concluded that PwC remained objective and independent in its role as external auditors.

External audit process

In preparation for the 2023 audit cycle, the Committee held planning and concluding meetings with PwC.

Given the structure of the Group, both the UK and Georgian practices of PwC are involved in the external audit process. PwC Georgia is part of PwC's Central and Eastern Europe network. In the opinion of the Committee, this 'double coverage' works well and provides added reassurance in terms of scrutiny. The UK team coordinates the audit, issuing instructions and putting processes in place to monitor PwC Georgia's work.

Overall, in 2023, the Group spent US$ 2.51 million (net of VAT) (2022: US$ 1.89 million) for work undertaken by various accounting-based professional services firms for both audit and non-audit services. As for the fees related specifically to the Group's current audit company, in 2023 the Group's contractual fees to PwC amounted US$ 1.57 million (net of VAT), of which all was in respect of audit services. This was predominantly for the Bank audit, but included audits of the subsidiaries of both the Bank and the Company. PwC's proposed fees were benchmarked against other similar services provided by other audit firms.

Audit tendering

PwC was appointed as external auditors in 2016. In accordance with the National Bank of Georgia's auditors' rotation requirements, TBC PLC undertook a competitive tender process in 2021. However subsequently the National Bank of Georgia extended the mandatory audit rotation deadline to 2025. As a result, the Board decided to retain PwC as auditors for the Group for the 2023 and 2024 financial years. The Audit Committee has therefore recommended the reappointment of PwC to the Board for approval by shareholders at the AGM in 2024.

The current lead audit partner Allan Mcgrath has led the audit since 2019 and will be required to rotate for the 2024 financial year audit.

The Company is in compliance with the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 for the financial year under review.

Non-audit services

The Group's Non-Audit Services Policy governs the engagement of PwC to provide non-audit services. The Policy reflects the independence rules within the FRC's Revised Ethical Standard 2019. The Group monitors all tracking procurement and tendering for all non-audit fees, and amounts approved under the Policy are reported at Committee meetings. PwC continues to provide certain services to the Company in accordance with the independence rules set out in the revised Policy.

The non-audit fees paid to PwC for 2023 were nil (US$ 2.3 thousand, net of VAT, in 2022). The figure represents 0% (less than 1% in 2022) of the average fees paid to PwC for Group audit services over the preceding three years and is still well within the 70% cap required by Group Policy on non-audit services.

The Group has a policy of sharing business between suitable audit firms to provide diversification, promote competition and build relationships. In 2023, non-audit work was allocated to 10 different accounting-based firms, including non-Big Four companies. The largest single non-audit contractual spending in 2023 was related to work performed externally by Ernst & Young for the internal control consultancy for a total fee of US$ 158 thousand (net of VAT). The largest total non-audit contractual spending in 2023 was related to the Ernst & Young US$ 304 thousand (net of VAT) for consulting and advisory works performed for the Bank and the Group's subsidiaries.

Committee effectiveness

The Committee undertakes an annual review of its effectiveness as part of the Board evaluation. Feedback on the performance of the Committee was positive, with the Committee discharging effective oversight under the guidance of an experienced Chairman.

More information on the results of this evaluation is provided on pages 192 to 193.

2024 and beyond

In addition to its usual business, the Committee intends to focus on and support the Compliance function in driving a more proactive and strategic approach as it becomes more integrated into working practices. It will also continue its focus on integrated controls and assurance activity. The Committee will continue to work with the ESG & Ethics Committee where necessary to ensure reporting in ESG areas is in line with market expectations.

The Committee will also work through the updates to the UK Corporate Governance Code as they relate to audit, risk and internal control, and any changes required to the ways in which the Board monitors the risk management and internal control framework.

Per Anders Fasth
Chairman of the Audit Committee

2 April 2024

Risk Committee report

RISK COMMITTEE REPORT

Members of the Committee

- Thymios P. Kyriakopoulos* (Chairman of the Committee)
- Eran Klein*
- Per Anders Fasth*
- Janet Heckman*

Meeting attendance shown on page 186
*Independent Director

Dear Stakeholders,

We are pleased to share the Risk Committee ('Committee') Report for the year ended 31 December 2023. The report is designed to provide insights into the systematic process followed throughout the period in the context of TBC Bank's strategic priorities. It sets the environment in which the bank operated, articulating the challenges faced and initiatives deployed in responding to the continuously evolving local and international standards.

Key activities in 2023

The Committee focused on risk management priorities emanating from the Bank strategy and the prevailing operating environment. The focus was further sharpened by the self-assessment recommendations (carried out by Lintstock Ltd):

- Oversight of implementation of effective enterprise wide risk management framework
- Identifying and monitoring principal and emerging risks
- Set risk appetite in accordance with strategy and formulate policy structure
- Reviewing the four main risk transformation strategic themes
- Reviewing and assessing material capital investments and corporate loans

Macroeconomic environment

During 2023 the Committee discharged its duties within an ongoing complex environment that presented the Bank with challenges and opportunities that required careful risk management and keen attention to the nature of global developments. Geopolitical risks remain elevated due to the ongoing Russian military operation in Ukraine, therefore compliance with sanctions imposed by countries and unions of states as a response to the aggression remains in focus. In addition, the conflict in the Middle East has led to further complication of global political balances with potential knock on effects on the Bank's operation.

In Georgia, 2023 was a year of normalization of major macroeconomic trends following two consecutive years of double digit economic growth. Migration positive effects subsided throughout the year and remittances eased, although when excluding Russia those trends remain strong. The Georgian European Union membership candidacy status was received in December, revealing new developmental prospects. Foreign direct investment (FDI) remained strong throughout the year. High net inflows in H1 normalized in H2, yet still enabled the NBG to accumulate record currency reserves. This was despite the NBG engaging in a dovish monetary policy cycle as domestic inflation returned to target levels.

Despite some positive factors in the outlook for 2024, the Committee prudently maintained focus on the risk scenario of financial conditions deteriorating. An elevated focus was given to potential consumer behavioral changes, lower levels of productivity, a decrease in investment appetite and a reduction in the underlying quality of credit demand. The Committee also sharpened its focus on default rates, early formation of payment indiscipline, collateral quality and other credit metrics, set out in more detail on pages 112 to 120.

Against this backdrop, the Committee acknowledged a structural shift in the sophistication of the Group structure was required in 2023. Based on internal models, subsidiaries such as the banking and payment business in Uzbekistan, the eCommerce aggregator and others reached a high materiality level as a function of the Group's market capitalization level. Therefore, emphasis was placed on structuring Group policies, risk appetite and capital investment return threshold accordingly. Whilst seeking assurance that appropriate methodologies were in place to assess decision-making across Group entities and geographies, to ensure proportionate use of resources and contribution to forward enterprise value targets.

COMMITTEE PURPOSE

The Committee's responsibility is to support the Board in its oversight of the Group's enterprise-wide risk management framework, and the risk appetite for each business area. It is tasked to monitor the alignment of the risk framework to the Group's strategy, while supporting a culture of risk taking within sound governance.

Its oversight duties include a robust assessment of emerging and principal risks facing the Group, with emphasis on those that would threaten the business model, future financial performance, capital adequacy and solvency. The Committee also reviews the statement concerning internal risk management and the Group's Viability Statement included in this Annual Report on page 138.

Purpose and Responsibilities

The Committee acts independently of executive management to fulfil its duties to shareholders and to ensure that their interests are properly protected.

More information can be found in its Terms of Reference, revised on 12 December 2023, which have been adopted by the Board and are available on the Company's website, www.tbcbankgroup.com.

Principal duties

As part of its duties, the Committee provides oversight of the Company, and its subsidiaries, enterprise-wide risk management framework, risk appetite and risk tolerance as appropriate for each business area. The Committee also monitors the alignment of the risk framework to the Group's growth strategy, supporting a culture of risk minded decision-making, probing assumptions and challenging management's view to reach a reasoned consensus on the Group's strategic risk positions.

In addition, it also maintains oversight of the Group's processes and systems that identify, assess, manage and monitor risks (both financial and non-financial), and prepares and makes recommendations to the Board regarding the going concern, risk management and viability statements to be included in the Company's Annual Report.

The Committee also plays a key role in providing oversight to ensure that a robust assessment of the emerging and principal risks facing the Group, including those that would threaten the business model, future performance, solvency and liquidity is undertaken on a regular basis.

A further responsibility of the Committee is to oversee the development of an effective recovery plan designed to enable the bank's management to restore capital and liquidity viability in a timely manner following the experience of a non-financial event or material deterioration of financial conditions.

For more information please see pages 112 and 115 of this Annual Report.

Principal activities and significant issues considered during 2023

During the year, the Committee continued to concentrate on its key responsibilities: monitoring the Group's risk management processes, promoting progress in risk management tools and techniques, and implementing actions to mitigate against prevailing risks. The Committee also focused on driving forward the risk-related recommendations of the Lintstock report. The table below summarises the significant issues considered during 2023 and actions taken by the Committee.

Areas of focus	Key issues	Description of actions
Risk appetite	Review and approval of the Group risk appetite and well as its direct subsidiaries Identifying and monitoring principal risks.	The Group risk appetite statement defines the risk appetite and tolerance thresholds. Based on these thresholds, the Company manages risk, the capacity and capabilities to support its customers and the pursuit of the Group's strategic goals. The Committee receives and reviews quarterly risk appetite updates.
Financial risk	**Financial risk management** Close monitoring of the Company's financial risk position, in light of the macroeconomic outlook, and other dynamic risks and opportunities facing the Group. **Credit risk and credit quality** To provide oversight of risks related to retail, MSME and corporate lending**.**	In 2023, the Committee monitored the Group's risk management processes, the promotion of progress in risk management techniques and tools; and the implementation of measure to mitigate prevailing risks. The Committee continued to monitor the Company's financial risk position and provided assurance to the Board on the Company's capability to deliver on its strategic objectives. In addition, actively monitored the performance of the Group's credit portfolio throughout the year and received regular updates on the overall portfolio quality, changes in non-performing loans and the cost of risk. One of the key focus areas was the approval of significant exposures to the corporate clients, that is, the Bank's top 20 groups of borrowers, which accounted for more than 5% of the Bank's supervisory capital. A total of 13 transactions were reviewed in detail by the Committee. The Committee was satisfied that appropriate lending controls and monitoring were in place to control risks across lending portfolios.
Operational resilience	Managing the Company's non-financial risks across different areas, including oversight of people, conduct and culture, ESG and climate, cyber, information security and data, and reputation risk.	The Committee maintains specific focus on the Group's operational resilience and receives updates from the management team throughout the year. As part of this work, the Committee continued to closely monitor the Risk and Control Self-Assessment results, together with progress on the mitigation action plan. The Committee also receives a report on information and cyber security every year. Additionally, thematic updates are provided at least twice a year, as well as case by case updates as needed, in the CRO report to the Committee. The Committee's findings and reports are regularly delivered to the Board, at least on a quarterly basis. The Committee seeks assurance on appropriate mitigation measures, for example, whether insurance cover is adequate.
Capital and liquidity	Policies review	Oversight of the ICAAP and ILAAP development process. It also assessed the Bank's long-term capital adequacy position, based on its 3-year financial plan, to ensure that the Bank holds sufficient capital to stay within risk appetite limits and regulatory requirements. As part of Capital and Liquidity considerations, the Risk Committee considers the appropriateness of any proposed dividend to shareholders. For more details, please see the Management section on pages 112 to 115
Recovery plan	Overseeing recovery planning in line with regulatory requirements	The Committee oversaw the Bank's recovery planning process, and recommended that the Board approves its submissions to the National Bank of Georgia.
Compliance, regulatory and legal risk	Providing oversight of compliance, regulatory and legal risk. Policies review	The Committee places significant focus on understanding and providing assurance on the implementation of regulatory changes, as well as ensuring effective horizon scanning of upcoming trends and evolving risks. Throughout the year, the Committee received regular updates on significant pieces of legislation that were introduced or consulted upon during 2022. Assessed and approved updated Group-wide compliance policies, and other documents subject to annual update.

Horizon scanning is an important part of the Committee's oversight role on emerging risks. Committee members, through their global networks and combined expertise, shared valuable potential threats and emerging risks intelligence and remained alert to wide-ranging macroeconomic developments and geopolitical uncertainties. Committee members are also well-positioned to foresee some the potential impacts of regulatory changes. Their useful insights strengthened discussions on emerging and top-of-mind risks. Information on the key risks and uncertainties facing the Company is provided in the Material Existing and Emerging Risks chapter on pages 116 to 136

In addition to its main strategic pillars, the Committee received regular risk reports covering all key subsidiaries of the Group, with an emphasis to risks relating to the Uzbekistan banking and payments company (TBC Uzbekistan) and the eCommerce aggregator (TNET). Further, deep dives were orchestrated in order to assess the inherent risks and anticipated commercial results of subsidiaries such as Space and TBC insurance, as well as other Group activities designed within the context of the broader group strategic priority to digitize operations, manage people risk, create cross selling possibilities and diversify revenue streams. Deep dives covered a wide range of topics and included, but were not limited to:

- People Risk Deep Dive
- Reputation Risk Deep Dive
- Legal Risk Deep Dive
- Retail Lending Deep Dive
- Insurance Risk Deep Dive
- MSME Lending Deep Dive
- Operational Risk Deep Dive
- Liquidity and Market Deep Dive
- Model Risk Deep Dive

Following the detection of fraud cases within lending activities during 2022, the risk management department embarked on a comprehensive process review and risk culture enhancement program. A number of mitigation and control activities were implemented throughout the year to manage internal and external fraud risk, including an extensive programme of engaging employees in fraud identification and prevention. Significant progress was made with measurable impact in the frequency and magnitude of such events. The introduction of the Internal Control Framework consolidated the evolution of the Group system of controls.

The Committee also reviewed and discussed several loan applications from the top 20 borrowers of the Group as mandated by its terms of reference. Besides ensuring the prudence of structure and commercial alignment with the Group strategy, the committee also uses this forum to relay expectations of credit underwriting standards while striking the appropriate balance of risks and anticipated returns.

Transformation theme	Risk strategy review
‘Safeguarding the Group’	The Committee discussed improvements and challenged management on: • stress testing • capital buffers and liquidity • fraud management • internal controls and AML and Compliance • harmonization of policies • internal control functions and risk governance • non-financial risk parameters
‘Digitizing processes to support faster decision making’	Digitizing is a significant focus for the Group overall and the Committee played a role in ensuring that risks are appropriately considered before implementing and optimising digital solutions. The Committee reviewed improvements in: • model development • model validation • borrower rating scorecards.
‘Embedding risk management in the Group’s organisation and culture’	As part of its wider goal to ensure improved governance through a well-established risk culture and risk-aware decision-making, the Committee: • carried out an annual review of group policies reviewed risk culture • reviewed employee survey results on risk-awareness and risk perception
‘Becoming a business partner in risk-return optimization’,	The Group’s investment projects were discussed as envisaged under the international expansion strategy. This included the Payme acquisition and other potential significant investments. The Committee also considered subsidiary governance and risk appetite limits for subsidiary funding.

The Committee also reviews and recommends the risk strategy for the Group, and during the year focused on the four main transformative themes of this strategy. In 2023, the risk function focused on these, and the Committee reviewed and provided constructive challenge on the following strategic initiatives:

In 2023, significant progress was made on all transformative themes, and to the overall strengthening of the risk profile of the Group.

Committee effectiveness

The Committee undertakes an annual review of its effectiveness as part of the Board evaluation. Feedback on the performance of the Committee was positive, driving improvements in a number of complex areas whilst maintaining the right balance of challenge.

More information on the results of this evaluation is provided on pages 192 to 193.

2024 and beyond

Elevated geopolitical risks are expected to persist throughout the coming year. Particular focus will be allocated to risks and opportunities relating to Georgian elections. In addition, potential spillover effects will be carefully assessed as many countries that maintain strong economic ties with Georgia will experience election events and political balances could shift, as may be the case with the USA.

The Committee’s assessment of net level of risk as a function of the Group risk appetite remains broadly similar to the previous year with the exception of a greater focus on interest rate risk given both local and global monetary policy prospects. The net level of operational risk is deemed to have benefited from enhanced controls and structural improvements of the previous year. The Committee intends to continue to focus on the risks associated with sanctions, AML and KYC compliance, as well as ensuring ongoing attention to emerging risks and regulatory developments as they relate to banking, corporate credit, and consumer and internet banking. The Committee will continue to review harmonization of subsidiary risk appetite with that of the parent company. Working closely with the Data and Technology Committee, the Committee will continue to seek assurance on enhancements to the Bank's technical and digital capabilities in safeguarding the Bank and its customers.

Thymios Kyriakopoulos
Chairman of the Risk Committee

2 April 2024

Remuneration Committee report

REMUNERATION COMMITTEE REPORT

Members of the Committee

- Janet Heckman* (Chair of the Committee)
- Per Anders Fasth*
- Arne Berggren
- Tsira Kemularia*

Meeting attendance shown on page 186
*Independent Director

Dear Stakeholders,

On behalf of the Board, the Committee is pleased to present the Directors' Remuneration Report for the year ended 31 December 2023. This report is divided into three sections:

1. This Annual Statement from the Chair of the Remuneration Committee;
2. The Directors' Remuneration Policy (the 2024 Policy), a new Policy which will be subject to shareholder approval at the 2024 AGM and will provide the framework for Directors' remuneration for the three year period from 2024; and
3. The Annual Report on Remuneration, which delineates the compensation structure for Directors in 2023 and, contingent upon the approval of the 2024 Policy, outlines the proposed operation of the new remuneration policy for Directors in 2024. This section, in conjunction with the Annual Statement, will be subject to an advisory vote at the 2024 Annual General Meeting (AGM).

BUSINESS CONTEXT

TBC Bank is the leading financial group in Georgia and has been listed on the premium segment of the London Stock Exchange since 2016, and is currently a constituent of the FTSE 250 Index.

Significant value has been generated through substantial growth and profitability since the listing. Ambitious growth plans are underway, both within the domestic and international spheres, leveraging the prominent position in the Georgian banking market, and supported by a leading digital ecosystem in Georgia. With regard to our businesses in Uzbekistan, the objective is to apply expertise to optimise the growth potential of these already profitable businesses.

The growth is driven by a capable workforce and Executives, necessitating multinational teams and specialist experts across various domains, including banking products and digitisation. The Company is led by the long-standing Chief Executive Officer (CEO) and an executive team of 'Deputy CEOs'.

Highlighting the Group's excellent performance and strategic achievements, the company has accomplished remarkable profitability backed by a solid capital base, resulting in a GEL 1.140 billion profit and an ROE of 26.5%.

Robust growth has been achieved in core Georgian banking operations, with a substantial 19% YoY increase in loan portfolio and a 12% YoY increase in deposit portfolio. Furthermore, Uzbek fintechs have contributed significantly, resulting in a profit of GEL 59 million.

The company's digital presence reflects its dedication to innovation and customer engagement. The growing customer base and increased digital engagement have amounted to 5.2 million digital monthly active users in the Group.

BACKGROUND TO POLICY REVIEW

Being a UK-listed company, shareholder approval is necessary for a new remuneration policy at the May 2024 AGM, as it is required to be presented to shareholders for approval at least every three years. Consequently, the remuneration policy has been examined in light of market and best practice in the banking sector, as well as the regulatory framework in Georgia.

The current policy which was approved in 2021 provides for total variable pay opportunity of almost 300% of salary, split between an annual bonus and LTIP opportunity of 135% and 161% of salary respectively. However, from 1 January 2022 the National Bank of Georgia (NBG) new regulatory cap, which limits variable pay to 200% of salary, came into force. The retro-fitting of the regulatory cap to the Policy has meant that the remuneration payable for high performance (as per the policy approved by shareholders), cannot be paid in excess of this limit and has led to an unacceptable position where for a high performing business, the incentive payments are likely to need to be reduced to comply with the regulatory cap. This is, despite challenging targets having been achieved and significant shareholder value being delivered.

Therefore, the first focus area for the review of the current policy has been to ensure that the remuneration package can operate sensibly within the cap and, as happened in the UK and Europe when the bonus cap was introduced, we wish to re-weight the package to increase the fixed pay component and reduce the variable pay component to ensure that payments can be made within the policy and within the 1:2 cap.

The second focus area for the review has been to look at the overall market competitiveness of the packages for this high performing and long serving CEO and management team, which has already delivered significant value to shareholders and which the Board is confident will continue to do so in the future. Since the last review the size, scope and complexity of TBC Group has increased materially, with significant international and digital expansion. This is leading to significant competition for talent both from the international markets and the digital sector.

The Committee has therefore reviewed the CEO's package against the market and the pay structures within the organisation. Total compensation for the CEO has fallen behind key competitors, in spite of strong performance and shareholder returns. Therefore, to guarantee an appropriate and equitable level of remuneration moving forward, there is a proposal to increase the CEO's overall compensation.

In consideration of the evolving strategy, the maturity of the business, and local market practices, there is a proposal to alter the structure of the incentive model. This change involves transitioning from separate annual bonus and LTIP schemes to a unified incentive known as the "Combined Incentive Plan." This new plan integrates short and long-term performance elements, incorporating a substantial and long-term share-based deferral.

In developing these proposals, the Committee has sought to put forward a policy that is:

- attractive and appropriately positioned against the market;
- aligned with performance and shareholders;
- transparent and easily understood; and
- takes into account best practice and meets regulatory requirements.

These proposals, as a collective package, represent a significant change of approach. Full details and rationale is set out below for each aspect of the proposals in turn. The Committee confirms that the new policy will apply from the date of approval at the 2024 AGM.

1. REWEIGHTING OF THE PACKAGE TO MITIGATE THE IMPACT OF THE BONUS CAP

The proposed change to the quantum and weighting of the CEO package is set out in the table below. In summary:

- The overall increase to total pay is 22% - there has been no change to the package since 2022 and this change reflects the increase in scope of the role as a result of the growth in the company over this period and appropriately positions the package against key comparators (see details and rationale below)
- There is a modest 5% increase to the cash salary, which will be lower than the workforce average increase for FY24
- The significant reweighting towards fixed pay shall be implemented through a material increase to the Shares Salary. The Shares Salary will be subject to a 3-year holding period and will be released in three equal annual tranches after one, two and three years (not subject to any continuing service requirements, malus or clawback).
- The incentive opportunity is reduced from 296% to 200% of salary to meet the requirements of the regulatory cap and will be delivered by a new Combined Incentive Plan (see details below)

GEL'000[1]	Total Salary	Cash Salary	Shares Salary	Maximum Bonus (% of Salary)	LTIP Opportunity (% of Salary)	New Combined Incentive Plan Opportunity (% of Salary)	Total Variable Pay	Total Maximum Pay	Total Max Pay after 2:1 Bonus Cap
Current Package	**3,177**	2,224	953	**135%**	**161%**		**9,404**	**12,581** **(before the cap, approved by shareholders)**	**9,531**
New Policy	**5,105**	2,334	2,771			**200%**	**10,210**	**15,315**	**15,315**

Notes to the table:

1. The CEO's remuneration is denominated and paid in GEL

2. INCREASE TO CEO REMUNERATION

The CEO's package was reviewed by the Committee as part of the 2021 remuneration policy review and has remained largely unchanged. Since then it has not increased beyond the salary increase in line with the general workforce. During this period there has been a significant increase in scope and complexity of the Bank and the CEO role, for instance with international expansion and growth of the Company's digital ecosystems. The performance of the bank has been excellent, with strong ROE of 26.5% and profit increasing from GEL 540m in 2019 to GEL 1,140m in 2023 and the total shareholder return has been 51.1% in the period between 2021 and 2023.

Market data has been examined in assessing remuneration positioning. The proposal is deemed appropriate considering European peers and Georgian competitors.

In conclusion, the Committee believes that the proposed increase to the package is necessary to ensure a fair and competitive package for our CEO and to deliver further growth and stock market returns for shareholders.

Consideration has been devoted to determining the most effective method of implementing the increased remuneration. Apart from a minor adjustment in Cash Salary, the entire increase is assigned in the form of shares. These shares have a combination of deferral or holding periods extending for up to five years.

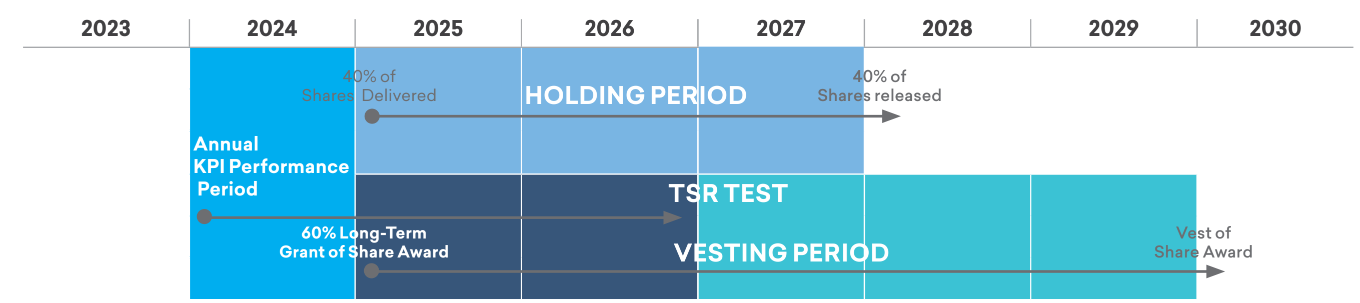
The effect of the increase to the CEO's total remuneration is also shown in the table above.

3. NEW COMBINED INCENTIVE PLAN

We have reviewed the effectiveness of the LTIP, taking into account its ability to incentivise, its complexity and how it is aligned with performance, and the conclusion we have drawn is that even where performance is strong and it pays out, the LTIP is poorly understood and has little motivational or retentive impact.

Accordingly, for FY24 onwards there will be a single Combined Incentive Plan. This will operate as follows in respect of FY24 in the example below:

2024 COMBINED INCENTIVE AWARDS



The 3-step performance assessment and payout process is described below in more detail.

PERFORMANCE STEP 1. GATEWAY

Eligibility for any payout to the CEO (or any other future executive director) under the Combined Incentive Plan is subject to passing the "performance gateways" set by the Committee for the financial year. For FY24, the performance gateways will be paid based on the following:

- CET1 ratio: Above the Supervisory Board approved Risk Appetite Framework limit as at 31 December;
- Liquidity (NSFR ratio): Above the Supervisory Board approved Risk Appetite Framework limit as at 31 December;
- Profitability (IFRS Group Profit): The Group shall be profitable (i.e., not run a loss) after incurring incentive expenses.

PERFORMANCE STEP 2. ANNUAL KPI PERFORMANCE SCORECARD

The Committee will determine the Annual KPI Scorecard each year, which will be a mix of financial and non-financial KPIs, with the majority of the weighting of the KPIs based on financial measures.

The payout is determined based on the achievement against 6 to 8 KPIs. The majority of the weighting will be based on Financial KPIs but other KPIs will also cover Customer, ESG and Leadership. The approach for 2024 is summarised on page 237.

Targets for each KPI will be set with a threshold, target and maximum level with, pro-rata payouts between points. Each KPI will be assessed independently. 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.

Payout Process: Based on the performance against the Annual KPI targets, the Committee will determine an overall payout percentage between 0% (minimum) and 200% of salary (maximum).

This total payout is then split between a "Share Award", 40% of the total, and the "Long-Term Share Award" 60% of the total.

- **Share Award (subject to holding period):** 40% of the total will be paid in shares which the CEO will be required to hold for at least 3 years before he is able to sell (subject to 3-year clawback).
- **Long-Term Share Award:** 60% of the total will be granted as a deferred award of shares (i.e. a conditional right to receive shares in the future), which will vest at the end of year 5. In addition, the Long-Term Share Award is subject to the TSR alignment mechanism set out below. (subject to malus and 3-year clawback).

PERFORMANCE STEP 3. LONG-TERM SHARE AWARD - TSR SHAREHOLDER ALIGNMENT MECHANISM

60% of an Award granted to an Executive Director will be granted as a "Long-Term Share Award", which vests 5 years after grant. The grant value of a Long-Term Share Award has been determined by the stringent performance assessment in Performance Step 1 and Performance Step 2.

Most schemes of this nature simply require the 'pre-earned' bonus amounts to be deferred for extended periods. However, we believe that it is important to have an additional long term shareholder alignment mechanism whereby if the strong performance from the annual assessment is not maintained (from the start of the Annual KPI assessment year for three years), the vesting of the 60% Long-Term Share Award may be scaled back.

At Performance Step 3, therefore, 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 Share 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.

BENEFITS OF COMBINED INCENTIVE STRUCTURE

We see the benefits of the Combined Incentive Plan over the current 'bonus and LTIP' approach as being the following:

- A "single" incentive plan replaces two separate incentive plans (bonus and LTIP) so is simpler and will have better credibility internally.
- The combination of a robust 3-step performance measurement, with Gateway performance criteria to determine any incentive plan payout, a challenging scorecard of measures linked to KPIs which drives the outcome after one year and then a further TSR modifier to incentivise shareholder performance over the full KPI assessment year and then the following two years (which can reduce the outcome of the annual performance assessment down to 50% for the Long-Term Share Award), will provide a mix of annual and long term performance.
- Delivery wholly in shares which are subject to deferral and holding periods (no cash bonus element at all) provides a strong long term alignment to shareholders' interests.
- Combined with a salary package that is also majority delivered in deferred shares, the package as a whole generates excellent long term alignment with shareholders.

For completeness, there will be no further grants made under the existing LTIP (in FY24 or later).

OTHER POLICY CHANGES

The post-employment shareholding guideline has been updated to comply with the IA guidelines so that the full shareholding requirement of 200% of salary must be held for no less than two years after employment ceases (increased from 100% of salary being required to be held for two years).

INCENTIVE PAYMENTS FOR PERFORMANCE DELIVERED IN 2023

The remuneration package for the CEO comprises both fixed and variable components, with the fixed portion conforming to the specified proportion as per the regulations set forth by the National Bank of Georgia.

Annual Bonus 2023

The Key Performance Indicators (KPIs) were achieved at 112.8%, compared to the target achievement of 100% and the maximum possible achievement of 140%. Under the existing Remuneration Policy effective from January 1, 2022, the CEO's maximum potential Annual Bonus is set at 135% of their salary, with the target award set at 50% of the maximum. Given the 112.8% achievement against the performance KPIs, the straight-line calculation method was used to determine the final value of the CEO's Annual Bonus, resulting in a total of GEL2,830,360, which is awarded entirely in deferred shares. These shares have a two-year holding period and are subject to recovery (clawback) up to three years post-vesting.

The Committee expresses satisfaction with the 2023 Annual Bonus outcome, which is predicated on the performance results and value delivered throughout the year, deeming it fair, reasonable, and proportionate.

LTIP 2021-2023

In relation to 2021-2023 LTIP cycle, the key Performance Indicators (KPIs) for this plan encompass Total Shareholder Return, Average ROE and Loan market share. By the end of 2023, the LTIP achievements resulted in an overall performance fulfillment of 132% out of 140%. Consequently, 95.75% of the maximum award vested, equating to 74,418 shares (after applicable taxes were deducted for Georgia). The value of the LTIP award and the consequent increase in remuneration compared to 2022 reflects the excellent performance of the Bank and the strong share price growth over the period. In 2022 there was no LTIP award to vest, with the decision having been made in 2020 not to grant an LTIP award during the COVID pandemic. The Committee views this outcome as consistent with the underlying performance and confirms that the payout aligns with it. Therefore, the Committee did not exercise any discretion regarding the 2021 award.

APPROACH TO NON-EXECUTIVE DIRECTORS' REMUNERATION IN 2024

The fees for Non-Executive Directors have remained unchanged since 2020 and the Board intends to review the fee levels during the year. There will be full disclosure of any changes in next year's report. Full details are set out on page 238.

WIDER WORKFORCE PAY

The Remuneration Committee aims to ensure that the Group's remuneration and practices are crafted to align with the strategy of the Group and to foster long-term sustainable success. It ensures fair and responsible rewards, closely tied to corporate and individual performance, while adhering to statutory and regulatory mandates. Moreover, executive compensation is synchronised with the Group's mission and principles, reflecting the execution of its long-term strategy and considering the broader experience of Group stakeholders.

In terms of aligning the remuneration between the broader workforce and Executive Directors, it is largely harmonised. The remuneration for the majority of employees, including Executive Directors and the CEO, is predominantly tied to their experience, responsibilities and performance. Furthermore, the Human Capital Department consistently verifies that employees receive competitive compensation relative to the market, ensuring that their salaries and benefits remain attractive through various research efforts. The company extends support to its employees by providing various benefits, including those related to well-being. Since 2023, we have implemented initiatives to assist colleagues, such as offering fully paid maternity leave for a duration of six months and providing comprehensive insurance coverage for all employees, fully subsidised by the bank. Additionally, we provide social packages to support our employees and their family members. Pension contributions are also provided for employees in accordance with Georgian legislation.

Furthermore, within her broader mandate, Nino Suknidze, the designated Non-Executive Director for workforce engagement, gathered feedback from various stakeholders within the workforce regarding the Bank's remuneration structure and its alignment with the company's values and strategy. Further information and details can be found on page 194. We are dedicated to the ongoing monitoring of the labour market, both domestically within Georgia and internationally, with the objective of expanding our network of key personnel. This commitment to monitoring and expansion will persist into the future.

SHAREHOLDER ENGAGEMENT

During the Policy review process, the Committee engaged with major shareholders and proxy advisers to discuss the proposed pay approach. The feedback was generally favourable and shareholders emphasized the need for comprehensive disclosure of the rationale, which has been incorporated into this report.

CLOSING REMARKS

The Board has confidence that the proposed changes embody a rational progression of the Policy, deemed suitable for a high-performing senior management team within a successful bank pursuing an ambitious international business strategy. The Board is dedicated to sustaining an open and transparent dialogue with shareholders. The Remuneration Committee appreciates any comments and anticipates continued support at the 2024 AGM.

Janet Ellen Heckman

Janet Heckman
Chair of the Group Remuneration & People Committee

2 April 2024

Directors' Remuneration report

This section of the report has been compiled in compliance with Part 3 of the revised Schedule 8 outlined in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, along with Listing Rule 9.8.6R and 9.8.8R. At the forthcoming AGM, the Directors' Remuneration Report will undergo an advisory shareholder vote, while the new Directors' Remuneration Policy will be subject to a binding vote.

Directors' single total figure of remuneration for 2023 (audited)

The next table provides a breakdown of the various elements of Directors' pay for the year ended 31 December 2023 and for the prior year. This comprises the total remuneration earned in respect of the period from 1 January 2023 to 31 December 2023, and the prior period from 1 January 2022 to 31 December 2022.

Non-Executive Directors

	Salary/ Fees		Pension related benefits		Total Fixed		Total	
US$'000[1]	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Arne Berggren	356	356	-	-	356	356	356	356
Tsira Kemularia	163	160	-	-	163	160	163	160
Per Anders Fasth	157	154	-	-	157	154	157	154
Eran Klein	154	154	-	-	154	154	154	154
Thymios P. Kyriakopoulos	154	154	-	-	154	154	154	154
Rajeev Sawhney	154	152	-	-	154	152	154	152
Nino Suknidze[2]	145	147	2	2	147	149	147	149
Janet Heckman[3]	127	-	-	-	127	-	127	-
Maria Luisa Cicognani[4]	-	108	-	-	-	108	-	108

Notes to the table:

1. All of above compensation is denominated (and shown in the table) in USD. Non-Executive Directors have not received any other payments or benefits from the Group in 2023 and 2022;
2. Georgian law requires that the bank provides pension contributions for Nino Suknidze, as a Georgian resident, into the mandatory Georgian government pension scheme at a level of 2% of her fee. This pension scheme applies only to TBC Bank JSC and does not apply to TBC Bank PLC.
3. Janet Heckman was appointed to the Board on 23 February 2023.
4. Maria Luisa Cicognani stepped down from the Board on 14 September 2022.

Executive Directors (Chief Executive Officer)

	Salary/ Fees		Taxable benefits		Total Fixed		Deferred share Annual Bonus award[2]		LTIP 2021-2023[3]		Total Variable		Total	
GEL'000	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Vakhtang Butskhrikidze[1]	3,177	3,156	58	57	3,235	3,213	2,830	2,369	8,910	-	11,740	2,369	14,975	5,582

Notes to the table:

1. Vakhtang Butskhrikidze's (the CEO) salary was delivered as GEL 2,223,628 in cash and GEL 952,983 in shares in 2023. He did not receive any remuneration other than that disclosed in the table. CEO compensation and taxable benefits (security allowances and insurance) are denominated in GEL. Previously, the CEO's compensation and benefits were denominated in USD, but were re-denominated in GEL effective 1 May 2022 to be in line with the wider workforce, where remuneration is denominated in GEL. A USD/GEL exchange rate of 3.230647289 (that being the 2021-yearly average National bank of Georgia exchange rate excluding holidays) was used for the re-denomination and same exchange currency was used for 2022 4 months presentation in GEL.
2. Annual Bonus is delivered in shares. 2023 Annual Bonus award amount is GEL 2,830,360 (that being 89% of the salary, while the maximum opportunity stands at 135% of the salary). Annual bonus for 2022 has been converted to GEL at an exchange rate of 3.230647289 as stated above.
3. 2021-2023 LTIP award was granted in 2021 for the performance period 2021 to 2023 and vested on 2 April 2024. The 2021-2023 LTIP performance achieved an outcome of 95.75% of the maximum available award, equaling 96,022 shares (on a gross basis)) and recognizing the excellent performance over the period. However, after deducting applicable taxes for Georgia and the UK, 74,418 shares were transferred to the CEO. The Single Total Figure table above reflects the value of the award on a gross basis, calculated using the three-month average share price for fourth quarter of 2023 GBP 27.76 and the foreign exchange rate per National bank of Georgia of 3.3426 GEL/GBP
4. Currently the CEO has chosen not to receive a pension contribution from the Company

DETAILS OF VARIABLE PAY EARNED IN THE YEAR (AUDITED)

GATEWAY KPIS

Following the approval of the new Remuneration Policy in 2021, a process with respect to the granting of LTIP awards was adopted to incorporate gateway KPIs into the award process. These gateway KPIs also apply the pay out of an Annual Bonus award.

The following gateway KPIs were met as at the end of 2023, confirming the CEO's 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. This is currently 0.6pps above the regulatory ratio per the existing risk appetite;
- Liquidity (NSFR ratio): The lower end of the amber zone of the RAF at 31 December each year as approved by the Risk Committee. This is currently 3pps above the regulatory ratio per the existing risk appetite;
- Profitability (IFRS Group Profit): The Group shall not run a loss after incurring LTIP and Annual Bonus expenses.

As shown in the next table, the status of the gateway KPIs set with respect to the variable pay out was above the respective targets as at the end of 2023:

		31-Dec-23
CET 1 ratio	CET 1 Reg Requirement	14.3%
	Min Range of Amber Zone	14.9%
	Actual CET1 Capital Ratio	17.4%
NSFR	NSFR Reg Requirement	100.0%
	Risk Appetite Amber Zone	103.0%
	Actual NSFR	119.9%
(IFRS Group Profit)	Group IFRS Profit in FY 2023	GEL 1.140 billion
	Top Management Variable Comp in 2023 & 2023-2025 LTIP at grant gateway target	GEL 23.8 million

VAKHTANG BUTSKHRIKIDZE, CHIEF EXECUTIVE OFFICER

Determining the CEO's performance

TBC Bank PLC has had an outstanding year with record levels of profitability at GEL 1.140 billion and a Group Return on Equity of 26.5%. This is reflected in the Variable Pay awards for the CEO. Annual Bonus and LTIP awards made to the CEO with respect to the performance year 2023 reflect the Committee's assessment of performance against corporate and individual objectives, which were developed with consideration for the Group's strategic priorities and risk appetite. For non-financial objectives, the performance assessment involved company-wide targets set for technology (N of deployments,TBC Bank), employee experience (ENPS), and leadership.

Performance achieved against each measure was applied to the weighting of each objective to determine the outcome percentage. As part of this assessment, the Committee consulted the Group Risk Committee and took into consideration its feedback in determining outcomes for the CEO's risk and compliance measures. The Committee also considered whether any discretion should be exercised with respect to the risk and compliance targets of the Group Risk Appetite Framework (RAF).

As set out in the KPI assessment table on page 227, the target KPIs were mostly met or were above target. The exceptions were the individual KPIs related to active customers: a. TBC Bank Monthly Active digital Users, b. TBC Bank Monthly Active Card Holders c. UZ Bank & Payme Monthly Active digital users.

ANNUAL BONUS AWARD

As stated above, the gateway KPIs for an Annual Bonus award were fulfilled. In terms of the determination of the Annual Bonus Award amount, overall, this level of performance in 2023 resulted in a score against KPIs of 112.8% with an 'on target' rating being 100% and with the maximum rating being 140%. An achievement of 112.8% results in a payout of 2,830,360 GEL, equivalent to 89% of the salary, while the maximum opportunity stands at 135% of the salary. The KPI outcomes are set out in the table below with the CEO's individual KPI outcome to show the overall outcome:

Main KPI category (weight) Subcategory: measurement	Below Target (60%)	Target (100%)[1]	Above Target (140%)	Actual Result 2023	KPI Weighting	Achieved KPI Performance	Weighted KPI Performance	Comments
Corporate KPIs (70%)								
ROE (Group)	21.4% - 23.8%	23.8% - 26.2%	>26.2%	26.51%	14%	140%	19.6%	Group ROE
NPL JSC (TBC Bank)	4.5%-3.0%	3.0%-2.2%	2.2%-2.0%	2.0%	14%	140%	19.6%	The targets are in line with Green Zone of RA framework (which is 2%-4.5%)
ENPS (TBC Bank)	40% - 50%	50%-60%	>60%	58.16%	14%	100%	14%	TBC Bank ENPS
Profit**, UZS bln (UZ Bank+ Payme)*	233 – 258.9	258.9 – 284.8	> 284.8	265.56	14%	100%	14%	UZ Bank, & Payme's consolidated profit in UZS
Technology: N of deployments (TBC Bank)	6,000 - 7,000	7,001 - 8,000	> 8,000	10,515	14%	140%	19.6%	N of deployments of all existing systems in TBC Bank
Corporate KPIs Total outcome					**70%**		**86.8%**	
Individual KPIs (30%)								
Active users (Georgia):					**10%**			
TBC Bank Monthly Active digital Users (MAU) incl TBC Pay and Space, mln	0.9 - 1.0	1.0 - 1.1	>1.1	0.95	5%	60%	3%	Monthly Active Digital Users in TBC Bank, including Space and TBC Pay (calculated by log-ins)
TBC Bank Monthly Active Card Holder (MACH) incl TBC Pay and Space, mln	0.95 - 1.05	1.05 - 1.16	>1.16	0.94	5%	0%	0%	Number of card holders with at least 1 card transaction (ATM, POS,E-com) within a month. Includes Space and TBC Pay
International Expansion					**10%**			
MAU (UZ bank + Payme), mln	3.0 - 3.33	3.33 - 3.66	> 3.66	3.06	2.5%	60%	1.5%	UZ bank and Payme transactional MAU by 1 month (Does not include log-ins)
Gross Loans (UZ Bank), UZS bln	3,314 – 3,682	3,682 – 4,050	> 4,050	3,803	2.5%	100%	2.5%	Consolidated Gross UZ Bank Portfolio in UZS
Profit, UZS bln (UZ Bank+ Payme)	233 – 258.9	258.9 – 284.8	> 284.8	265.56	5%	100%	5%	UZ Bank & Payme's consolidated profit in UZS
Leadership	The evaluation of the Chief Executive Officer's (CEO) leadership was led by the Remuneration and Corporate Governance and Nomination (CGN) Committees and discussed within the full board. During the year, the CGN committee introduced a new CEO evaluation process, designed to adress various dimensions of leadership, including self-leadership, people leadership, organisational leadership, and cultural leadership. Each aspect captures a holistic perspective of the CEO's accomplishments and contributions to the organisation's overarching goals and values.				**10%**	140%	14%	
Individual KPIs Total outcome					**30%**		**26%**	
Overall total KPIs					**100%**		**112.8%**	

Notes to the table: 1. targets are aligned to the budget.

The Committee is satisfied that the Annual Bonus outcome for 2023 is based on the results and value delivered by performance during the year, and is fair, reasonable, and proportionate. The value of the CEO Annual Bonus award is GEL 2,830,360, determined based on straight-line accrual between points of maximum Annual Bonus, which is 135% of fixed salary for KPI achievement at 140% and 67.5% of fixed salary for KPI achievement at 100%. For KPI achievement at 60% or lower no Annual Bonus is payable. The Annual Bonus will be delivered in shares based on the ten-day average share price preceding the Remuneration Committee's decision date, GBP 29.295 and the currency conversion rate of GBP/GEL 3.34005. The Annual Bonus is delivered entirely in shares, which are subject to a holding period (once shares are delivered, 50% of the shares will be subject to a holding period for 1 year and the other 50% for 2 years from the delivery date).

LONG TERM INCENTIVE AWARD FOR 2021-2023

Under the 2021 award, the performance is assessed against TSR, ROE and loan market share performance metrics. At the end of 2023 the LTIP achievements were the following: TSR was achieved 140%, Average ROE 140% and Loan market share 100%. Resulting in overall performance fulfilment of 132%. Award is determined based on straight-line accrual between points of maximum LTIP Bonus, which is 161% of fixed salary for KPI achievement at 140%, 127% of fixed salary for KPI achievement at 100%, 76.2% of fixed salary for KPI achievement at 60%. For lower than 60% no LTIP bonus is payable. Overall this has resulted in 95.75% of the maximum award vesting. The Committee confirmed this payout is in line with underlying performance and did not use any discretion in connection with the 2021 award.

Performance metric	Threshold (60% payout)	Target (inclusive) (100% payout)	Above target (140% payout)	Actual Result 2023	Weighting	Achievement	Weighted performance
TSR for a period of 3 years (2021-2023)[1]	Below 15%-17%	17%–20%	Above 20%	51.1%	40%	140%	56%
Average ROE for 3 years (2021-2023)[2]	Below 15%-18%	18%-21%	Above 21%	26.1%	40%	140%	56%
Loan market share at the end of (2021-2023)[3]	Below 34%-36%	36%–40%	Above 40%	39.3%	20%	100%	20%
Total KPIs					**100%**		**132%**

Notes to the table:

1. TSR is calculated based on the assumption that dividends are reinvested at the share price on the ex-dividend date. It represents TSR over the three-year period divided by three.
2. Average Group ROE
3. Total Loan Market Share at the end of 2023

Based on this performance assessment, the table below illustrates the value receivable under the 2021 Awards. Shares will vest on 2 April 2024 and be subject to a three year holding period.

Award holder	Number of awards granted	Payout (% of maximum)	Number of shares due to vest[3]	Value from share price increase[1]	Total value vesting[2]
Vakhtang Butskhrikidze (CEO)	100,284	95.75%	96,022	GEL 5,360,084	GEL 8,909,937

Notes to the table:

1. There was £16.70 or 151% share price appreciation from the date of grant (£11.06) to the three-month average share price to 31 December 2023 (£27.76).
2. Value of shares is calculated based on a three-month average share price of £27.76 and the foreign exchange rate per National bank of Georgia of 3.3426 to 31 December 2023.
3. Gross number of shares is provided in the table. The net number of shares awarded, which was 74,418, is calculated from the gross amount, at the time of award, by deducting the applicable taxes in Georgia and UK, in line with the requirements of the Georgian tax legislation. The share price used to determine the number of shares is the average share price over the ten day period following the preliminary announcement of results for the financial year ended 31 December 2020 of GBP 11.06 and US$: GBP exchange rate of 1.4, in line with the approved policy.
4. No dividend equivalents were payable on the 2021 award.

LONG-TERM INCENTIVE PLAN AWARDS (LTIP)

a. LTIP granted in 2022 for the performance period 2022 to 2024

The following LTIP award was granted to the CEO during the 2022 financial year:

	Type of award	Award Size	Face Value[1]	Number of shares[2]	Grant Date	End of Performance Period	Performance Targets
Vakhtang Butskhrikidze (CEO)	LTIP	155% salary	US$ 1,489,949	83,455	10/03/22	31/12/2024	See next table

Notes to the table:
1. As stated earlier in the report, with effect from 1 May 2022, the CEO's compensation was re-denominated into GEL. The number of shares granted under the 2022-2024 LTIP had been fixed prior to this currency conversion and so remains unchanged. The increase in the CEO's salary effective 1 May 2022 and re-denomination into GEL is reflected in the 2023 LTIP grant.
2. The gross number of shares is provided in the table for illustrative purposes. The net number of shares granted, which was 66,764, is calculated from the gross amount, at the time of award, by deducting the applicable taxes in Georgia and the UK, in line with the requirements of the Georgian tax legislation. The share price used to determine the number of shares was the average share price over the ten-day period following the preliminary announcement of results for the financial year ended 31 December 2021 of GBP 13.208 and US$: GBP exchange rate of 1.3517, in line with the approved policy.

The 2022 grant is subject to performance conditions for the period 2022 to 2024 as set out in the next table and will be assessed after the closing of the 2024 annual results. These goals include those related to the volume of TBC's sustainable loan portfolio in line with TBC's Environmental, Social and Governance (ESG) strategy.

Performance conditions and targets, together with corresponding weightings for the CEO for LTIP awards granted in 2022 in respect of the forward-looking performance period 2022-2024, are as follows:

KPI (with weighting)	KPI weight	Minimum (25% pay-out)	Target (Straight-line calculation)	Above Target (100% pay-out)
Absolute target for total shareholder return (TSR)[1]	40%	15-17%	17-20%	Above 20%
Average ROE[2]	40%	15-19%	19-22%	Above 22%
ESG KPI – Volume of Sustainable assets at the end of 2024[3]	20%	900 million-1 billionGel	1 billion-1.1 billion Gel	Above 1.1 billion Gel

Notes to the table:

1. TSR is calculated based on the assumption that dividends are reinvested at the share price on the ex-dividend date. It represents TSR over the three-year period divided by three. For calculations, the average share prices for month of February will be used.
2. Exceptional one-offs caused by regulatory changes (taxation, NBG lending rules, etc.) to be excluded from ROE calculations; the exclusion will be subject to Committee discussion and approval.
3. The volume of sustainable, performing assets that went through the standard credit underwriting process: such as sustainable loans, including those loans which will be originated at TBC and might be syndicated within KPI performance period, as well as bonds issued by TBC Capital.

Subject to the performance conditions above being met over the three-year period (2022 to 2024), the LTIP awards will crystallise and remain unvested for a further two-year period and be subject to continued employment requirements before being released to the CEO at the end of five years. No dividend equivalents will be paid on 2022 LTIP award until shares fully vest.

This award remains fully subject to the existing Directors' Remuneration Policy as approved by shareholders in 2021, including features related to malus, clawback and Remuneration Committee discretion.

b. LTIP granted in 2023 for the performance period 2023 to 2025 (audited)

The following LTIP award was granted to the CEO during the 2023 financial year:

	Type of award	Award Size	Face Value	Number of Shares[1]	Grant Date	End of Performance Period	Performance Targets
Vakhtang Butskhrikidze (CEO)	LTIP	161% salary	GEL 5,114,344	66,800	10/03/23	31/12/2025	See next table

Notes to the table:

1. The share price used to determine the number of shares was the average share price over the ten-day period following the preliminary announcement of results for the financial year ended 31 December 2022 of GBP 24.275 and GEL: GBP exchange rate of 3.15394, in line with the approved policy. The awards were granted in form of conditional share awards.

The 2023 grant which will be subject to performance conditions and targets together with corresponding weightings for the CEO for LTIP awards granted in 2023 in respect of the forward-looking performance period 2023 to 2025, are as follows:

LTIP KPI 2023-2025 Measures (with weighting)	KPI weight	Minimum (25% pay-out)	Target (Straight-line calculation)	Above Target (100% pay-out)
Absolute Target for Total Shareholder Return (TSR)[1]	50%	15% - 17%	17% - 20%	Above 20%
Average ROE[2]	30%	17% - 20%	20% - 23%	Above 23%
ESG KPI - Volume of Green Portfolio at the end of the 2025 GEL million[3]	20%	1,264 million - 1,404 million	1,404 million - 1,545 million	Above 1,545 million

Notes to the table:

1. TSR is calculated based on the assumption that dividends are reinvested at the share price on the ex-dividend date. It represents TSR over the three-year period divided by three. For calculations, the average share prices for month of February will be used.
2. Exceptional one-offs caused by regulatory changes (taxation, NBG lending rules, etc.) to be excluded from ROE calculations; the exclusion will be subject to Committee discussion and approval.
3. The volume of sustainable, performing assets that went through the standard credit underwriting process: such as sustainable loans, including those loans which will be originated at TBC and might be syndicated within KPI performance period well as bonds issued by TBC Capital.

Subject to the performance conditions above being met over the three-year period (2023 to 2025), the LTIP awards will crystallise and remain unvested for a further two-year period and be subject to continued employment requirements before being released to the CEO at the end of five years. No dividend equivalents will be paid on the 2023 LTIP award until shares fully vest.

This award remains fully subject to the existing Directors' Remuneration Policy as approved by shareholders in 2021, including features related to malus, clawback and Remuneration Committee discretion.

TOTAL PENSION ENTITLEMENTS (AUDITED)

Nino Suknidze, a Non-Executive Director, receives contributions to the mandatory Georgian government pension fund, equivalent to 2% of her fee. The employer contributions for this fund are covered by TBC Bank JSC in 2023, as indicated in the total single figures. It is important to note that this pension scheme exclusively pertains to TBC Bank JSC and is not applicable to TBC Bank PLC. No other Non-executive Directors receive pension contributions.

DIRECTORS OUTSTANDING INCENTIVE SCHEME INTERESTS (AUDITED)

The following tables summarize the outstanding awards made to Executive Director:

a. Salary in shares[3]

	Year of Grant	Interest at 01/01/2023	Granted in year	Vested in year	Interest at 31/12/2023	Grant date	Share price used for grant calculation	Vesting date[1,2]
Vakhtang Butskhrikidze	2023[1]	-	10,802	10,802	-	10/03/2023	£24.90[4]	10/03/2023
	2021[2]	11,876	-	11,876	-	24/03/2021	£12.43[5]	24/03/2023
	Total	**11,876**	**10,802**	**22,678**	**-**			

Notes to the table:

1. Refers to the salary in shares paid under the Directors Remuneration Policy approved at the 14 June 2021 AGM. Starting from 2022, the salary in shares is no longer subject to deferral requirements and will be vested immediately upon delivery.
2. Refers to the policy approved at the 21 May 2018 AGM. Shares are subject to a condition of continuous employment for 2 years and malus and clawback provisions. The continuous employment condition is lifted as follows: 50% of the award on the first anniversary from the award date and the other 50% on the second anniversary from the award date.
3. All share interests are presented net of all applicable taxes for Georgia and the UK.
4. For the 1 January 2022 to 4 May 2023 period, CEO compensation was stated in USD. For the remaining period of 2022 CEO salary was converted to GEL. Applicable exchange rates were used of GBP/USD 3.18807 and GBP/GEL 1.2042 for share award calculation.
5. Applicable FX rate for USD/GBP used for the 2021 award was 1.3780.

b. Annual Bonus (deferred shares)[2]

	Year of Grant	Interest at 01/01/2023	Granted in year	Vested in year	Interest at 31/12/2023	Grant date	Share price used for grant calculation[4]	Vesting date[1]
Vakhtang Butskhrikidze	2023[1]	-	22,174	-	22,174	10/03/2023	£24.90[3]	10/03/2025
	2022[1]	35,638	-	17,819	17,819	10/03/2022	£13.21[4]	10/03/2024
	Total	**35,638**	**22,174**	**17,819**	**39,993**			

Notes to the table:

1. Refers to the policy approved at the 14 June 2021 AGM. The Annual Bonus award is subject to a holding period with 50% of the shares subject to a holding period for 1 year and the other 50% for two years from the delivery date. The Annual Bonus award remains subject to malus before the end of the holding period and clawback at any time before the third anniversary of the end of the holding periods.
2. All share interests are presented net of all applicable taxes for Georgia and the UK.
3. For the 1 January 2022 to 4 May 2023 period CEO compensation was stated in USD. For the remaining period of 2022 salary was converted to GEL. Applicable exchange rates were used of GBP/USD 3.18807 and GBP/GEL 1.2042 for share award calculation.
4. Applicable FX rate for USD/GBP used for the 2022 award was 1.3517.

c. LTIP[3]

	Year of Grant	Interest at 01/01/2023	Granted in year[1]	Vested in year	Lapsed in year	Interest at 31/12/2023[2]	Grant date	End of performance period	Vesting date	Holding date[2]
Vakhtang Butskhrikidze	2023	-	66,800	-	-	66,800	10/03/2023	31/12/2025	10/03/2028	-
	2022	83,455	-	-	-	83,455	10/03/2022	31/12/2024	10/03/2027	-
	2021	100,284	-	-	-	100,284	02/04/2021	31/12/2023	02/04/2024	02/04/2027
	2019	26,821	-	-	-	26,821	19/02/2020	31/12/2021	10/03/2022	10/03/2024
	Total	**210,560**	**66,800**	**-**	**-**	**277,360**	**-**	**-**	**-**	**-**

Notes to the table:

1. Shares granted subject to performance conditions and targets. Performance conditions and targets, together with corresponding weightings, are set out in the earlier LTIP section above.
2. To comply with the requirements of the National Bank of Georgia, the holding period for 2021 LTIP grants were increased to 3 years from the previously approved 2 years. As per the Remuneration Policy effective from 2022, the LTIP grants from 2022 onwards are subject to a 5-year vesting which does not require additional holding period. The holding period in relation to the 2019 LTIP grant remained unchanged. The shares in a holding period are subject to malus, clawback and continued employment.
3. The number of shares granted presented in the table are calculated from the gross maximum LTIP amount.

Directors Shareholdings (audited)

The following table sets out a summary of the Directors' interests in shares, including any interests held by connected persons. Vakhtang Butskhrikidze's shareholding of 2,727% of salary at 31 December 2023 exceeds the share ownership requirement of 200% of salary.

	Shareholding guideline (% of salary)	Shareholding at 31 Dec 2023 not subject to either continuing employment requirements or performance conditions (A)[1]	Shareholding at 31 Dec 2023 subject only to continuing employment requirements[2] (B)	Total number of shares held (C = A+B)	Shares as a percentage of salary (D)[4]	Number of shares subject to the performance conditions in relation to LTIP (E)[3]	Total interests in shares still subject to conditions (B+E)	Total interests in shares (A+B+E)[7]
Arne Berggren	-	4,500	-	**4,500**	-	-	-	**4,500**
Tsira Kemularia	-	-	-	**-**	-	-	-	**-**
Per Anders Fasth	-	-	-	**-**	-	-	-	**-**
Eran Klein	-	-	-	**-**	-	-	-	**-**
Thymios Kyriakopoulos	-	8,000	-	**8,000**	-	-	-	**8,000**
Rajeev Sawhney	-	-	-	**-**	-	-	-	**-**
Nino Suknidze	-	-	-	**-**	-	-	-	**-**
Janet Heckman	-	-	-	**-**	-	-	-	**-**
Vakhtang Butskhrikidze (CEO)	200%	827,726	66,814	**894,540**	2,727%	250,539	317,353	**1,145,079**

There were no changes to the Directors' interests in the Company's shares during the period between 31 December 2023 and the publication of this Annual Report other than those announced on 26 March 2024.

Notes to the table:

1. This figure includes all shares held that are no longer subject to any performance conditions restrictions. Some of these shares may still be subject to clawback.
2. This figure includes shares that are still subject to transfer restrictions, continuous employment condition and malus and clawback provisions. The figure includes shares granted as an Annual Bonus in 2021 and 2022 (deferred shares) and as an LTIP award for the 2019-2021 performance period.
3. This figure includes awards granted, but not vested, under the LTIP that are subject to performance conditions. Details of these interests are described in the Directors Outstanding Incentive Scheme Interests chapter above.
4. The shares as a percentage of salary have been calculated based on a share price of GBP 28.30 as at 31 December 2023 converted into GEL using the official exchange rate published by the NBG of 3.4228 for GEL/GBP for the same date.
5. No change to the shareholding of the Directors has occurred between 31 December 2023 and the publication of this Annual Report other than those announced on 26 March 2024.

Payments to past Directors (audited)

No payments have been made to past Directors during the 2023 year.

Payments for loss of office (audited)

No payments have been made for loss of office in the 2023 year.

Relative importance of the expenditure on pay

The next table shows the Group's expenditure on pay compared with distributions to shareholders.

GEL,000	2023	2022	% change
Remuneration paid to or receivable by all employees[1]	472,972	374,816	26%
Distributions to shareholders by way of dividends or share buyback[2]	347,796	281,084	24%
Other significant distributions and payments	-	-	-

Notes to the table:
1. Total spend on pay includes total staff costs per Group's IFRS consolidated financial statements.
2. Dividends of GEL 297,694,142 paid to shareholders in 2023 were the sum of gross amounts of 2022 full dividend and 2023 interim dividend. The Company operated a share buy-back of GEL 50,102,311. This amount is converted into GEL according to the exchange rate on the transaction dates. The dividend amount included both cash and scrip dividend and buy-back of shares.

Year-on-year change for Directors compared to global average for employees

The next table shows the percentage change in salary, benefits and Annual Bonus earned between 31 December 2019 and 31 December 2023 for the Directors compared to the average for other employees. In accordance with the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, which apply to financial years commencing on or after 10 June 2019, this analysis has been expanded to cover each Executive and Non-Executive Director. The table will be built up over time to display a five-year history.

In the next table, as per the requirements of the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, changes to the base pay (or fees), benefits and Annual Bonus of Directors are compared to employees over the same period (2022 to 2023, 2021 to 2022, 2020 to 2021 and 2019 to 2020).

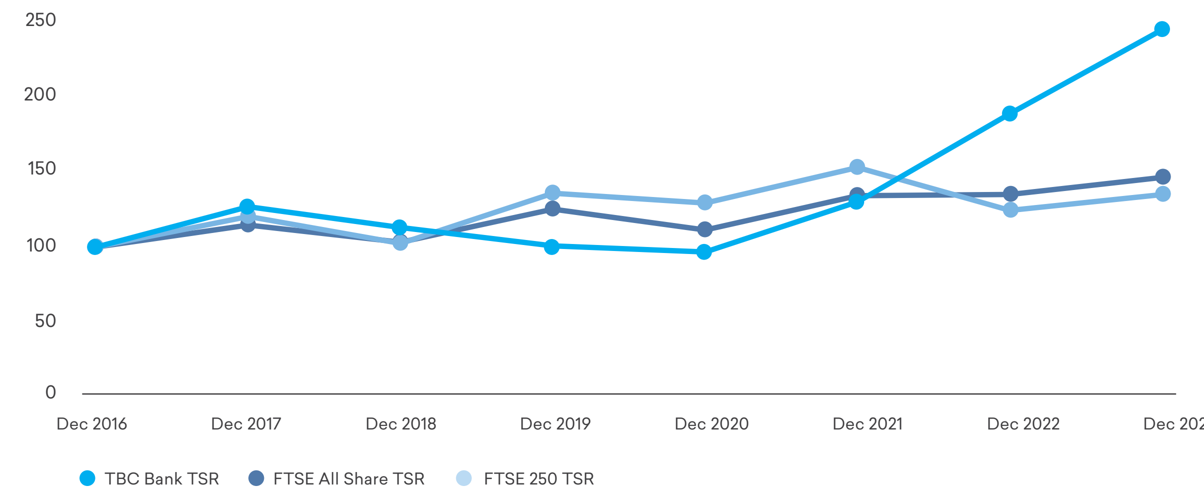
	Change in 2023 against 2022 (%)			Change in 2022 against 2021 (%)			Change in 2021 against 2020 (%)			Change in 2020 against 2019 (%)		
	Salary/ fees	Taxable Benefits	Annual Bonus	Salary/ fees	Taxable Benefits	Annual Bonus	Salary/ fees	Taxable Benefits	Annual Bonus	Salary/ fees	Taxable Benefits	Annual Bonus
Non-executive Directors[1]												
Arne Berggren[5]	-	-	-	13%	-	-	113%	-	-	190%	-	-
Tsira Kemularia	2%	-	-	-2%	-	-	5%	-	-	9%	-	-
Per Anders Fasth[6]	2%	-	-	59%	-	-	-	-	-	-	-	-
Eran Klein[6]	-	-	-	60%	-	-	-	-	-	-	-	-
Thymios P. Kyriakopoulos[6]	-	-	-	59%	-	-	-	-	-	-	-	-
Rajeev Sawhney[6]	1%	-	-	NMF	-	-	-	-	-	-	-	-
Nino Suknidze[6]	-1%	-	-	NMF	-	-	-	-	-	-	-	-
Janet Heckman[7]	NMF	-	-	-	-	-	-	-	-	-	-	-
Maria Luisa Cicognani[8]	NMF	-	-	-31%	-	-	1%	-	-	3%	-	-
Executive Directors												
Vakhtang Butskhrikidze[2]	1%	2%	19%	1%	6%	-9%	0%	-4%	100%[9]	0%	-14%	-100%[9]
Average employee[3,4]	**10%**	**63%**	**15%**	**10%**	**9%**	**14%**	**2%**	**63%**	**11%**	**18%**	**-25%**	**-61%**

Notes to the table:
1. Percentage change for Non-Executive Directors' salary, benefits and Annual Bonus is provided in USD.
2. Percentage change for Executive Director's salary, benefits and Annual Bonus is provided in GEL.
3. Percentage change for the workforce salary, benefits and Annual Bonus, where applicable, is provided in GEL.
4. These numbers include the remuneration of the employees of the whole TBC Bank Group PLC, except for the Executive and Non-Executive Directors' remuneration provided in the given table, since at Company level there is only one employee.
5. Arne Berggren was appointed as the Chairman of the Board on 1 March 2021. He joined the Board as an independent Non-Executive Director on 13 August 2019 and was appointed as a member of TBC Bank JSC Supervisory Board on 18 July 2019.
6. Eran Klein, Per Anders Fasth and Thymios P. Kyiakopoulos joined the Board on 4 May 2021. Nino Suknidze and Rajeev Sawhney were appointed on 24 November 2021.
7. Janet Heckman was appointed to the Board on 23 February 2023.
8. Maria Luisa Cicognani stepped down from the Board on 14 September 2022.
9. In light of the outbreak of COVID-19 a decision was taken not to grant an Annual Bonus (deferred shares) award to the CEO and the senior management team for 2020.

Performance graph and total remuneration history for Chief Executive Officer

The next graph shows the Company's performance, measured by TSR, compared with the performance of the FTSE 250 Index and the FTSE All-Share Index from 10 August 2016 when the shares were listed on the premium segment of the London Stock Exchange to 31 December 2023. These market indexes were selected because the Company is a constituent of both indices.

TOTAL SHAREHOLDER RETURN



The total remuneration figures for Vakhtang Butskhrikidze (CEO) for 2015 to 2023 are shown in the next table. The Annual Bonus and long-term incentive award vesting level as a percentage of the maximum opportunity are also disclosed:

Financial Year	Currency	Single Total figure of remuneration	Annual Bonus (deferred shares) as a percentage of maximum Annual Bonus opportunity (%)	LTIP vesting as a percentage of the maximum opportunity of shares that could have vested (%)
2023	GEL	14,975	66%	96%
2022	USD	1,728	56%	N/A
2021	USD	2,231	62%	43%
2020	USD	982	N/A	N/A
2019	USD	1,887	69%	N/A
2018	USD	3,356	85%	N/A
2017	USD	4,084	88%	N/A
2016	USD	3,017	85%	N/A
2015	USD	1,809	87%	N/A

Previous AGM voting outcomes

The next table shows the most recent voting outcomes on the Directors' Remuneration report which was approved at the 2023 AGM and on the Directors' Remuneration Policy, which was approved at the 2021 AGM and is effective from 1 January 2022 until 31 December 2024:

Resolution	Votes For	% of votes cast For	Votes Against	% of votes cast Against	Total votes	% of issued share capital voted	Votes Withheld
Vote on the Directors' Remuneration Report at the 2023 AGM	40,094,226	98.88%	453,708	1.12%	40,547,934	73.74%	1,538,778
Vote on the Directors' Remuneration Policy at the 2021 AGM	38,535,269	96.17%	1,533,490	3.83%	40,068,759	72.65	1,736

COMMITTEE STRUCTURE AND MEETINGS

Committee members' details are set out on page 186. The Remuneration Committee includes a Chair of the Board and three INEDs. Per Anders Fasth fulfilled the role of interim Chair for the Remuneration Committee, serving from 8 December 2022 until June 1, 2023 when Janet Heckman took over the role as Chair of the Remuneration Committee. Nino Suknidze resigned and simultaneously Tsira Kemularia was appointed to the Remuneration Committee on 23 February 2023.

The Committee met formally 7 times during the period from 1 January 2023 to 31 December 2023. Information regarding the participants in these meetings for the current members of the Committee, as of 31 December 2023, is displayed in the following table:

COMMITTEE MEMBER	ELIGIBLE/ATTENDED
PER ANDERS FASTH	7/7
JANET HECKMAN (APPOINTED ON 23 FEBRUARY 2023)	5/5
ARNE BERGGREN	7/7
NINO SUKNIDZE (STEPPED DOWN FROM THE COMMITTEE ON 23 FEBRUARY 2023)	2/2
TSIRA KEMULARIA (APPOINTED ON 23 FEBRUARY 2023)	5/5

Notes to the table: Full list of Committee members for the year 2023, including those members who have left the Committee and their respective attendance, are shown in the Corporate Governance Statement on page 186.

Committee sessions typically occur just prior to Board meetings, during which the Chair presents the Committee's activities as a distinct agenda item to the Board. The Company Secretary formally records minutes for all Committee meetings, and copies of the minutes are subsequently distributed to the members.

RESPONSIBILITIES OF THE COMMITTEE

The role of the Committee is to support the Board of Directors (the "Board") to fulfil its responsibility to ensure that the Remuneration policy and practices are fairly and consistently applied across the Group. Comprehensive information regarding the Committee's responsibilities can be found in the Remuneration Committee Terms of Reference, accessible on our website at www.tbcbankgroup.com. The Terms of Reference for TBC Bank PLC underwent a review and received approval on 8 December 2022.

Committee Effectiveness

The Committee undertakes an annual review of its effectiveness as part of the Board evaluation. Feedback on the performance of the Committee was positive, with the Committee having made significant progress in management engagement in particular. The current Chair of the Committee has been in place since 1 June 2023, and the Committee supports her approach and objectivity of purpose. More information on the results of this evaluation is provided on page 193.

2024 and beyond

In addition to its usual business, the Committee intends to focus on the remuneration structure for senior management as well as ensuring the embedding of the new remuneration policy, due to be approved by shareholders at 2024 AGM. As external expectations on compensation practices continue to evolve, the Committee will ensure it receives regular updates on key developments in best compensation practices. The Committee will also work closely with the employee ambassador to ensure broader HR topics and remuneration related feedback is strategically managed to encompass the Group's evolving talent requirements and retention measures.

Advisors

In 2023, the Remuneration Committee engaged external advisors to provide additional support. Aon plc's Executive Compensation practice offers entirely independent guidance on executive remuneration. Their focus during the year was primarily on preparing the Directors Remuneration Report for inclusion in the 2022 Annual Report. The fees for these services totaled £18,500 (excluding VAT) for the year 2023.

Additionally, Korn Ferry was chosen by the Remuneration Committee as a result of tender among a short list of companies, in order to advise on the forthcoming remuneration policy. The expenses associated with Korn Ferry's service in 2023 amounted to £75,000 (excluding VAT).

Korn Ferry and Aon did not provide any other services during the year to the Group. The fees incurred by Aon and Korn Ferry were determined on the time spent providing the advice, based on hourly rates. Both the Remuneration Committee and the Board express their satisfaction with the objectivity and independence of Korn Ferry's and Aon's advices. They ensured that the team from Korn Ferry and Aon providing the guidance had no affiliations with the Group that might compromise its independence.

IMPLEMENTATION OF REMUNERATION POLICY FOR 2024

This section summarises how the 2024 Policy will be implemented in 2024 for Executive and Non-Executive Directors. The Policy is subject to approval at the 2024 AGM and will be effective from this date.

<table>
<tr><td>Salary for the CEO</td><td>Salary for the CEO: From 1 January 2024 is GEL 5,104,777, where GEL 2,333,612 is paid in cash and GEL 2,771,165 is paid in shares.

Salary in cash: The cash part of the salary is aimed to provide fixed cash remuneration (46% of the CEO's salary).

Salary in shares: Part of the salary is delivered in the form of shares to align Executive Directors' and shareholders' interest (54% of the CEO's salary). 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).</td></tr>
<tr><td>Pension</td><td>The CEO has elected not to receive a pension from the Company</td></tr>
<tr><td>2024 Combined Incentive Plan</td><td>In accordance with the Remuneration Policy, the maximum opportunity for the CEO will be 200% of salary (cash and shares).

The payouts under CIP for CEO will be subject to the following gateway conditions which will be assessed based on the 2024 performance period:
– CET1 ratio: Above the Supervisory Board approved risk appetite limit as at 31 December;
– Liquidity (NSFR ratio): Above the Supervisory Board approved risk appetite limit as at 31 December;
– Profitability (IFRS Group Profit): The Group shall be profitable (i.e. not run a loss) after incurring incentive expenses.

The performance targets for 2024 are deemed to be commercially sensitive and will be disclosed in next year's Annual Report on Remuneration. The level of payout will then be determined based on performance against the following annual KPIs with the respective weightings.

<table>
<tr><th>KPI</th><th>Weight</th></tr>
<tr><td>ROE</td><td>24%</td></tr>
<tr><td>NPL</td><td>8%</td></tr>
<tr><td>ESG - Volume of sustainable assets</td><td>8%</td></tr>
<tr><td>MAU</td><td>10%</td></tr>
<tr><td>Individual GEL loan market share increase</td><td>10%</td></tr>
<tr><td>Individual deposit market share increase</td><td>10%</td></tr>
<tr><td>Uzbekistan Profit</td><td>20%</td></tr>
<tr><td>Leadership</td><td>10%</td></tr>
</table>

Upon vesting, dividend equivalents in respect of the Long-Term Share Award will be payable in cash equal to the dividends paid on the underlying shares between the date the award was made and the vesting date.

No dividend equivalents will be paid for any award (or part of an award) which lapses before it vests.</td></tr>
</table>

Chair and Non-Executive Director fees

The current fee levels for the Chair and Non-Executive Directors are given in the table below:

	US$'000
Chair (eligible for Committee fees)	338
Non-Executive Director (other than Chair)	130
Senior Independent Director	15
Committee Chairperson	12
Committee membership	6
Designated Employee engagement independent Board member role	3

The Board intends to review the fee levels during the year. There will be full disclosure of any changes in next year's report. Where required by Georgian Law, the Non-Executive Directors resident in Georgia will receive pension contributions of 2% of fees payable to the Georgian National Pension fund.

DIRECTORS' REMUNERATION POLICY

Introduction

This Directors' Remuneration Policy (the "2024 Policy") provides an overview of the proposed Company policy on Directors' pay. Subject to approval at the 2024 AGM, it is anticipated that it will be applied from the date of the AGM. Provisions of the current policy will continue to apply until this date.

The 2024 Policy has been developed taking into account:

- the National Bank of Georgia (NBG) Corporate Governance Code for Commercial Banks
- the 2024 UK Corporate Governance Code
- Directors' remuneration guidelines of our main institutional investors and shareholder advisory bodies

The Committee has been careful to avoid any potential conflict of interest through the policy review process by ensuring that the Chief Executive Officer has not been present when determining proposals relating to the changes to his package.

The NBG introduced a new Corporate Governance Code for Commercial Banks in 2018 which included certain requirements in relation to executives' remuneration that came into force from 2019 and a Fixed to Variable Pay Ratio cap which applied from 2022. The 2024 Policy seeks to ensure that the remuneration arrangements operate effectively within the Fixed to Variable Pay Ratio cap whilst maintaining a strong link between pay and long-term performance. The remuneration arrangements have therefore been rebalanced with a lower variable pay opportunity, which continues to be delivered exclusively in shares, deferred over the long-term to be closely aligned with all stakeholder interests, as well as to offer competitive compensation to Directors.

Revisions made to the previous policy

A summary of the key changes to the 2024 Policy and rationale are set out below. The Statement from the Committee Chair provides full context for the proposed changes to the 2024 Policy and its implementation in 2024 and beyond.

Pay Element	Overview of changes and rationale
Combined Incentive Plan	Introduction of a new Combined Incentive Plan which will be the sole variable pay arrangement for Directors, replacing participation in the previous Annual Bonus and LTIP. This plan is: (i) attractive and appropriately positioned against the market; (ii) aligned with performance and shareholders' interests; (iii) transparent and easily understood; and (iv) aligned to best practice and regulatory requirements, including the cap on the Fixed to Variable Pay Ratio. The ability to pay dividend equivalents on vested shares has been introduced in line with standard market practice to further strengthen the alignment with the shareholder experience.
Shareholding requirement	The post-employment shareholding guideline has been updated to comply with best practice so that the full shareholding requirement of 200% of salary must be held for no less than two years after employment ceases (increased from 100% of salary being required to be held for two years) thereby providing additional alignment with the long-term success of the Company.

Fixed to Variable Pay Ratio

Effective from 2022, the NBG Code which applies to the executive management of TBC Bank JSC, including Company CEO, sets the ratio of fixed to variable pay at a maximum of 1:1 which can be increased by shareholders to 1:2. Shareholders approved the increase in the ratio for a period of three years at the 2021 AGM with 100% support. A resolution will therefore be included at the 2024 AGM to extend the approval of a fixed to variable ratio of 1:2, which will apply for the period of three years following approval.

We believe that it is appropriate to continue to have a Fixed to Variable Pay Ratio of 1:2 to maintain our competitive positioning in an international market where we are hiring from and losing talent to banks which operate a 1:2 Fixed to Variable Pay Ratio, fintech companies which do not have variable compensation cap, and general technology companies. This also helps us to manage our fixed costs giving us flexibility to reward performance within agreed risk parameters. The significant changes to the 2024 Policy are also proposed to enable the remuneration package to operate effectively within this limit.

Consideration of shareholder views

The Remuneration Committee remains mindful of shareholder views when evaluating and setting ongoing remuneration strategy and considers feedback from shareholders received at each AGM. The proposed 2024 Policy was introduced to NBG. We have also engaged with a number of our large shareholders and proxy bodies. This engagement has been key to designing the remuneration policy as described in this report, and we will continue this dialogue as we implement the proposed 2024 Policy.

Remuneration Principles

In adherence to the UK Corporate Governance Code, when formulating the 2024 Policy and practices for the Executive Director, the Committee considered the following principles of remuneration:

Clarity and simplicity	The Committee is committed to maintaining clarity and simplicity in performance metrics. Executive Directors' performance is assessed based on both financial and non-financial Key Performance Indicators (KPIs) and the performance is disclosed within the Directors' Remuneration Report.
Risk	The Committee holds the authority to decrease an Executive Director's variable remuneration in the event of unmet specific KPIs, and all components of Executive Directors' variable compensation are subject to relevant malus and clawback provisions. Malus is applicable before the vesting of awards, while clawback extends for up to three years post the vesting of awards. Triggers for these provisions, amongst other things, include material misstatement, significant downturn in financial performance, and misconduct leading to severe reputational harm. Moreover, under the Combined Incentive Plan, the Committee has discretion to reduce awards if it deems the underlying financial performance of the Company or the individual's performance to be insufficient to justify the level of vesting.
Predictability	Under the Combined Incentive Plan, there are defined payouts for the threshold, target and maximum levels of performance. The maximum payments comply with the 1:2 Fixed to Variable Pay Ratio cap in compliance with the NBG Code requirements.
Proportionality and alignment with culture	Performance metrics align with the Group's corporate culture, cultivating appropriate behaviour and providing remuneration that is proportionate in the circumstances. By allocating a portion of Executive Directors' salary in shares, this inherently aligns their pay with the long-term success of the Group, promoting a culture of sustainable and enduring growth.

POLICY TABLE: EXECUTIVE DIRECTOR

Salary – delivered as cash and shares	
Purposes and link to the strategy of the Group	Salaries are determined to provide an Executive Director 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. Salary in cash The cash part of the salary is aimed to provide fixed cash remuneration. Salary in shares Part of the salary is delivered in the form of shares to align to shareholders' interests (not subject to any continuing service requirements, malus or clawback).
Operation	An Executive Director may be paid separate salaries for roles and responsibilities at different entities within the TBC Group as set out in a separate service contract with any relevant entity. The aggregate is disclosed in the Remuneration Report. Salaries are reviewed annually by the Remuneration Committee. Salaries will be reviewed against relevant bank peers and other companies of a comparable size and complexity. At portion, which for the CEO will be at least 50% of the total salary, will be delivered in shares. Delivery of shares 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.
Maximum Opportunity	Salary is set and reviewed annually to ensure that the Executive Director receives a fair compensation which is competitive for the role that the individual is asked to play within the Group and is commensurate with experience. Salary for the Executive Director is determined by the Remuneration Committee, taking into account his skills, performance and experience. The maximum salary level will be determined by the Committee in line with the principles outlined. Whilst there is no absolute maximum salary level, any increase will normally be in line with those awarded to the general workforce. Where an increase is to be awarded above those granted to the general workforce, we will engage with our shareholders and maintain the objective that the total reward potentially available is not excessive from the standpoint of relevant employment data. Any changes to salary must be recommended by the Remuneration Committee and approved by the Board.
Performance Measures	Not performance based
Malus / clawback	Malus and clawback provisions are not applicable to salary delivered in cash or shares.
Amendments to previous policy	The Shares Salary will be subject to a 3-year holding period and will be released in three equal annual tranches after one, two and three years respectively 33%-33%-34% (not subject to any continuing service requirements, malus or clawback).
Pension	
Purposes and link to the strategy of the Group	To assist in providing for their retirement and to maintain a market competitive benefits package to attract and retain executive directors[1].
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.

1 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 CEO decided to opt out from the Georgian state pension scheme.

Maximum Opportunity	In line with the workforce, the maximum employer contribution will not exceed 2% of total compensation. Currently the CEO has chosen not to receive a pension contribution.
Performance Measures	No performance measures apply to the contribution level
Malus / clawback	Malus and clawback provisions are not applicable.
Amendments to previous policy	No changes proposed
Benefits	
Purposes and link to the strategy of the Group	Benefits are in line with Georgian market practice and are designed to be sufficient in order to attract and retain high calibre talent.
Operation	Benefits available to Executive Directors consist of insurance (such as medical, life and disability insurance), physical examinations, Directors' and officers' liability insurance, a car service, personal security arrangements and assistance with filling out tax returns, where required. The Remuneration Committee retains the discretion to provide additional benefits, where necessary or relevant in the context of the Director's location. Executive Directors are reimbursed for reasonable business expenses incurred in the course of carrying out duties under their service contracts, on provision of valid receipts.
Maximum Opportunity	The maximum amount payable depends on the cost of providing the benefits that the Remuneration Committee is willing to provide to the Executive Director in the location at which the Executive Director is based. The cost of providing comparable benefits in different jurisdictions may vary. Disclosure of amounts paid will be provided in the implementation report and will be explained where the cost of benefits is significant.
Performance Measures	Not performance based
Malus / clawback	Malus and clawback provisions are not applicable
Amendments to previous policy	No changes proposed
Variable Pay	
Combined Incentive Plan ("CIP")	
Purposes and link to the strategy of the Group	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. 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.

Operation	There will be a three-step performance assessment process for the CEO (and any other future Executive Director); Performance Step One – Performance Gateway 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). Performance Step Two - Annual KPI performance scorecard 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. 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. 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. Payout process 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: – 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) Performance Step Three - TSR shareholder alignment mechanism The grant value of a Long-Term Award has been determined by the stringent performance assessment in Performance Step 1 and Performance Step 2. 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. The 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 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. Form of awards 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 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 the participants and the participants are entitled to receive dividends. The Long-Term Share Award may be granted in the form of conditional share awards, options or restricted share awards. 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. Dilution 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 Remuneration Committee decide will be satisfied by existing shares. Administration The plan will be administered by the Remuneration Committee. Key discretions the Remuneration Committee has with respect to the plan are summarised further on in this Remuneration Policy.

Maximum Opportunity	The Maximum opportunity under the Combined Incentive Plan is 200% of salary. Subject to achieving the Gateway criteria, under the annual KPI assessment: – 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. 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%.
Performance Measures	The Gateway criteria are based on measures of financial soundness (capital, liquidity, profitability). 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. The Remuneration Committee may also adjust KPIs during the year to take account of material events, such as (without limitation): material corporate events, changes in responsibilities of an individual and/or currency exchange rates. The TSR alignment mechanism will be based on performance against a relevant Georgian and / or international banking comparators.
Malus / clawback	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). The precise powers of the Remuneration Committee to operate malus and clawback are set out in the terms and conditions governing the awards. In summary, for awards granted whilst this 2024 Policy is in effect, if the Board determines (based on the recommendation of the Remuneration Committee) that: – the Director deliberately misled the Company or the Bank in relation to financial performance; – there has been a material misstatement or material error in the financial statements of the Company or the Bank; – the Director participated in or was responsible for conduct which resulted in significant losses to the Company or the Bank; – the Director failed to meet the relevant fit and proper criteria set by the NBG; – there is evidence of misconduct or serious errors by the Director, including (without limitation) a breach of any code of ethics or any other material breach of internal company rules; – the Company, the Bank and/or a relevant business unit suffers a significant downturn in its financial performance (e.g. specific business indicators) (for malus purposes), or the Director has caused the Company, the Bank and/ or a business unit to suffer a significant downturn in its financial performance (for clawback purposes); – the Company, the Bank and/or a business unit in which the Director works suffers a significant failure of risk management (for malus purposes), or the Director has caused the Company, the Bank and/or the business unit in which the Director works to suffer a significant failure of risk management (for clawback purposes); – there is a significant increase in the Company's and or Bank's or relevant business unit's economic or regulatory capital base (for malus purposes), or the Director's participation caused significant increase in the Company's and or Bank's or relevant business unit's economic or regulatory capital base (for clawback purposes); or – the conduct of the Director contributed to the imposition of regulatory sanctions on the Company or the Bank. The Board has the right to recover some or all of the award for that year or any subsequent financial year that is unvested (or unpaid) to lapse (or not be paid) (i.e., operate malus), and/ or to require the return of shares and/or cash value received by the Director pursuant to the award (i.e., operate clawback), as determined by the Board in its absolute discretion. Further, malus may be operated if it is considered that the underlying financial performance of the Company or the performance of the Executive Director during the vesting period is such that the original number of shares cannot be justified. In addition, if it is discovered during the three years after cessation of employment that a good leaver is in fact a bad leaver according to the rules of the plan, the provisions of the plan applicable to bad leavers will apply and the individual will be required to return all shares acquired pursuant to awards that vested on or after the cessation of employment. For awards granted prior to the effective date of this Policy, the awards are subject to the Company's previous malus and clawback policy as summarised in the Policy in effect from 1 January 2022.
Amendments to previous policy	The Combined Incentive Plan is a new variable remuneration plan which is the sole incentive operated under the 2024 Policy. The Combined Incentive Plan thereby replaces participation in the previous annual bonus and LTIP arrangements. However, outstanding awards made under these previous plans may continue to vest on their original terms.

Shareholding Requirement	
Purposes and link to the strategy of the Group	To further enhance the alignment of shareholders' and Executive Directors' interests in long-term value creation and sustainability of results.
Operation	The Company has a minimum shareholding requirement of 200% of base salary, usually built up within five years of appointment. Until it is met, Executive Directors are expected to retain 50% of shares (net of tax) that vest from any share award. Shares counted for this purpose include any share awards which are not subject to future performance conditions (notwithstanding that holding / continued employment conditions may still apply). After employment the lower of the Executive Director's shareholding at termination or the in-service minimum shareholding requirement are required to be held for two years post-cessation.
Maximum Opportunity	Minimum shareholding requirement of 200% of base salary.
Performance Measures	Not performance based
Amendments to previous policy	The post-employment requirement has been strengthened such that the Executive Director must retain the full in-service requirement for two years (previously 50% of the in-service requirement), or the Executive Director's shareholding at termination if lower.

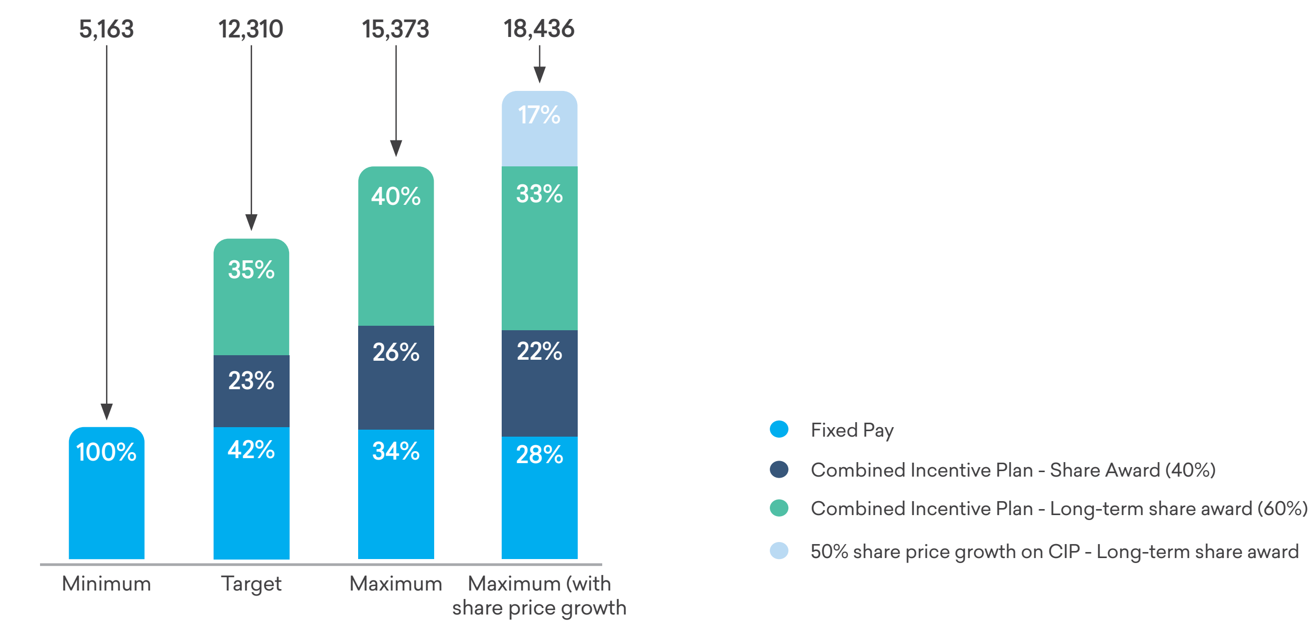
Pre-existing obligations

It is a provision of this 2024 Policy that the Group will uphold all pre-existing obligations and commitments that were agreed prior to this 2024 Policy taking effect. The terms of those pre-existing obligations and commitments may differ from the terms of the 2024 Policy and may include (without limitation) obligations and commitments under service contracts, deferred share compensation schemes and pension and benefit plans.

Illustration of application of the Remuneration Policy

The following charts illustrate how the total value of remuneration and its composition would vary under different performance scenarios for the CEO under the proposed 2024 Policy.

VAKHTANG BUTSKHRIKIDZE - CHIEF EXECUTIVE OFFICER



The following assumptions have been made:

Fixed pay	2024 cash and share salary 5,104,777 GEL 2023 benefits, as provided in the single figure table in section 2.1			
	Minimum	Target	Maximum	Maximum with share price growth
Combined Incentive Plan	No payment under the CIP	Payout at 70% of the maximum and TSR Alignment Mechanism met in full	Maximum payout (200% of salary)	As per maximum assuming 50% share price increase over three years (on Long-Term Share Award)

Remuneration throughout the Group

The overall objectives of the Remuneration throughout the Group are to support the Bank's strategy of attracting, motivating, and retaining qualified employees and to align the interests of the Board with the interests of TBC Banks and its shareholders. In this context, remuneration should contribute towards promoting the Bank's objectives for good corporate governance as well as sustained and long-term value creation for shareholders. Middle management across the Group, employees who are part of the agile structure, as well as some other key employees are eligible for cash and share variable remuneration. The share bonuses granted are subject to three years of continued employment conditions and a holding period gradually lifting the conditions. In addition, the variable remuneration structure for other identified Material Risk Taker employees, below the level of executive management board members of TBC Bank JSC, is subject to regulatory requirements and is in line with the NBG CG Code. Total compensation, which includes fixed, variable pay - performance based bonuses and benefits package, is the key focus of our remuneration framework, with variable pay differentiated by performance and adherence to the TBC Core Values. We offer competitive remuneration packages to our employees. We monitor employee pay trends via labour market compensation surveys in the financial sector and in local international organisations.

Discretions retained by the Committee

The Committee operates the Company's incentive plans according to their respective rules and (where applicable) in accordance with relevant legislation. In order to ensure efficient administration of these plans, certain operational discretions are reserved to the Committee.

These include but are not limited to:

- Determining who may participate in the plans;
- Determining the timing of grants of awards and/or payments under the plans;
- Determining the quantum of any awards and/or payments (within the limits set out in the policy table above);
- Determining the performance measures and targets applicable to an award (in accordance with the statements made in the policy table above);
- Discretion to override formulaic outcomes;
- Where a participant ceases to be employed by the Company, determining whether 'good leaver' status shall apply;
- Determining the extent of vesting or payment of an award based on assessment of the performance conditions and the overall performance of the Company, including discretion as to the basis on which performance is to be measured if an award vests in advance of its normal vesting timetable (on cessation of employment as a 'good leaver' or on the occurrence of corporate events);
- Whether, and to what extent, proration shall apply in the event of cessation of employment as a 'good leaver' or on the occurrence of corporate events;
- Discretion to vary shareholding and post-cessation holding requirements in exceptional circumstances;
- Whether malus and/or clawback shall be applied to any award and, if so, the extent to which they shall apply;
- Making appropriate adjustments to awards on account of certain events, such as major changes in the Company's capital structure.

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, TBC Bank JSC, proportionate to the time spent working on the respective entity's Boards and Committees.

Fees	
Purposes and link to the strategy of the Group	To provide appropriate compensation for a Non-Executive Directors of the Group, sufficient to attract, retain and motivate high calibre individuals with the relevant skills, knowledge and experience to further the Group's strategy.
Operation	The Group pays fees to Non-Executive Directors. The fees are determined by the Board. The 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. Fees are generally paid monthly in cash. However, the Board reserves the right to pay the fees on a different basis.
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 $1,750,000.
Performance Measures	Not performance based.
Malus / clawback	Malus and clawback provisions are not applicable
Amendments to previous policy	No changes proposed
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 (and any tax payable thereon) 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 Measures	Not performance based
Malus / clawback	Malus and clawback provisions are not applicable
Amendments to previous policy	No changes proposed

Non-Executive Directors are not employees and do not receive compensation or benefits. The Non-Executive Directors are not eligible for performance-based share awards. Awards with performance conditions are not part of the Non-Executive Directors remuneration package as we do not wish the Non-Executive Directors to be driven by short-term Group performance so as to maintain their independence and to be accountable for oversight of the Group.

The Non-Executive Directors are entitled to broad indemnification by the Group and are covered by the Group's Directors & Officers' Liability Insurance Policy.

The Group is required to pay pension contributions to the mandatory Georgian Pension scheme for Georgian residents. Where a Non-Executive Director is resident in Georgia and subject to this restriction the Group will make pension contributions of 2% of fees received.

Recruitment policy

The Remuneration Committee intends that the components of remuneration set out in the above policy tables, and the approach to those components as set out in the policy tables, will (subject to the remainder of this recruitment policy) be equally applicable to the annual package provided to new recruits, i.e. for Executive Directors, this will consist of salary (with cash and share components), participation in the Combined incentive Plan (opportunity up to 200% of salary), pension (up to 2% of salary) and employee benefits. For Non-Executive Directors, this will consist of fees and relevant expenses and benefits.

For an internal appointment of an Executive or Non-Executive Director, any pay element awarded in respect of the prior role may either continue on its original terms or be adjusted to reflect the new appointment, as appropriate. In the year of promotion for an internal appointment, additional awards pro-rated for the time served in the new role may be made to the individual within the maximums set out in the policy tables above.

The Remuneration Committee has a preference not to provide a "buy out" arrangement and/or to establish additional or particular arrangements specifically to facilitate the recruitment of the individual. However, where an individual would be forfeiting remuneration or employment terms in order to join the Group, the Remuneration Committee may award appropriate compensation. The Remuneration Committee would require reasonable evidence of the nature and value of any forfeited arrangements and would, to the extent practicable, ensure any compensation was of comparable commercial value and capped as appropriate, taking into account the terms of the previous arrangement being forfeited (for example the form and structure of the award, timeframe, performance criteria and likelihood of vesting). Where appropriate, the Remuneration Committee would have a preference for buy-outs to be delivered in the form of shares in the Company. All such awards will be appropriately discounted to ensure that the Group does not, in the view of the Remuneration Committee, over-pay the individual. The Remuneration Committee will also consider the application of performance conditions and/or clawback provisions, as appropriate. Details of any "buy out" awards will be appropriately disclosed, and any arrangements would be made within the context of minimising the cost to the Group.

The Group may make a contribution towards legal fees in connection with agreeing employment terms. The Group may also agree to pay certain expenses and taxes should an Executive Director be asked to relocate to a different country, such that the Executive Director pays no more than would have been required in the home location.

Policy on payments for loss of office

Any compensation payable in the event that the employment of an Executive Director is terminated will be determined in accordance with (i) the terms of any service contract between the Group and the Executive; (ii) the relevant rules governing outstanding awards including deferred share salary awards, the Combined Incentive Plan and under the previous policy, any outstanding Annual Bonus deferred shares awards and LTIP awards; and (iii) this 2024 Policy.

The Remuneration Committee will take all relevant factors into account when considering whether or not the Director is a good leaver (as set out in their service contract or other applicable plan document). The Remuneration Committee will exercise its absolute discretion to determine whether such terms should be included in any new service contract.

In addition to any payment referred to above, the Remuneration Committee reserves discretion as it considers appropriate to continue benefits beyond the date of termination, pay for relocation to previous location, where applicable, make payments in lieu of notice, accelerate the vesting of equity awards, and/or pay for out placement services and/ or legal fees. In certain circumstances, the Committee may approve new contractual arrangements with departing Executive Directors, potentially including (but not limited to) settlement, confidentiality, restrictive covenants and/or consultancy arrangements. These arrangements would only be entered into where the Committee believes that it is in the best interests of the Company and its shareholders to do so.

Generally, the Group would require a non-compete and confidentiality agreement from the departing Executive Director to protect the interests of the Group.

Vesting and lapse of awards

If an Executive Director ceases to be employed by any Group company at his/her sole decision before the service contract expires or if the Executive Director leaves for a bad leaver reason, the Executive Director would not be eligible for any payment under the Combined Incentive Plan and would forfeit any Long-Term Share Award which had not vested; Depending on the circumstances, the Remuneration Committee may, allow the Executive Director to partially or fully retain awards under the Combined Incentive Plan, or legacy Annual Bonus shares and/or LTIP awards.

CIP

If the Executive Director is determined by the Remuneration Committee to be a good leaver during the Annual performance year, the Executive Director may be granted their Combined Incentive Plan Share Award and Long-Term Share Award, pro-rated for time during the performance year and subject to the achievement of the performance conditions. All outstanding Share Awards must continue to be held for the duration of the holding period and Long Term Awards will continue to vest on their original terms, unless the Committee determines that in the case of a Share Award and a Long Term Award the respective vesting and holding periods should be shortened (e.g. in the case of ill health or death in service).

LTIP

Legacy LTIP awards will be subject to a reduction pro rata to reflect shortened period of employment between grant and the end of the vesting period. In general, the original performance period will continue to apply. However, where, in the opinion of the Remuneration Committee, early vesting is appropriate, or where it is otherwise necessary, awards will vest by reference to performance criteria achieved over the period of employment.

If, during the three years after the termination of the Executive Director's employment as a good leaver, it is established that the Executive Director was a bad leaver, the provisions applicable to bad leavers will apply.

Executive Directors - Notice periods

Notice periods are set out in the Executive Director's service contract. Generally speaking, either party may terminate the service contract by giving the other party not less than seven months' notice and the Group will reserve the right to terminate without notice in certain circumstances.

Service contracts and letters of appointment

The service contracts of Executive Directors do not have a fixed duration and may be terminated by either party (see further details above under "Notice Periods"). They may contain tailored terms which allow for payments to continue to be paid if the Executive Director's employment is terminated under certain circumstances, such as following a corporate change, a change in control, involuntary termination, termination without cause, for "good leaver" reasons (including) death or disability, each as defined in the applicable Executive Director's service contract[1]. Details of such terms contained in the current Executive Directors' service contract are described below (the Executive Directors' service contracts and Non-Executive Directors' letters of appointment are available for inspection at TBC Bank PLC's registered office):

a. **Service contracts of the Group's current Executive Director Service contracts with TBC Bank PLC**
On 12 May 2016, TBC Bank PLC entered into a service agreement with Vakhtang Butskhrikidze. The service agreement can be terminated by either party giving to the other party not less than seven months' written notice. In addition, TBC Bank PLC may terminate the service agreement without notice or pay in lieu of notice for cause (as defined in the service contract). The service contract contains non-compete and confidentiality provisions and is governed by English law.
Service contracts with TBC Bank JSC
Vakhtang Butskhrikidze also serves as CEO of TBC Bank JSC. The current service agreement provides for Mr Butskhrikidze to act as CEO of TBC Bank JSC. The service agreement contains non-compete and confidentiality provisions and is governed by Georgian law.

b. **Letters of appointment – Non-Executive Directors**
Each Non-Executive Director is required to submit himself or herself for annual re-election at the Annual General Meeting. The dates of appointment with the Group for each Non-Executive Director can be found in their biographies on pages 178 to 182. The letters of appointment provide for a one-month notice period although the Group may terminate the appointment with immediate effect without notice or pay in lieu of notice if the Non-Executive Director has committed any serious breach or non-observance of his or her obligations to the Group, is guilty of fraud or dishonesty, brings the Group or him/herself into disrepute or is disqualified from acting as a Non-Executive Director, among other circumstances. Upon termination, the only remuneration a Non-Executive Director is entitled to is accrued fees as at the date of termination, together with reimbursement of documented expenses incurred prior to the termination date.

Legacy arrangements

The Remuneration Committee reserves the right to make any remuneration payments and payments for loss of office notwithstanding that they are not in line with the 2024 Policy set out above, where the terms of that payment were agreed before the 2024 Policy came into effect (including, without limitation, pursuant to awards granted before the 2024 Policy came into effect), or before the individual became a Director of the Group (provided the payment was not in consideration for the individual becoming a Director). This includes the exercise of any discretion available to the Remuneration Committee in connection with such payments.

Consideration of employment conditions within the Group

The Company recognises the importance of employee engagement in setting remuneration for the Executive Directors, NEDs and senior management. To this end, the designated Non-Executive Director has responsibility to enhance the dialogue between the workforce and the Board and to further strengthen employee engagement on the topic of executive remuneration.

In accordance with the UK Corporate Governance Code, the Remuneration Committee evaluates the compensation and conditions of employees of the Group in determining the remuneration of Executive Directors. The Remuneration Committee may engage external advisors to assist in analysing remuneration in the Group.

Minor changes

The Remuneration Committee may make, without the need for shareholder approval, minor amendments to the Policy for administrative purposes or to take account of changes in legislation.

1 This is not to be construed as severance payment as the Director, in each case defined in this paragraph, is not entitled to any extra payment other than what he or she would have ordinarily received, provided those events did not occur.

Technology & Data Committee report

TECHNOLOGY & DATA COMMITTEE REPORT

Members of the Committee

- Rajeev Sawhney*
  (Chairman of the Committee)
- Eran Klein*
- Thymios P. Kyriakopoulos*

Meeting attendance shown on page 186
*Independent Director

COMMITTEE PURPOSE

The Technology & Data Committee was established in 2022 to ensure the Board's focus on key strategic matters in relation to technology, digital systems and platforms, data, analytics, automation and cyber security. Its purpose is to assist the Board in fulfilling its oversight of technology and data strategy

The Technology & Data Committee was established in 2022 to ensure the Board's focus on key strategic matters in relation to technology, digital systems and platforms, data, analytics, automation and cyber security. Its purpose is to assist the Board in fulfilling its oversight of technology and data strategy.

During the year, the Committee set and monitored the strategic technology, data and cybersecurity goals and ensured that the critical success factors of these are clear and transparent. It received regular updates on each of these areas. The Committee has continued to augment awareness among the Board members in technology, data and cybersecurity strategies, as well as assisting senior management in considering the scope of coverage from the subsidiary to the Group level.

Preparing for International Expansion

The Committee undertook a deep-dive analysis on how the IT, Information Security and Data groups were preparing for international expansion and the key technological requirements needed. The Committee continues to keep oversight in this area.

Digital Acceleration

The growing dependence for all businesses on digital technologies necessitates increasing Board focus to ensure ongoing performance alongside digital transformation. In 2023, the Board held a program of leadership learning, facilitated by the International Institute for Management Development (IMD), in Singapore which focused on digital acceleration. The week-long session, which management also attended, aimed to provide deeper insights into how various financial institutions in the Asia-Pacific region have embraced new perspectives and approaches to digitalisation. The program, which also had site visits to sector leaders, covered a wide range of topics. These included the changing landscape of banking consumers, global views on Fintech, digital acceleration and its impact of business transformation and scalability in a multi-geographic environment and the potential impact of Generative Artificial Intelligence. The program provided valuable learning on the challenges in digital acceleration. Through undertaking this program, the Board believes it will be better equipped to undertake the ambitious program of international expansion and accelerating digitalisation.

Transforming the Business through data solutions

During the year, the Committee facilitated a Board session, hosted by a leading global technology consultancy, following their undertaking of a comprehensive assessment of TBC Bank's data maturity. This included working alongside our Data team to develop an ambitious and robust data strategy and execution plan.

The Committee plays an active role in supporting the Board in ensuring data strategy is aligned with the overall business, as well as the Company's ESG strategy. The Committee's activities support the business to achieve its priorities (to maximise the high potential of its digital ecosystem and to strengthen its advanced digitalisation levels), for example by helping cut the Bank's carbon footprint with its focus on digitalisation.

Business Continuity

The Board has an active interest in matters of business continuity, and the Committee has approved the plan to migrate to the cloud and continues to maintain oversight on its execution excellence. In addition, monitoring the risk metrics relating to software incidents has led to the approval of a plan to mitigate the risks of service disruption which will enhance the customer experience. The Committee also reviewed the cybersecurity and resilience posture of the Group. It looks at the state of preparedness against potential threats through compliance with leading international standards such as NIST, ISO 27001 and MITRE, followed by penetration testing and audits by leading external companies to ensure greater security for the Bank's digital infrastructure. The Committee steers the improvement of cybersecurity alignment and transparency across the Group's subsidiaries by having oversight of the IT policies, processes and frameworks with the guidance on best practices for the Group.

Further, the Committee works jointly with the Risk Committee where overlaps exist, including on business continuity planning and information security risks. TBC Bank has received several international awards of excellence, recognising its achievements in working hard to ensure operational areas are addressed through the most appropriate digital solutions available to the Company, and that its data dependency is as secure as possible.

For more information on how the Committee supports the business in the areas of operational risk management, and the material and emerging risks related to the Committee's remit, please see pages 112 to 136.

Other activities of the Committee during the year include:

- Approval of three major policies –Technology Policy, Global Information Security Policy, and TBC Bank Group plc Global Data Protection Policy.
- Monitoring the three-year technology strategy for the Group and ensuring alignment with the overall business strategy supported through the IT Group Governance framework

Committee effectiveness

The Committee undertakes an annual review of its effectiveness as part of the Board evaluation. Feedback on the performance of the Committee was positive, with the Committee found to discharge effective oversight as well as fostering good relationships with the Technology team.

More information on the results of the Board evaluation is provided on pages 192 to 193.

2024 and beyond

The acceleration of artificial intelligence (AI) and Generative AI, its risks and opportunities, is an area that the Committee will give increasing focus to, as it works to ensure the Company's technology aligns with the Company's strategic priorities (outlined on pages 32 to 33), as well as ensuring the ethical use and deployment of AI systems. The Committee will also continue to work collaboratively with the Risk Committee on emerging risks, including those related to AI. The Committee further intends to undertake a number of deep dive sessions into data governance and strategy over 2024 to further assist its work in the areas within its remit and support the business in accelerating its competencies as well as reviewing strategies to mitigate risks in these areas.

Rajeev Sawhney
Chairman of the Technology & Data Committee

2 April 2024

ESG & Ethics Committee report

ESG & ETHICS COMMITTEE REPORT

Members of the Committee

- Eran Klein*
  (Chairman of the Committee)
- Janet Heckman*
- Rajeev Sawhney*

Meeting attendance shown on page 186
*Independent Director

COMMITTEE PURPOSE

The ESG and Ethics Committee was established in 2022 to support the Board in its oversight of the implementation of various strategies, policies and programs in relation to Environmental, Social and Governance ("ESG") matters for the Group and its subsidiaries, and to promote the collective vision of values, conduct and culture within the Group.

The ESG and Ethics Committee was established in 2022 to support the Board in its oversight of the implementation of various strategies, policies and programs in relation to Environmental, Social and Governance ("ESG") matters for the Group and its subsidiaries, and to promote the collective vision of values, conduct and culture within the Group.

Although overall responsibility for ESG matters falls to the Board of Directors as a whole, the Committee is chaired by Eran Klein, who has gained significant experience and knowledge leading financial institutions across developed and emerging markets required to support the Group's ESG strategy, including risk management, audit and strategy implementation. The Chairman of the Committee is supported by a senior management team with extensive ESG and risk experience, and he reports back to the Board on the ESG strategies and implementations considered by the Committee.

In recent years, the Group has taken several steps to enhance the Group's environmental, social and governance framework through the development of an ESG strategy. The ESG strategy reaffirms the Group's commitment to make a long-term, sustainable contribution to the country and the wider region. The ESG Strategy defines several key areas for the coming years, more information on which can be found on pages 38 to 40 of this Annual Report. The Committee receives regular updates on the implementation of the ESG Strategy, the development of the ESG framework and how behavioural change is being achieved throughout the organisation.

The Committee is responsible for providing strategic guidance and reviewing the Group's climate strategy and climate related matters including disclosures in line with the Task Force on Climate-Related Financial Disclosure ("TCFD") principles and ensuring that these align with the Company's strategic priorities. More information on these disclosures can be found on pages 140 to 143 of this Annual Report.

In addition to overseeing the implementation of the ESG strategy, other activities of the Committee during the year include:

- Review of updates on the Climate Action Strategy and the requirements of the TCFD maturity map, the TCFD implementation road map and the TCFD Report of the Company
- Review and approval of the Sustainability Report for 2022
- Set the training agenda for Ethics, ESG and Climate-related matters for 2023/24
- Review of updates on the fair treatment of customers of TBC Bank, and the policies, practices and framework of ethics and conduct supporting this
- Kept informed of external developments in the ESG landscape
- Review of Company's ESG Risk Appetite
- Review of the Diversity, Equality and Inclusion Policy, Human Rights Policy and the Environmental and Climate Change Policy, and those policies subsequent recommendation for Board approval
- Kept informed of local and international ESG regulatory developments

In addition, the Committee reviewed regular updates on gender diversity across the Group, along with focused reports on the advancement and development of initiatives and programmes that have been established to increase the percentage of women in middle management positions, as well as in information and communication technologies, risk and finance areas. More information on these initiatives can be found on pages 200 to 201 of this Annual Report.

Committee effectiveness

The Committee undertakes an annual review of its effectiveness as part of the Board evaluation. Feedback on the performance of the Committee was positive, with the Committee establishing oversight of a complex and evolving area, whilst maintaining constructive relationships with management.

More information on the results of the Board evaluation is provided on pages 192 to 193.

2024 and beyond

In addition to its usual business, the Committee intends to focus on and support the business in meeting the Group's ESG strategic pillars, including working towards the action plan for net-zero performance, increasing the sustainable loan portfolio, measuring the Group's indirect performance towards the Paris Agreement targets for the reduction of GHG emissions, and ensuring the successful implementation of IFRS S1 and S2. The Committee will also continue its work in encouraging the increased representation of women in middle management positions, and ensure green financing training courses are offered to both employees of the Bank and its customers as well as supporting the Audit Committee with ESG reporting.

For further information on the Bank's ESG updates and its sustainability reports, please see the website: www.tbcbankgroup.com.

Eran Klein
Chairman of the ESG & Ethics Committee

2 April 2024

Directors' report

In accordance with section 415 of the Companies Act 2006, the Directors of the Company are pleased to submit their Annual Report together with the audited consolidated financial statements, found on pages 274 to 405, for the financial year ended 31 December 2023.

This Directors' Report, set out on pages 254 to 259, coupled with the Strategic Report, set out on pages 8 to 177, form the Management Report, as required by article 4.1.5R of the Disclosure Guidance and Transparency Rules.

Other statutory and regulatory information incorporated into this Directors' Report by reference, including information required in accordance with the Companies Act 2006 and the FCA's Listing Rule 9.8.4R, can be found on the following pages:

DIRECTORS

Appointment and replacement of Directors

The appointment and retirement of Directors is governed by the Articles of Association (the "Articles"), the Code and the Companies Act 2006 and related legislation.

In accordance with the Company's Articles of Association, the Directors are subject to annual re-appointment by shareholders and all the Directors will stand for re-appointment at the 2024 Annual General Meeting.

Powers of the Directors

The Directors may exercise all powers of the Company, subject to applicable laws and regulations and the Articles of Association.

Conflicts of Interests

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

For more information see page 191 of the Governance report.

Directors' and Officers' liability insurance

The Group maintains Directors' and Officers' liability insurance, ("D&O") provides appropriate cover for legal action brought against its Directors. The D&O insurance would not provide cover in event that a Director, Officer or Company Secretary is proven to have acted fraudulently or dishonestly. The above referred liability insurance and was in force during the financial year ended 31 December 2023 and remain in force as at the time of this Report's publication.

Directors' Interests

Information on share ownership by the Directors can be found in the Remuneration Report on page 232.

Directors

The Director of the Company who were in office during the year end up to the date of signing the finanicals statements are as set out on pages 176 to 183.

COMPANY STATUS AND BRANCHES

TBC Bank Group PLC is the holding company of the TBC Bank group of companies. TBC Bank Group PLC is a public listed company on the London Stock Exchange main market with a premium listing, and is registered and domiciled in England and Wales (company number 10029943). It is the ultimate holding company of the Group, a full list of subsidiaries, partnerships, associates, joint ventures and joint arrangements is set out in Note 1 to the financial statements set out on pages 281 to 284. TBC Bank Group PLC does not have a branch network.

RELATIONSHIP AGREEMENTS

On 31 May 2016, the Company entered into a relationship agreement with certain major shareholders (the Relationship Agreement). The Company understands that those major shareholders no longer control, in aggregate, 20% or more of the Company's voting rights, and so the Relationship Agreement is no longer in full force and effect.

CHANGE OF CONTROL

There are no significant agreements to which the Company is a party of that take effect, alter or terminate upon a change of control of the Company. In addition, there are no agreements between the Company and its employees and the Directors that contain compensation clauses for loss of office or employment that occurs because of a takeover bid, resulting in a case of change of control.

RELATED PARTY TRANSACTIONS

Transactions with related parties are disclosed in Note 45 to the consolidated financial statements.

CAPITAL STRUCTURE

As at 31 December 2023, the Company's issued share capital comprised 55,393,664 ordinary shares (2022: 55,102,766) carrying a nominal value of £0.01 each, of which no shares are held in treasury. Therefore, the total number of voting rights in the Company is 55,393,664. The Company's issued ordinary share capital ranks equally in all respects and carries the right to receive all dividends and distributions declared, made or paid on or in respect of the ordinary shares. There are no preference shares in issue.

Further details on the Company's ordinary share capital and shares issued during the year can be found in Note 26 to the audited financial statements on pages 343 to 345.

Rights and restrictions attached to shares

The rights and obligations attached to the Company's issued ordinary shares are set out in its Articles of Association, which can be found on the Company's website. There are no voting restrictions on the shares issued and each ordinary share carries one vote, which can be cast at any general meeting of the Company.

Transfer restrictions

There are no specific restrictions on transfers of shares in the Company, which is governed by its Articles of Association and prevailing legislation, other than:

- Certain restrictions which may from time to time be imposed by laws or regulations, such as those relating to insider dealing;
- Pursuant to the Group's Share Dealing Code, whereby the Directors and designated employees require approval to deal in the Company's shares;
- Where a person with an interest in the Company's shares has been served with a disclosure notice and has failed to provide the Company with information concerning interests in those shares; and
- Pursuant to the Group's Remuneration Policy, whereby Participants (as defined therein) may be granted restricted share awards, which vest over a certain period of time from the award date and are subject to malus and clawback provisions.

All employees (including Directors) deemed by the Company to be insiders have complied with the Group's Share Dealing Code. There are no restrictions on exercising voting rights save in situations where the Company is legally entitled to impose such a restriction (for example, under the Articles of Association where amounts remain unpaid in the shares after request, or the holder is otherwise in default of an obligation to the Company). The Company is not aware of any arrangements between shareholders that may result in restrictions on the transfer of securities or voting rights.

Powers in relation to the Company issuing or buying back its own shares

The Companies Act 2006 and the Articles of Association determine the powers of Directors, in relation to share issues and buy backs of shares in the Company. Any shares which have been bought back may be held as treasury shares or cancelled immediately upon completion of the purchase.

Authority was given at a General Meeting of the Company held on 25 May 2023 (the "2023 AGM"), for the Company to allot ordinary shares in the capital of the Company up to an aggregate nominal value of £137,479. This authority will apply until the conclusion of the 2024 AGM or at close of business on 25 September 2024, if earlier. Shareholders will be requested to renew these authorities at the 2024 AGM.

In August 2022, the Board approved and announced the commencement of a share buyback programme of up to GEL 75 million in accordance with the terms of the general authority granted by shareholders at the 2022 AGM this authority was renewed at 2023 AGM and will also be renewed at 2024 AGM. During 2023, the Company repurchased 101,299 shares at an average share price of GBP 22.77 for share cancellation. As at 31 December 2022 444,324 shares held in treasury and 434,276 were transferred to the employee benefit trust on 6 March 2023 and 10,048 shares were cancelled. As at 31 December 2023, no shares are being held in treasury.

A renewal of the authority to make market purchases will be sought from shareholders at each AGM of the Company. Purchases of ordinary shares will be made within guidelines established from time to time by the Board. Any purchase of ordinary shares would be made only out of the available cash resources of the Company. Ordinary shares purchased by the Company may be held in treasury or cancelled.

PROFITS AND DIVIDENDS

For the financial year ending 31 December 2023, the profit attributable to the Company's shareholders, after taxation, was GEL 1,124 million (2022: GEL 995 million). The Board declared an interim dividend of GEL 2.55 per TBC Bank Group share on 10 August 2023, which was paid by the Company on 13 October 2023. The Board intends to recommend a final dividend of GEL 4.67 per TBC Bank Group PLC share, to be distributed to the Company's shareholders, payable in British Pounds Sterling. The Georgian Lari to Pound Sterling exchange rate that will apply to the final dividend payments on the conversion date of 21 June 2024 will be the average exchange rate of the National Bank of Georgia for the period of 17 June 2024 to and including 21 June 2024 (5 days average). Distribution of dividend is subject to shareholders' approval at the 2024 AGM. If approved, the final dividend will be paid on 19 July 2024 to shareholders on the Register of Members at close of business in the UK (i.e. 6pm London time) on 14 June 2024. Shareholders may have their dividends reinvested in the Company by joining the Company's scrip dividend programme approved at the 2022 Annual General Meeting. The scrip dividend programme enables shareholders, if they wish, to receive new fully-paid ordinary shares in the Company instead of cash dividends.

ARTICLES OF ASSOCIATION

The Company's Articles of Association were adopted pursuant to a resolution passed at a general meeting of the Company held on 12 May 2016. The Articles of Association may only be amended by a special resolution at a general meeting of the shareholders. The Company's current Articles are available on its website at www.tbcbankgroup.com.

MAJOR SHAREHOLDERS

As at 31 December 2023, the Company had been notified under Rule 5 of the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (the "DTRs") of the following interests of 3% or more in its total voting rights:

Shareholder	% of voting rights	No. of voting rights
Founders	15.83	8,768,847
Dunross & Co.	6.5	3,598,963
BlackRock	4.72	2,615,130
Vanguard Group	4.39	2,432,055
Allan Gray Investment Management	3.88	2,148,541
JPMorgan Asset Management	3.81	2,109,728
Schroder Investment Management	3.18	1,760,371
Fidelity International	3.02	1,670,557

Future regulatory filings by shareholders will be available on the Group's website at www.tbcbankgroup.com and the LSE website at www.londonstockexchange.com.

POLITICAL DONATIONS

The Group did not make any political donations or incur any political expenditure during 2023.

CHARITABLE DONATIONS

Please refer to page 362.

ANNUAL GENERAL MEETING

The 2023 AGM was held at the offices of Baker McKenzie, 100 New Bridge Street, London EC4V 6JA.

At the 2024 AGM, shareholders will have the opportunity to ask questions to members of the Board, including the Chairmen of the Board Committees.

In the event 20% or more votes are received against a recommended resolution at a general meeting, the Board would announce the actions it intends to take to engage with shareholders to understand the result, in accordance with the 2018 Corporate Governance Code. The Board would follow this announcement with a further update within six months of the meeting, which would include an overview of shareholders' views on the resolutions and the remedial actions taken by the Board. At the time of writing, the Board has not been required to follow this procedure due to the continued high level of support received from shareholders.

DISCLOSURE OF INFORMATION TO THE AUDITORS

The Directors, who held office at the date of approval of this Annual Report, confirm that, so far as they are aware, there is no relevant audit information of which the Group's auditors are unaware. Each Director has taken all steps that he/she reasonably should have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's statutory auditors are aware of such information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

POST-BALANCE SHEET EVENTS

Details of post-balance sheet events are given in Note 46 of the financial statements.

COMPANY SECRETARY

LDC Nominee Secretary Limited was appointed as the Company Secretary in August 2022. The appointment and removal of the Company Secretary are at the discretion of the Board.

Arne Berggren
Chairman

2 April 2024

Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group and the company financial statements in accordance with UK-adopted international accounting standards.

The group has also prepared financial statements in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed for the group financial statements and UK-adopted international accounting standards have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Governance section of the Annual Report confirm that, to the best of their knowledge:

- the group financial statements, which have been prepared in accordance with UK-adopted international accounting standards and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the group;
- the company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the company; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the group and company, together with a description of the principal risks and uncertainties that it faces.

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

Arne Berggren
Chairman

2 April 2024

3

Chapter

Financial Statement

Independent auditors' report to the members of TBC Bank Group PLC

Report on the audit of the financial statements

Opinion

In our opinion, TBC Bank Group PLC's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2023 and of the group's profit and the group's and company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: Consolidated and Separate Statements of Financial Position as at 31 December 2023; Consolidated Statement of Profit or Loss and Other Comprehensive Income, Consolidated and Separate Statements of Cash Flows and Consolidated and Separate Statements of Changes in Equity for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the audit committee.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in note 2 to the financial statements, the group, in addition to applying UK-adopted international accounting standards, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 35 to the financial statements, we have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- The scope of our audit and the nature, timing and extent of audit procedures performed were determined by our risk assessment, the financial significance of components and other qualitative factors (including history of misstatement through fraud or error).
- Our scoping was primarily driven by legal entity contribution to profit before tax and other key financial metrics. This approach also ensures that we align our resources with the location of the key financial reporting functions and material operations of the group. We also considered overall coverage in assessing the appropriateness of our scoping.

Key audit matters

- Expected credit loss allowance on loans and advances to customers (group)
- Investments in subsidiaries (company)

Materiality

- Overall group materiality: GEL 66.6m (2022: GEL 62.3m) based on 5% of profit before tax.
- Overall company materiality: GEL 22.4m (2022: GEL 19.2m) based on 1% of total assets.
- Performance materiality: GEL 50.0m (2022: GEL 46.7m) (group) and GEL 16.8m (2022: GEL 14.4m) (company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Investments in subsidiaries (company) is a new key audit matter this year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance on loans and advances to customers (group) Refer to Audit Committee Report, Note 2 - Material Accounting Policy Information, Note 3 - Critical Accounting Estimates and Judgements in Applying Accounting Policies, Note 9 - Loans and Advances to Customers and Note 38 - Financial and Other Risk Management in the Annual Report. We focused on this area as the management's estimates regarding the expected credit loss ('ECL') allowance for loans and advances to customers are complex, require a significant degree of judgement and are subject to high degree of estimation uncertainty. Under IFRS 9, Financial Instruments, management is required to determine the credit loss allowance expected to occur over either a 12-month period or the remaining life of an asset, depending on the stage allocation of the individual asset. This staging is determined by assessing whether or not there has been a significant increase in credit risk ('SICR') or default of the borrower since loan origination. Management has designed and developed a number of models to achieve compliance with the requirements of IFRS 9 and implemented an IT system for ECL estimation. Among others, management applies judgement to the models in situations where past experience is not considered to be reflective of future outcomes due to limited or incomplete data. We consider the appropriateness of the model methodologies and the following judgements used in the determination of the modelled ECL allowance to be significant: – Judgemental criteria applied for identification of SICR, involving qualitative assessment of borrowers' creditworthiness (relevant to Corporate and SME portfolios); – Critical assumptions applied in the determination of loss given default ('LGD') and probability of default ('PD'); and – Assessment of the key assumptions related to forward-looking information ('FLI') including the appropriateness of scenario weightings and macroeconomic variables.	We gained an understanding and evaluated the design and implementation of the key controls over the determination of ECL allowance and tested their operating effectiveness. These controls included among others: – Controls over model performance monitoring, including periodic reviews of the policy and models, testing model estimates against actual outcomes and approval of model methodology changes; – Control over governance of independent validation unit; – Review and approval of the key judgements and assumptions used for determining LGDs, PDs and FLI; – Controls over the accuracy of key parameters (such as PD, LGD) used by the calculation engine; – Controls over regular monitoring of the financial standing of the borrowers; – Controls over the automated ECL calculation by the relevant IT system; and – The Management Risk Committee's review and approval of key assumptions and assessment of ECL modelled outputs. We noted no exceptions in the design or operating effectiveness of the above controls. In addition, we performed the substantive procedures described below. We assessed whether the ECL model methodologies developed by management comply with IFRS 9. We performed an evaluation and reviewed the application of the judgemental criteria set by management for determining whether there had been a SICR (applicable to Corporate and SME portfolios). We assessed the reasonableness of the critical assumptions applied in determination of LGDs, PDs and FLI. We involved our credit risk modelling specialists in performing the above procedures. We concluded that management's judgements in deriving SICR, LGDs, PDs and FLI were reasonable. We reperformed the calculation of ECL for selected portfolios and assessed whether management's ECL calculations were consistent with the approved model methodologies. We critically evaluated key aspects of model monitoring and validation ("backtesting" of projected ECL) performed by management relating to model performance and stability. We have critically assessed the monitoring results and challenged explanations for deviations from the expectation. We evaluated whether model methodologies were updated to address the results of backtesting, where relevant. We assessed the appropriateness of the macroeconomic models and assumptions as well as weightings applied to each macroeconomic scenario. We are satisfied that macroeconomic assumptions and scenario weightings used by management are reasonable. We evaluated adequacy of the disclosures related to Expected credit loss allowance on loans and advances to customers.

Key audit matter	How our audit addressed the key audit matter
Investments in subsidiaries (company) Refer to Note 2 - Material Accounting Policies Information and Note 45 - Related Party Transactions in the Annual Report. In the company's statement of financial position as at 31 December 2023, investments in subsidiaries are held at cost less any impairment, as set out in note 2 to the separate financial statements. We focused on this area because investments in subsidiaries is the largest asset balance on the company's statement of financial position at GEL 2,103m. There is a risk that the carrying value of the investments in subsidiaries exceeds the recoverable amount and therefore an impairment loss should be recognised.	In respect of the carrying value of investments in subsidiaries we have: - Obtained and evaluated management's assessment of impairment of investments in subsidiaries and tested relevant key inputs; - Assessed the reasonableness of the main assumptions used in the impairment test; - Evaluated whether there are other factors impacting the carrying value of the investment based on our understanding of the business and accounting treatment; and - Tested the disclosures made by management in the separate financial statements. Based on the work performed and the evidence obtained, we consider the carrying value of investments in subsidiaries to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

TBC Bank Group's banking and insurance activities are primarily carried out in Georgia, with subsidiary operations in three other countries. The group's business activities comprise of two major segments for which it manages and reports its operating results and financial position, namely Georgian financial services (comprising of Retail, Corporate, Micro Small and Medium Enterprises and Corporate Centre and other) and Uzbekistan operations; and one Other operations segment (comprising of combined immaterial business operations).

JSC TBC Bank is the largest subsidiary of the group, representing 94% of the group's assets and 86% of the group's profit before tax. We performed audit procedures over this component which is the only component considered to be financially significant in the context of the group, using an overall materiality of GEL 63.1m (2022: GEL 59.2m). Other components are considered as limited scope entities for which audit procedures are performed on specific balances.

Our audit approach and team was designed to reflect the structure of the group, and we therefore used component auditors, who are familiar with the relevant businesses in their geographical locations, to audit the relevant component that was in scope for the group audit. As part of the planning and execution of the audit, the UK audit team held meetings with the significant component auditors on several occasions and reviewed selected workpapers and conclusions, in order to ensure that the procedures performed to support the group audit were sufficient for our purposes. Specific audit procedures were also performed at the UK parent company level, mainly related to the presentation of the group financial statements, the consolidation process, taxation and elements of laws and regulations specific to the UK. Based on the procedures we performed, our audit coverage accounted for 99% of revenue and 98% of total assets of the group.

The impact of climate risk on our audit

As part of our audit, we considered the group's governance framework and risk assessment processes, as outlined in the Governance, Strategy and Risk Management sections of the Climate-related financial disclosures, to obtain an understanding of the process management adopted to assess the extent of the potential impact of climate risk on the group's financial statements. We evaluated and challenged management's assessment, including their conclusion that there are no material impacts on the group's financial statements, as set out in Climate-related scenarios. We assessed that the key financial statement line items and estimates which are more likely to be materially impacted by climate risks are those associated with expected credit losses.

We also considered the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section) within the Annual Report with the financial statements and our knowledge obtained from our audit.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole for the year ended 31 December 2023.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements - group	Financial statements - company
Overall materiality	GEL 66.6m (2022: GEL 62.3m).	GEL 22.4m (2022: GEL 19.2m).
How we determined it	5% of profit before tax	1% of total assets
Rationale for benchmark applied	The group is a profit oriented entity with publicly traded equity and therefore it is appropriate to use a profit oriented benchmark for the calculation of materiality.	The company is a holding company with investments in the subsidiaries within the group. The company's performance is measured primarily on the value of these investments, and therefore total assets is considered an appropriate materiality benchmark.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between GEL 63.1m and GEL 65.2m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to GEL 50.0m (2022: GEL 46.7m) for the group financial statements and GEL 16.8m (2022: GEL 14.4m) for the company financial statements.

In determining the performance materiality, we considered a number of factors - the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls - and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the audit committee that we would report to them misstatements identified during our audit above GEL 3.3m (group audit) (2022: GEL 3.1m) and GEL 1.1m (company audit) (2022: GEL 0.96m) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the group's and the company's ability to continue to adopt the going concern basis of accounting included:

- Performing a risk assessment to identify factors that could impact the going concern basis of accounting, including the current and forecast financial performance, regulatory metrics and the sector in which the group operates;
- Evaluating the reasonableness of the group's forecasts, including their assessment of liquidity and regulatory capital adequacy requirements, macro scenarios, budget planning, recovery planning, stress testing and estimated financing pipeline;
- Testing the group's available financial resources as at the balance sheet date;
- Reviewing the group's regulatory correspondence and reports provided to governance forums such as the audit committee; and
- Reviewing the appropriateness of the disclosures in the Annual Report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2023 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the group's and company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the group's and company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the group and company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group's and company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the audit committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to National Bank of Georgia, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as Companies Act 2006 and UK tax legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management bias through judgements and assumptions in significant accounting estimates and manual journal postings. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- Performing inquiries with management, including the group's Chief Legal Counsel and Internal Audit, in relation to known or suspected instances of non-compliance with laws and regulations and fraud.
- Assessing matters reported on the group's whistleblowing helpline and the results of management's investigation of such matters.
- Attending key committee meetings, including audit committee and reviewing management information presented at these meetings.
- Reading key correspondence with regulatory authorities and legal advisors.
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the expected credit loss allowance on loans and advances to customers.
- Identifying and testing journal entries meeting specific risk criteria.
- Incorporating unpredictability into the nature, timing and/or extent of our testing.
- Performing inquiries, testing and other related procedures to understand and assess management's response to the increased risk of non-compliance with sanctions imposed in relation to the geopolitical conflict between Russia and Ukraine and other financial sanctions risks.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements and the part of the Directors' Remuneration report to be audited are not in agreement with the accounting records and returns.

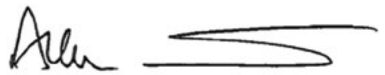
We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the audit committee, we were appointed by the members on 11 August 2016 to audit the financial statements for the year ended 31 December 2016 and subsequent financial periods. The period of total uninterrupted engagement is 8 years, covering the years ended 31 December 2016 to 31 December 2023.

Other matter

In due course, as required by the Financial Conduct Authority Disclosure Guidance and Transparency Rule 4.1.14R, these financial statements will form part of the ESEF-prepared annual financial report filed on the National Storage Mechanism of the Financial Conduct Authority in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditors' report provides no assurance over whether the annual financial report will be prepared using the single electronic format specified in the ESEF RTS.



Allan McGrath (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Edinburgh

2 April 2024

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

TBC Bank Group PLC
Registration number: 0029943

in thousands of GEL	Note	31 December 2023	31 December 2022 (Restated)	1 January 2022 (Restated)
ASSETS				
Cash and cash equivalents	6	3,764,087	3,860,813	1,722,137
Due from other banks	7	47,941	41,854	79,142
Mandatory cash balances with National Bank of Georgia and the Central Bank of Uzbekistan	8	1,577,074	2,049,985	2,087,141
Loans and advances to customers	9	21,722,107	17,832,606	16,637,145
Investment securities measured at fair value through other comprehensive income	10	3,475,461	2,885,088	1,938,196
Bonds carried at amortised cost	11	73,963	37,392	49,582
Repurchase receivables	12	-	267,495	-
Finance lease receivables	14	400,411	312,334	262,046
Investment properties		15,235	22,154	22,892
Investments in associates		4,204	3,721	4,589
Current income tax prepayment	36	435	430	194
Deferred income tax asset	36	7,400	16,705	12,357
Other financial assets	13	280,268	235,963*	424,000*
Other assets	15	431,477	422,928*	393,109*
Premises and equipment	16	513,340	442,886	392,506
Right of use assets	17	120,077	112,625	70,513
Intangible assets	16	471,383	383,198	319,963
Goodwill	18	59,964	59,964	59,964
TOTAL ASSETS		**32,964,827**	**28,988,141***	**24,475,476***
LIABILITIES				
Due to credit institutions	19	4,395,182	3,940,660	2,984,176
Customer accounts	20	20,375,498	18,036,533	15,038,172
Other financial liabilities	23	358,522	294,546*	153,379*
Current income tax liability	36	67,945	1,647	86,762
Deferred income tax liability	36	50,957	112,877	10,979
Debt securities in issue	21	1,426,174	1,361,573	1,710,288
Provision for liabilities and charges	22	21,060	19,908*	15,846*
Other liabilities	24	123,218	101,736*	93,649*
Lease liabilities	37	91,879	84,770	66,167
Subordinated debt	25	868,730	590,148	623,647
Redemption liability	26	365,480	477,329	238,455
TOTAL LIABILITIES		**28,144,645**	**25,021,727***	**21,021,520***
EQUITY				
Share capital	26	1,690	1,681	1,682
Shares held by trust	26	(75,609)	(7,900)	(25,489)
Treasury shares	26	-	(25,541)	-
Share premium		295,605	269,938	283,430
Retained earnings		4,433,496	3,745,191*	3,007,314*
Merger reserve	26	402,862	402,862	402,862
Share based payment reserve	27	23,677	1,090	(5,135)
Fair value reserve for investment securities measured at fair value through other comprehensive income		12,345	5,467	(10,862)
Cumulative currency translation reserve		(44,824)	(35,858)	(9,450)
Other reserves	26	(365,513)	(477,329)	(238,455)
Equity attributable to owners of the parent		**4,683,729**	**3,879,601***	**3,405,897***
Non-controlling interest	40	136,453	86,813	48,059
TOTAL EQUITY		**4,820,182**	**3,966,414***	**3,453,956***
TOTAL LIABILITIES AND EQUITY		**32,964,827**	**28,988,141***	**24,475,476***

* Starting from January 2023 the Group has adopted IFRS 17 and according to the standard requirements retrospectively applied presentation of respective balances for 2022 as described in note 4

The consolidated and the separate financial statements on pages 274 to 404 were approved by the Board of Directors on 2 April 2024 and signed on its behalf by:

Vakhtang Butskhrikidze
Chief Executive Officer

The notes set out on pages 281 to 404 form an integral part of these consolidated and separate financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

in thousands of GEL	Note	2023	2022 (Restated)
Interest income	30	2,948,056	2,330,838
Interest income calculated using effective interest rate method	30	2,860,436	2,263,326
Other interest income	30	87,620	67,512
Interest expense	30	(1,395,269)	(1,075,497)
Net interest gains on currency swaps	30	83,011	34,711
Net interest income		**1,635,798**	**1,290,052**
Fee and commission income	31	676,350	543,099
Fee and commission expense	31	(264,025)	(220,433)
Net fee and commission income		**412,325**	**322,666**
Insurance contract revenue	33	129,798	111,597*
Reinsurance service result	33	(6,470)	(7,783)*
Insurance service claims and expenses incurred	33	(92,038)	(74,611)*
Net insurance income		**31,290**	**29,203**
Net gains from currency derivatives, foreign currency operations and translation	32	256,924	398,866
Net gains from disposal of investment securities measured at fair value through other comprehensive income		5,880	5,811
Other operating income		30,626	23,814
Share of profit of associates		657	352
Other operating non-interest income		**294,087**	**428,843**
Credit loss allowance for loans to customers	9	(162,659)	(118,943)
Credit loss allowance for finance lease receivables		(4,038)	(720)
Credit loss allowance for performance guarantees	22	(1,381)	(2,931)
Credit loss recovery for credit related commitments		477	210
Credit loss allowance for other financial assets		(9,943)	(10,155)
Credit loss (allowance)/recovery for financial assets measured at fair value through other comprehensive income		(1,066)	862
Net impairment of non-financial assets		(2,130)	(1,223)
Operating income after expected credit and non-financial asset impairment losses		**2,192,760**	**1,937,864**
Staff costs	34	(472,972)	(374,816)
Depreciation and amortization	16,17	(115,975)	(101,197)
Allowance for provision for liabilities and charges	22	(155)	(2,200)
Administrative and other operating expenses	35	(269,825)	(213,107)
Operating expenses		**(858,927)**	**(691,320)**
Profit before tax		**1,333,833**	**1,246,544**
Income tax expense	36	(193,858)	(243,205)
Profit for the year		**1,139,975**	**1,003,339**
Other comprehensive (expense)/income for the year, net of tax			
Items that may be reclassified subsequently to profit or loss:			
Net gains reclassified to profit or loss upon disposal of investment securities		(5,327)	(1,853)
Movement in fair value reserve for investment securities measured at fair value through other comprehensive income, net of tax	10	12,205	18,182
Exchange differences on translation to presentation currency		(8,966)	(26,355)
Net other movements		(33)	-
Other comprehensive expense for the year, net of tax		**(2,121)**	**(10,026)**
Total comprehensive income for the year		**1,137,854**	**993,313**
Profit is attributable to:			
– Shareholders of TBCG		1,124,180	995,206
– Non-controlling interest		15,795	8,133
Profit for the year		**1,139,975**	**1,003,339**
Total comprehensive income is attributable to:			
– Shareholders of TBCG		1,122,059	985,180
– Non-controlling interest		15,795	8,133
Total comprehensive income for the year		**1,137,854**	**993,313**
Earnings per share for profit attributable to the owners of the Group:			
– Basic earnings per share (in GEL)	28	20.74	18.14
– Diluted earnings per share (in GEL)	28	20.58	17.86

*Starting from January 2023 the Group has adopted IFRS 17 and according to the standard requirements retrospectively applied presentation of respective net insurance income items for 2022 as described in note 4.

The notes set out on pages 281 to 404 form an integral part of these consolidated and separate financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in thousands of GEL	Note	Share Capital	Shares held by trust	Share premium	Treasury shares	Merger reserve	Share based payments reserve	Other Reserves	Fair value reserve for invest-ment securities at FVTOCI	Cumulative currency translation reserve	Retained earnings	Total equity excluding non-controlling interest	Non-con-trolling interest	Total Equity
Balance as of 31 December 2021 (as originally presented)		**1,682**	**(25,489)**	**283,430**	**-**	**402,862**	**(5,135)**	**(238,455)**	**(10,862)**	**(9,450)**	**3,007,132**	**3,405,715**	**48,059**	**3,453,774**
Restatement effect	4	-	-	-	-	-	-	-	-	-	182	**182**	-	**182**
Balance as of 1 January 2022 (restated)		**1,682**	**(25,489)**	**283,430**	**-**	**402,862**	**(5,135)**	**(238,455)**	**(10,862)**	**(9,450)**	**3,007,314**	**3,405,897**	**48,059**	**3,453,956**
Profit for the year		-	-	-	-	-	-	-	-	-	995,206	**995,206**	8,133	**1,003,339**
Other comprehensive loss for 2022:		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,329**	**(26,355)**	**-**	**(10,026)**	**-**	**(10,026)**
Disposal of investment securities measured at fair value through other comprehensive income	-	-	-	-	-	-	-	-	(1,853)	-	-	**(1,853)**	-	**(1,853)**
Other effects during the period		-	-	-	-	-	-	-	18,182	(26,355)	-	**(8,173)**	-	**(8,173)**
Total comprehensive income for 2022		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16,329**	**(26,355)**	**995,206**	**985,180**	**8,133**	**993,313**
Share issue for scrip dividend		18	-	26,561	-	-	-	-	-	-	-	**26,579**	-	**26,579**
Share based payment expense	27	-	-	-	-	-	27,435	-	-	-	-	**27,435**	-	**27,435**
Dividends declared	26	-	-	-	-	-	-	-	-	-	(256,282)	**(256,282)**	(11,607)	**(267,889)**
Delivery of SBP shares to employees		-	17,589	-	-	-	(21,210)	-	-	-	-	**(3,621)**	-	**(3,621)**
Shares cancelled		(19)	-	(40,053)	40,072	-	-	-	-	-	-	**-**	-	**-**
Share buy-back		-	-	-	(65,613)	-	-	-	-	-	-	**(65,613)**	-	**(65,613)**
Capital injection from NCI shareholders		-	-	-	-	-	-	-	-	-	-	**-**	41,652	**41,652**
Purchase of additional interest from NCI		-	-	-	-	-	-	-	-	-	(1,150)	**(1,150)**	(676)	**(1,826)**
Sale of investment to NCI	40	-	-	-	-	-	-	-	-	(53)	432	**379**	(379)	**-**
Recognition/ remeasurement of redemption liability	26	-	-	-	-	-	-	(238,874)	-	-	-	**(238,874)**	-	**(238,874)**
Other movements		-	-	-	-	-	-	-	-	-	(329)	**(329)**	1,631	**1,302**
Balance as of 31 December 2022 (restated)		**1,681**	**(7,900)**	**269,938**	**(25,541)**	**402,862**	**1,090**	**(477,329)**	**5,467**	**(35,858)**	**3,745,191**	**3,879,601**	**86,813**	**3,966,414**
Profit for the year		-	-	-	-	-	-	-	-	-	1,124,180	**1,124,180**	15,795	**1,139,975**
Other comprehensive loss for 2023:		**-**	**-**	**-**	**-**	**-**	**-**	**(33)**	**6,878**	**(8,966)**	**-**	**(2,121)**	**-**	**(2,121)**
Disposal of investment securities measured at fair value through other comprehensive Income		-	-	-	-	-	-	-	(5,327)	-	-	**(5,327)**	-	**(5,327)**
Other effects during the period		-	-	-	-	-	-	(33)	12,205	(8,966)	-	**3,206**	-	**3,206**
Total comprehensive income for 2023		**-**	**-**	**-**	**-**	**-**	**-**	**(33)**	**6,878**	**(8,966)**	**1,124,180**	**1,122,059**	**15,795**	**1,137,854**
Share issue for scrip dividend		13	-	33,886	-	-	-	-	-	-	-	**33,899**	-	**33,899**
Share based payment expense	27	-	-	-	-	-	33,497	-	-	-	-	**33,497**	-	**33,497**
Dividends declared	26	-	-	-	-	-	-	-	-	-	(297,694)	**(297,694)**	(15,657)	**(313,351)**
Delivery of SBP shares to employees		-	7,195	-	-	-	(10,910)	-	-	-	-	**(3,715)**	-	**(3,715)**
Shares cancelled		(4)	-	(8,219)	8,223	-	-	-	-	-	-	**-**	-	**-**
Share buy-back		-	(50,102)	-	(7,484)	-	-	-	-	-	-	**(57,586)**	-	**(57,586)**
Shares transferred to shares held by trust		-	(24,802)	-	24,802	-	-	-	-	-	-	**-**	-	**-**
Capital injection from NCI shareholders		-	-	-	-	-	-	-	-	-	-	**-**	53,004	**53,004**
Exercising the option to acquire NCI		-	-	-	-	-	-	141,234	-	-	(137,750)	**3,484**	(3,484)	**-**
Remeasurement of redemption liability	26	-	-	-	-	-	-	(29,385)	-	-	-	**(29,385)**	-	**(29,385)**
Other movements		-	-	-	-	-	-	-	-	-	(431)	**(431)**	(18)	**(449)**
Balance as of 31 December 2023		**1,690**	**(75,609)**	**295,605**	**-**	**402,862**	**23,677**	**(365,513)**	**12,345**	**(44,824)**	**4,433,496**	**4,683,729**	**136,453**	**4,820,182**

The notes set out on pages 281 to 404 form an integral part of these consolidated and separate financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

in thousands of GEL	Note	2023	2022 (Restated)
Cash flows from operating activities			
Interest received		2,847,441	2,265,887
Interest received on currency swaps	30	83,011	34,711
Interest paid		(1,362,815)	(1,087,748)
Fees and commissions received		669,310	531,049
Fees and commissions paid		(262,866)	(248,033)
Insurance premiums received		137,927	127,247
Insurance claims paid		(79,574)	(55,601)
Cash received from trading in foreign currencies		216,638	308,066
Other operating income received		40,367	23,761
Staff costs paid		(426,019)	(339,042)
Administrative and other operating expenses paid		(236,429)	(213,128)
Income tax paid		(184,123)	(243,787)
Cash flows from operating activities before changes in operating assets and liabilities		**1,442,868**	**1,103,382**
Net change in operating assets			
Due from other banks and mandatory cash balances with the National Bank of Georgia and Central Bank of Uzbekistan		473,187	(230,909)
Loans and advances to customers		(3,977,796)	(2,756,979)
Finance lease receivables		(32,690)	(4,718)
Other financial assets		(154,685)	57,017**
Other assets		100,135	61,237**
Net change in operating liabilities			
Due to other banks		258,151	390,402
Customer accounts		2,332,763	4,882,976
Other financial liabilities		30,977	15,897**
Other liabilities and provision for liabilities and charges		(337)	(15,830)**
Net cash flows from operating activities		**472,573**	**3,502,475**
Cash flows (used in)/from investing activities			
Acquisition of investment securities measured at fair value through other comprehensive income	10	(1,563,326)	(2,413,600)
Proceeds from disposal of investment securities measured at fair value through other comprehensive income	10	383,122	816,875
Proceeds from redemption at maturity of investment securities measured at fair value through other comprehensive income	10	854,540	391,341
Acquisition of bonds carried at amortised cost	11	(308,176)	(261,568)
Proceeds from redemption of bonds carried at amortised cost	11	267,079	267,904
Acquisition of premises, equipment and intangible assets		(263,239)	(226,395)
Proceeds from disposal of premises, equipment and intangible assets		4,671	17,454
Proceeds from disposal of investment properties		7,220	5,472
Dividends received		696	-
Net cash flows used in investing activities		**(617,413)**	**(1,402,517)***
Cash flows from/(used in) financing activities			
Proceeds from other borrowed funds	37	1,939,443	2,553,646
Redemption of other borrowed funds	37	(1,743,653)	(1,731,799)
Repayment of principal of lease liabilities	37	(16,554)	(17,081)
Proceeds from subordinated debt	37	287,589	62,578
Redemption of subordinated debt	37	(15,867)	(13,710)
Cash paid for share buy-back		(58,991)	(65,114)
Purchase of additional interest from minority shareholders	40	(146,571)	(1,826)
Capital injection from NCI shareholders		53,004	41,652
Proceeds from debt securities in issue	37	134,519	49,471
Redemption of debt securities in issue	37	(70,927)	(205,898)
Dividends paid		(279,251)	(238,975)
Net cash flows from financing activities		**82,741**	**432,944***
Effect of exchange rate changes on cash and cash equivalents		(34,627)	(394,226)
Net (decrease)/increase in cash and cash equivalents		**(96,726)**	**2,138,676**
Cash and cash equivalents at the beginning of the year	6	**3,860,813**	**1,722,137**
Cash and cash equivalents at the end of the year	6	**3,764,087**	**3,860,813**

* Management has changed the classification of Purchase of additional interest from minority shareholders for 2022 as required by IFRS standards and moved it from investing to financing activities.
** Starting from January 2023 the Group has adopted IFRS 17 and according to the standard requirements retrospectively applied presentation of cash flows for 2022 as described in note 4.

The notes set out on pages 281 to 404 form an integral part of these consolidated and separate financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION

in thousands of GEL	Note	31 December 2023	31 December 2022
ASSETS			
Cash and cash equivalents	6	99,455	90,757
Loans issued	45	40,526	-
Other financial assets	13	791	78,378
Investments in subsidiaries			
Investments in subsidiaries' equity	45	2,088,101	1,729,320
Contributions for subsidiaries' compensation scheme		14,927	29,428
Other assets		63	36
TOTAL ASSETS		**2,243,863**	**1,927,919**
LIABILITIES			
Due to credit institutions	19	-	44,983
Other financial liabilities		27,665	16,876
Debt securities in issue	21	164,925	152,018
TOTAL LIABILITIES		**192,590**	**213,877**
EQUITY			
Share Capital	26	1,690	1,681
Shares held by trust	26	(75,609)	(7,900)
Treasury shares	26	-	(25,541)
Share premium		295,605	269,938
Merger reserve		565,029	565,029
Retained earnings		1,256,442	924,788
Share based payment reserve	27	8,116	(13,953)
TOTAL EQUITY		**2,051,273**	**1,714,042**
TOTAL LIABILITIES AND EQUITY		**2,243,863**	**1,927,919**

The consolidated and the separate financial statements on pages 274 to 404 were approved by the board of directors on 2 April 2024 and signed on its behalf by:

Vakhtang Butskhrikidze
Chief Executive Officer

The notes set out on pages 281 to 404 form an integral part of these consolidated and separate financial statements.

SEPARATE STATEMENT OF CHANGES IN EQUITY

in thousands of GEL	Note	Share Capital	Shares held by trust	Treasury shares	Share premium	Merger reserve	Share based payment reserve	Retained earnings	Total
Balance as of 1 January 2022		**1,682**	**(25,489)**	**-**	**283,430**	**565,029**	**(26,822)**	**759,466**	**1,557,296**
Profit for the year		-	-	-	-	-	-	424,186	**424,186**
Total comprehensive income for 2022		**-**	**-**	**-**	**-**	**-**	**-**	**424,186**	**424,186**
Share issue for scrip dividend		18	-	-	26,561	-	-	-	**26,579**
Dividends declared		-	-	-	-	-	-	(256,282)	**(256,282)**
Shares award to employees under share based payment scheme		-	17,589	-	-	-	(17,589)	-	**-**
Share based payment scheme accrual	27	-	-	-	-	-	30,458	-	**30,458**
Shares cancelled		(19)	-	40,072	(40,053)	-	-	-	**-**
Share buy-back		-	-	(65,613)	-	-	-	-	(65,613)
Sale of investment		-	-	-	-	-	-	(2,691)	(2,691)
Other movement		-	-	-	-	-	-	109	**109**
Balance as of 31 December 2022		**1,681**	**(7,900)**	**(25,541)**	**269,938**	**565,029**	**(13,953)**	**924,788**	**1,714,042**
Profit for the year		-	-	-	-	-	-	629,348	**629,348**
Total comprehensive income for 2023		**-**	**-**	**-**	**-**	**-**	**-**	**629,348**	**629,348**
Share issue for scrip dividend		13	-	-	33,886				**33,899**
Dividends declared		-	-	-	-	-	-	(297,694)	**(297,694)**
Shares award to employees under share based payment scheme		-	7,195	-	-	-	(10,910)	-	**(3,715)**
Share based payment scheme accrual	27	-	-	-	-	-	32,979	-	**32,979**
Shares cancelled		(4)	-	8,223	(8,219)	-	-	-	**-**
Share buy-back		-	(50,102)	(7,484)	-	-	-	-	**(57,586)**
Shares transferred to shares held by trust		-	(24,802)	24,802	-	-	-	-	**-**
Balance as of 31 December 2023		**1,690**	**(75,609)**	**-**	**295,605**	**565,029**	**8,116**	**1,256,442**	**2,051,273**

The notes set out on pages 281 to 404 form an integral part of these consolidated and separate financial statements.

in thousands of GEL	Note	2023	2022 (Restated)
Cash flows used in operating activities			
Interest received		9,280	2,646
Interest paid		(14,392)	(8,023)
Fees and commissions paid		(30)	(11)
Staff costs paid		(3,512)	(3,985)
Administrative and other operating expenses paid		(7,668)	(5,858)
Other operating income received		-	72
Cash flows used in operating activities before changes in operating assets and liabilities		**(16,322)**	**(15,159)**
Net change in operating assets			
Other assets		-	(301)
Net change in operating liabilities			
Other financial liabilities		-	(29,568)
Net cash flow used in operating activities		**(16,322)**	**(45,028)***
Cash flows from investing activities			
Investments in subsidiaries		(133,398)	(81,435)
Purchase of additional interest from minority shareholders	40	(146,571)	-
Income from recharge agreement		50,740	-
Dividends received		649,062	376,936
Loans issued		(40,084)	-
Proceeds from loans issued		-	10,841
Proceeds from sale of investment to NCI		-	775
Net cash flows from investing activities		**379,749**	**307,117***
Cash flows used in financing activities			
Dividends paid		(262,223)	(228,841)
Cash paid for share buy-back		(58,990)	(40,312)
Proceeds from debt securities in issue	37	38,699	45,967
Redemption of debt securities in issue	37	(25,800)	-
Redemption of other borrowed funds	37	(44,983)	-
Proceeds from other borrowed funds	37	-	44,726
Net cash flows used in financing activities		**(353,297)**	**(178,460)**
Effect of exchange rate changes on cash and cash equivalents		(1,431)	(8,263)
Net increase in cash and cash equivalents		**8,699**	**75,366**
Cash and cash equivalents at the beginning of the year		**90,757**	**15,391**
Cash and cash equivalents at the end of the year		**99,455**	**90,757**

* Management has changed the classification of loans issued and moved it from operating to investing activities.

The notes set out on pages 281 to 404 form an integral part of these consolidated and separate financial statements.

1. INTRODUCTION

Principal activity. TBC Bank Group PLC is a public limited by shares company, incorporated in the United Kingdom. TBC Bank Group PLC held 99.88% of the share capital of JSC TBC Bank (hereafter the "Bank") as at 31 December 2023 (2022: 99.88%), thus representing the Bank's ultimate parent company. The Bank is a parent of a group of companies incorporated in mainly in Georgia, Uzbekistan and Azerbaijan, their primary business activities include providing banking, leasing, insurance, brokerage and card processing services to corporate and individual customers. TBC Bank Group PLC and its subsidiaries is referred as "TBCG" or "Group". The Group's list of subsidiaries is provided below.

The shares of TBCG ("TBCG Shares") were admitted to the Premium Listing segment of the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange PLC's Main Market for listed securities effective on 10 August 2016 (the "Admission"). 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. The Bank is the Group's main operating unit and it accounts for most of the Group's activities.

TBC Bank JSC 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 registered address and place of business is 7 Marjanishvili Street, 0102 Tbilisi, Georgia.

The Bank's principal business activity is universal banking operations that include corporate, small and medium enterprises, retail and micro operations within Georgia. The Bank has been operating since 20 January 1993 under a general banking license issued by the National Bank of the Georgia ("NBG"). In 2020, TBC Bank Group PLC established TBC Bank Uzbekistan JSC, which is operating through the digital banking platform of Groups subsidiary Space JSC.

The Bank has 123 (2022:129) branches[1] within Georgia.

As at 31 December 2023 and 31 December 2022 the following shareholders directly owned more than 3% of the total outstanding shares of the Group. Other shareholders individually owned less than 3% of the outstanding shares. As at 31 December 2023 and 31 December 2022 the Group had no ultimate controlling party.

	% of ownership interest held as of 31 December	
Shareholders	2023	2022
Dunross & Co.	6.50%	6.58%
Allan Gray Investment Management	3.88%	5.66%
BlackRock	4.72%	3.99%
Vanguard Group	4.39%	3.91%
Fidelity International	3.02%	3.88%
JPMorgan Asset Management	3.81%	3.86%
European Bank for Reconstruction and Development	2.99%	3.54%
Schroder Investment Management	3.18%	1.96%
Founders*	15.83%	16.04%
Other**	51.68%	50.58%
Total	**100.00%**	**100.00%**

* Founders include direct and indirect ownerships of Mamuka Khazaradze, Badri Japaridze.
** Other includes individual as well as corporate shareholders.

1 Excluding pawnshop units.

1. INTRODUCTION CONTINUED

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

	Proportion of voting rights and ordinary share capital held as of 31 December				
Subsidiary name	**2023**	**2022**	**Principal place of business or incorporation**	**Year of incorp-oration**	**Principal activities**
TBC Bank JSC	99.88%	99.88%	Tbilisi, Georgia	1992	Banking
United Financial Corporation JSC	99.53%	99.53%	Tbilisi, Georgia	2001	Card processing
TBC Capital LLC	100.00%	100.00%	Tbilisi, Georgia	1999	Brokerage
TBC Leasing JSC	100.00%	100.00%	Tbilisi, Georgia	2003	Leasing
TBC Kredit LLC	100.00%	100.00%	Baku, Azerbaijan	1999	Non-banking credit institution
TBC Pay LLC	100.00%	100.00%	Tbilisi, Georgia	2008	Payment processing
TBC Invest-Georgia LLC	100.00%	100.00%	Ramat Gan, Israel	2011	Financial services
Index LLC[1]	N/A	100.00%	Tbilisi, Georgia	2009	Ecosystem
TBC Asset Management LLC	100.00%	100.00%	Tbilisi, Georgia	2021	Asset management
TBC Insurance JSC	100.00%	100.00%	Tbilisi, Georgia	2014	Insurance
Redmed LLC	100.00%	100.00%	Tbilisi, Georgia	2019	Healthcare e-commerce
T Net LLC	100.00%	100.00%	Tbilisi, Georgia	2019	Ecosystem
Index LLC[1]	100.00%	N/A	Tbilisi, Georgia	2009	Ecosystem
Online Tickets LLC[2]	N/A	100.00%	Tbilisi, Georgia	2015	Retail Trade
TKT UZ	100.00%	100.00%	Tashkent, Uzbekistan	2019	Retail Trade
Artarea.ge LLC	100.00%	100.00%	Tbilisi, Georgia	2012	PR and marketing
SABA LLC	85.00%	85.00%	Tbilisi, Georgia	2012	Education
TBC Art Gallery LLC	100.00%	100.00%	Tbilisi, Georgia	2012	PR and marketing
Inspired LLC[3]	100.00%	51.00%	Tashkent, Uzbekistan	2011	Payment processing
Marjanishvili 7 LLC	100.00%	100.00%	Tbilisi, Georgia	2020	Customer experience servicing
TBC Bank Uzbekistan JSC	60.24%	60.24%	Tashkent, Uzbekistan	2020	Banking
TBC Fin Service LLC	100.00%	100.00%	Tashkent, Uzbekistan	2019	Retail leasing
TBC Group Support LLC	100.00%	100.00%	Tbilisi, Georgia	2020	Group risk and knowledge centre
Space JSC	100.00%	100.00%	Tbilisi, Georgia	2021	Software services
Space International JSC	100.00%	100.00%	Tbilisi, Georgia	2021	Digital banking platform
TBC International Holdings Limited	100.00%	N/A	Tbilisi, Georgia	2023	Financial services
Tpay LLC	100.00%	N/A	Tbilisi, Georgia	2023	Financial services

1. INTRODUCTION CONTINUED

The Group has investments in the following associates:

	Proportion of voting rights and ordinary share capital held as of 31 December				
Associate name	**2023**	**2022**	**Principal place of business or incorporation**	**Year of incorp-oration**	**Principal activities**
CreditInfo Georgia JSC	21.08%	21.08%	Tbilisi, Georgia	2005	Financial intermediation
Tbilisi Stock Exchange JSC	28.87%	28.87%	Tbilisi, Georgia	2015	Finance, Service
Georgian Central Securities Depository JSC	22.87%	22.87%	Tbilisi, Georgia	1999	Finance, Service
Georgian Stock Exchange JSC[4]	17.33%	17.33%	Tbilisi, Georgia	1999	Finance, Service
Kavkasreestri JSC[4]	10.03%	10.03%	Tbilisi, Georgia	1998	Finance, Service

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

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

	Proportion of voting rights and ordinary share capital held as of 31 December				
Company name	**2023**	**2022**	**Principal place of business or incorporation**	**Year of incorp-oration**	**Principal activities**
TBC Invest International LLC[5]	100.00%	100.00%	Tbilisi, Georgia	2016	Investment Vehicle
University Development Fund[5]	33.33%	33.33%	Tbilisi, Georgia	2007	Education
Natural Products of Georgia LLC[5]	25.00%	25.00%	Tbilisi, Georgia	2001	Trade, Service
TBC Trade LLC[5]	100.00%	100.00%	Tbilisi, Georgia	2008	Trade, Service
Diversified Credit Portfolio JSC	100.00%	100.00%	Tbilisi, Georgia	2021	Asset Management
Globally Diversified bond fund JSC	100.00%	N/A	Tbilisi, Georgia	2023	Asset Management
Freeshop.ge LLC[5]	100.00%	100.00%	Tbilisi, Georgia	2010	Retail Trade
The.ge LLC[5]	100.00%	100.00%	Tbilisi, Georgia	2012	Retail Trade
Mypost LLC[5]	100.00%	100.00%	Tbilisi, Georgia	2019	Postal Service
Billing Solutions LLC[5]	51.00%	51.00%	Tbilisi, Georgia	2019	Software Services
Vendoo LLC (Geo)[5]	100.00%	100.00%	Tbilisi, Georgia	2018	Retail Leasing
F Solutions LLC[5]	100.00%	100.00%	Tbilisi, Georgia	2016	Software Services

1 Index LLC was sold in 2023 by JSC TBC Bank to the TBC Group member company T Net LLC.
2 Online Tickets LLC was merged with T net LLC during 2023.
3 In May 2023 TBC Bank Group PLC finalized acquisition of remaining 49% interest in Inspired LLC.
4 The Group has a significant influence on Georgian Stock Exchange JSC and Kavkasreestri JSC with representatives in management board.
5 Dormant

1. INTRODUCTION CONTINUED

Operating environment of the Group. Georgia, where most of the Group's activities are located, displays certain characteristics of an emerging market. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 36). In 2022, despite the adverse impact of Russia's invasion of Ukraine, Georgia's economic expansion exceeded initial expectations with the real GDP increasing by 11.0% mainly on the back of the recovery of inflows, as well as stronger domestic demand. As in 2023, the growth started to normalize though remained still strong, averaging to 7.5% at the end of the year. Normalization was driven by the lower international commodity prices negatively affecting both exports and imports, while FDIs remained resilient, and tourism and remittances maintained strong growth when adjusted for one-offs related to Russia and the migration effect.

While inflows to the Georgian economy are quite diversified, the country is still vulnerable to geopolitical and economic developments in its region and beyond. In particular, uncertainties related to the Russian-Ukrainian conflict and consequent developments may have an adverse impact on the Georgian economy. The country is also exposed to a lower though still tangible risk of resurged 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 the stronger USD, higher oil prices, migration flows, etc.

At the same time, while the migration effect continued to make an important contribution to economic growth in 2023, any sizeable outflow could lead to a deterioration in the business environment. The reverse would probably be the case in any rapid conflict resolution scenario, which would create positive economic spill-overs as well, such as the likely stronger rebound of growth in Russia and Ukraine.

However, the baseline strongly depends on the global developments. While the Georgian economy has been resilient against recently elevated global slowdown risks and adverse economic impacts of Russia's invasion of Ukraine, there is a probability of more severe spill-over effects, as well as risks of other global disruptions provoked by regional conflicts, supply chain obstructions, potential global health issues such as pandemics, etc. The materialization of these risks could severely hamper economic activity in Georgia, and negatively impact the business environment and clients of the Group.

For the purpose of measurement of expected credit losses ("ECL"), the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

Climate Impact The Group has reviewed its exposure to climate-related risks, but has not identified any risks that could significantly impact the financial performance or position of the Group as at 31 December 2023. See more details outlined in risk management disclosures in note 38.

2. MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation. The consolidated financial statements of the Group and the separate financial statements of TBC Bank Group PLC, together referred as "financial statements" have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006 and, for the group, in accordance with, International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The consolidated and separate financial statements have been prepared in line with the valuation methods described in the accounting policies below. The principal accounting policies applied in the preparation of the consolidated and separate financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated below.

In accordance with the exemption permitted under section 408 of the Companies Act 2006, the separate statement of comprehensive income of TBCG is not presented as part of these separate financial statements. TBCG's income for the year is disclosed within the separate statement of financial position and the separate statement of changes in equity.

Going Concern. The Board has fully reviewed the available information pertaining to the principal existing and emerging risks strategy, financial health, profitability of operations, liquidity, and solvency of the Banks and the Group as a whole, and determined that the Group's subsidiaries' business remains a going concern. The Directors

2. MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

have not identified any material uncertainties that could threaten the going concern assumption and have a reasonable expectation that the Group's subsidiaries have adequate resources to remain operational and solvent for the foreseeable future (which is, for this purpose, a period of 12 months from the date of approval of these financial statements).

In reaching this assessment, the Directors have specifically considered the implications of political instability in the region and the war in Ukraine on the Group's subsidiaries performance and projected funding and capital position and also taken into account the impact of further stress scenarios. Accordingly, the accompanying financial statements are prepared in line with the going concern basis of accounting.

Presentation currency. These consolidated financial statements are presented in thousands of Georgian Lari ("GEL thousands"), except per-share amounts and unless otherwise indicated.

Consolidated financial statements. Subsidiaries are those investees that the Group controls. The Group may have power over an investee even when it holds less than the majority of voting power in it. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Subsidiaries are consolidated from the date on which control is transferred to the Group and are deconsolidated from the date on which control ceases.

Separate financial statements. investments in subsidiaries - The Company accounts investments at the original cost of the investment until the investment is de-recognised or impaired for its separate financial statements. The carrying amounts of the investments are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. Value in use is determined by the present value of expected future cash flows discounted to present value. An impairment loss is recognised when the carrying amount of the investments exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

Business combinations and goodwill accounting. Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured at the fair value of the consideration, including contingent consideration, given at the acquisition date. Acquisition-related costs are recognised as an expense in the profit or loss in the period in which they are incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures the non-controlling interest that represents the current ownership's interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquired entity. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the acquiree's net assets from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after the management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed, and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements, but excludes acquisition related costs such as advisory, legal, valuation and similar professional services.

Transaction costs incurred for issuing equity instruments are deducted from the equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests that are not owned, directly or indirectly, by the Bank. Non-controlling interest forms a separate component of the Group's equity.

2. MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 per cent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated impairment losses, if any. Dividends received from associates reduce the carrying value of the investments in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates. However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

For the put options existing with non-controlling interest the Group recognizes the liability at the present value of the redemption amount in accordance with IAS 32 paragraph 23. This liability is recognised even if the put option is out of the money because exercising the option remains within discretion of NCI and not TBC.

In case the ownership interest has been retained by minority shareholders, the non-controlling interest is not derecognised in the statement of financial position at initial recognition and the offsetting effect of redemption liability is recognised in the other reserves through equity.

When the risks and rewards associated with actual ownership of the shares is held by minority shareholders any subsequent remeasurement of redemption liability is recognized through other reserves as well.

Initial recognition of financial instruments. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset. The line items Financial Assets and Financial Liabilities in the statement of financial position include those assets and liabilities that are in the scope of IFRS 17 for disclosure purposes.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model.

Financial assets impairment – expected credit loss (ECL) allowance. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition:

- Stage 1: A financial instrument that is not defaulted on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL");
- Stage 2: If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis ("Lifetime ECL"). If a SICR is no longer observed, instrument will move back to Stage 1. Financial instrument moves back from stage 2 to stage 1 with 6 month cure period in case of loans previously having default flag, while restructured loans remain in stage 2 until the restructured status is removed. In order to remove restructured status, borrower should make at least 12 consecutive payments, unless financial monitoring is performed. Refer to Note 38 for a description of how the Group determines, on a forward-looking basis, when a SICR has occurred;
- Stage 3: Defaulted assets are transferred to Stage 3 and allowance for Lifetime ECL is recognized. The Group's definition of defaulted assets and definition of default is based on the occurrence of one or more loss events, described further in Note 38.

Change in ECL is recognized in the statement of profit or loss with a corresponding allowance reported as a decrease in carrying value of the financial asset on the statement of financial position. For financial guarantees and credit commitments, provision for ECL is reported as a liability in Provisions for Liabilities and Charges.

Financial assets- derecognition and modification. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets.

The Group assesses whether the modification of contractual cash flows is substantial, in which it considers certain qualitative and quantitative factors combined. Based on below shown internally developed methodology there are certain qualitative triggers which lead to asset derecognition with no further quantitative testing required. These qualitative criteria are included in the list below:

- Change in contract currency;
- Consolidation of two or more loans into one new loan;
- Change in counterparty;
- Loan with no predetermined payment schedule is changed with loan with schedule or vice versa;
- Change in contractual interest rate due to market environment changes.

The Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. It should be assessed whether change in contractual cash flow is substantial (significance defined as 10% change). If the test result is above 10% threshold, loan should be derecognized, whereas if the test is passed and result is below or equal to 10%, financial asset can be assessed as modified.

If above mentioned qualitative and quantitative criteria are not met, then modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate and recognises a modification gain or loss in profit or loss. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Mandatory cash balances with the National Bank of Georgia and the Central Bank of Uzbekistan. Mandatory cash

2. MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

balances with National Bank of Georgia and Central Bank of Uzbekistan are carried at AC and represent mandatory reserve deposits that are not available to finance the Group's day to day operations. Hence they are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at fair value through profit or loss (FVTPL). Otherwise they are carried at fair value (FV).

Investments in debt securities. Based on the business model and the cash flow characteristics, the Group classifies investments in debt securities as carried at AC, fair value through other comprehensive income (FVOCI) or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Investments in equity securities. Financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Group. Investments in equity securities are measured at FVTPL, except where the Group elects at initial recognition to irrevocably designate an equity investments at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate a loan due from a customer.

Impairment allowances are determined based on the forward-looking ECL models. Note 38 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Repossessed collateral. Repossessed collateral represents non-financial assets acquired by the Group to settle overdue loans. The assets are initially recognised at fair value when acquired and included in premises and equipment, investment property or repossessed collateral within other assets depending on their nature and the Group's intention in respect of recovery of these assets and are subsequently re-measured and accounted for in accordance with the accounting policies for these categories of assets. Repossessed assets are recorded at the lower of cost or net realisable value.

Finance lease receivables. Where the Group is a lessor in a lease that substantially transfers all risks and rewards incidental to ownership to the lessee, the assets leased out are presented as finance lease receivables and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the early date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. The interest income on stage 3 exposures is recognized on a carrying amount after deducting ECL. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivables and reduce the amount of income recognised over the lease term. Finance income from leases is recorded within interest income in the profit or loss.

The ECL is determined in the same way as for loans and advances measured at AC and recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the lease investments. There is a 'three stage' approach which is based on the change in credit quality of financial lease receivables since initial recognition. Immediate loss that is equal to the 12-month ECL is recorded on initial recognition of financial leases that are not defaulted. In case of a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

The Group normally structures its finance lease contracts so that the lessee makes a minimum prepayment of 20% of the equipment purchase price at the inception of the lease term. The Group holds title to the leased assets during

2. MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

the lease term. The title to the asset under the finance lease contract is transferred to the lessees at the end of the contracts terms, including full repayment of lease payments. Generally the lease terms are up to five years.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral obtained are:

- Leased assets (inventory and equipment);
- Down payment;
- Real estate properties;
- Third party guarantees.

The financial effect of collateral is presented by disclosing the collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed the assets' carrying value("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the assets' carrying value ("under-collateralised assets").

The Group classifies its portfolio into three stages:

- Stage 1 – assets for which no significant increase of credit risk since initial recognition is identified;
- Stage 2 – assets for which significant increase in credit risk since initial recognition is identified;
- Stage 3 – defaulted exposures.

For stage 1 exposures the Group creates 12 months expected credit losses, whereas for stage 2 and stage 3 lifetime expected credit losses are created.

For the Stage 2 classification purposes the Group applies both quantitative and the qualitative criteria including, but not limited to:

- 30 days past due (DPD) overdue;
- Downgrade of the risk category of the borrower since initial recognition;

Default definition includes criteria such as: (i) 90 DPD overdue (ii) distressed restructuring and (iii) other criteria indicating the borrower's unlikeness to repay the liabilities.

The Group incorporates forward looking information (FLI) for both individual and collective assessment. For FLI purposes the Group defines three scenarios, which are:

- Baseline (most likely);
- Upside (better than most likely);
- Downside (worse than most likely).

The Group derives the baseline macro scenario and takes into account projections from various external sources – the National Bank of Georgia, Ministry of Finance, IMF as well as other IFIs- to ensure the alignment to the consensus market expectations. Refer to Note 38 for the description of how the Group incorporates FLI in ECL calculations. Upside and downside scenarios are defined based on the framework developed by the Bank's macroeconomic unit.

The Group calculates expected impairment losses for each scenario. In order to come up with the final expected credit loss figures the bank applies probability weighted average approach where probabilities of each scenario are used as weights.

Customer accounts. Customer accounts are non-derivative financial liabilities to individuals, state or corporate customers and are carried at AC.

Subordinated debt. Subordinated debt can only be paid in the event of a liquidation after the claims of other higher priority creditors have been met and is included in the Bank's "tier 2" capital. Subordinated debt is carried at AC.

Debt securities in issue. Debt securities in issue include promissory notes, bonds, certificates of deposit and debentures issued by the Group. Debt securities are stated at AC. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options are recognized

2. MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

at their fair value. The Group also enters into offsetting deposits with its counterparty banks to exchange currencies. Such deposits, while legally separate, are aggregated and accounted for as a single derivative financial instrument (currency swap) on a net basis where (i) the deposits are entered into at the same time and in contemplation of one another, (ii) they have the same counterparty, (iii) they relate to the same risk and (iv) there is no apparent business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction. All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. The Group does not apply hedge accounting in respect of majority of its hedging strategies. However, the Group applies fair value hedge accounting from time to time in respect of certain transactions, such as foreign exchange risk hedges on monetary positions hedged by foreign exchange forwards and swaps. The Group applies IFRS 9 requirements for hedge accounting. Total amount of transactions for which fair value hedge accounting is applied is immaterial in 2023.

When derivative instruments are entered into with a view to decrease cost of funding, respective interest effect is presented as a separate line of statement of comprehensive income, within net interest income.

Insurance contracts. In May 2017, the IASB issued IFRS 17, Insurance Contracts. IFRS 17 replaces IFRS 4 and sets out principles for the recognition, measurement, presentation and disclosure of insurance contracts that are in the scope of IFRS 17. In June 2020, the IASB issued Amendments to IFRS 17, introducing various changes to assist entities implementing the Standard, and moving an effective date to 1 January 2023. Please see below the accounting implications for the newly adopted policy in 2023. For additional details refer to the Note 4.

Scope. IFRS 17 applied to the following contracts for the Group: (a) insurance contracts issued by the Group, (b) reinsurance contracts held by the Group. IFRS 17 applies to the whole set of rights and obligations created by an insurance contract. Cash flows generated by such rights and obligations are incorporated in the measurement of assets and liabilities associated with an insurance contract. However, an insurance contract may also contain components which are excluded from the scope of IFRS 17 and are accounted for under different standards, subject to specific criteria: (a) embedded derivatives, (b) investment components, (c) promises to transfer to a policyholder distinct goods or services other than insurance contract services. The Group has certain loans where borrowers are required to conclude life insurance contracts to secure the loan repayment upon death. The Group has considered how this arrangement should be accounted for when the insurance contract is issued by the Group subsidiary. In terms of the legislation, borrowers may choose between several unrelated insurance companies apart from the Group subsidiary and they may also change the insurer at any time during the term of the loan. Accordingly, the Group concluded that the loan and the related insurance policy represent two separate contracts: loans are accounted for under IFRS 9 and life insurance contracts are accounted for under IFRS.

Level of aggregation. The Group identifies portfolios of insurance contracts. A portfolio of insurance contracts is defined as insurance contracts that are subject to similar risks and managed together. Portfolios are further disaggregated into profitability-based groups of insurance contracts that are, on initial recognition: (a) onerous, if any, (b) profitable, with no significant possibility of subsequently becoming onerous, if any, and (c) remaining contracts, if any. IFRS 17 prohibits to include contracts issued more than one year apart in the same group, a requirement commonly referred to as annual cohort requirement.

Contract boundary. The contract boundary concept is used to determine which cash flows are considered in the measurement of an insurance contract. Cash flows that are not within the boundary of an insurance contract relate to future insurance contracts. The Group generally determines the contract boundary with a reference to its ability to reprice the insurance contract as a whole.

Expected future cash flows. Included in the measurement of each group of contracts within the scope of IFRS 17 are all the future cash flows within the boundary of each group of contracts. The estimates of these future cash flows are based on probability-weighted expected future cash flows. The Group estimates which cash flows are expected and the probability that they will occur as at the measurement date. In making these expectations, the Group uses information about past events, current conditions, and forecasts of future conditions.

Where estimates of expenses-related cash flows are determined at the portfolio level or higher, they are allocated to groups of contracts on a systematic basis, such as activity-based costing method. The Group has determined that this method results in a systematic and rational allocation. Similar methods are consistently applied to allocate expenses of a similar nature. Expenses of an administrative policy maintenance nature are allocated to groups of contracts based on the gross earned premium of groups.

2. MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

Risk adjustment for non-financial risk. The risk adjustment for non-financial risk is included in the expected cash flows to represent compensation required for bearing the non-financial risk arising from uncertainty in future cash flows. Under IFRS 17 requirements, the risk adjustment for non-financial risk includes: (a) the degree of diversification benefit that the entity includes when determining the compensation that it requires for bearing that risk, and (b) both favorable and unfavorable outcomes in a way that reflects the entity's degree of risk aversion.

Contractual service margin. The contractual service margin (CSM) is a component of the carrying amount of the asset or liability for a group of insurance contracts representing the unearned profit that the entity will recognize as it provides insurance contract services under the insurance contracts in the group. Pattern of CSM recognition would be thus determined based on the coverage units, reflecting the pattern under which the insurance contract service benefit is transferred to the policyholder of the insurance contracts.

Insurance contract services are the services that the Group provides to a policyholder of an insurance contract and comprise of coverage for an insurance event. Considering the short-term nature of the Group's insurance contracts and the insurance coverage that is evenly distributed over time, the Group uses contract period as a coverage unit for each portfolio.

Premium allocation approach. This approach is applied to all insurance contracts, unless they have direct participation features or the contract is eligible for, and the entity elects to apply, the premium allocation approach. The Group elected to apply premium allocation approach.

The Group uses Premium allocation approach (PAA) for its total portfolio as the coverage period of each contract in the group (including coverage arising from all premiums within the contract boundary determined at inception date is one year or less. The difference between PAA and IFRS 4 accounting policy consists of calculation of risk adjustment under IFRS 17.

The Group does not use variable fee approach for any of its contracts.

Insurance finance income and expenses. Insurance finance income or expenses reflect the changes in the carrying amount of the group of insurance contracts that relate to financial risks. They comprise the effect of the time value of money (that is, the accretion of interest on all of the fulfilment cash flows, the risk adjustment for non-financial risk and the contractual service margin) as well as the effect of financial risk and changes in financial risks. The Group's policy is to account total insurance finance income and expenses in the statement of profit or loss.

Reinsurance contracts held. The Group elected to present a single net amount in net expenses from reinsurance contracts held.

Goodwill. The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or group of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment. Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation. This is generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

Premises and equipment. Premises and equipment are stated at cost, less accumulated depreciation and provision for impairment, where required. Cost of premises and equipment of acquired subsidiaries is the estimated fair value at the date of acquisition.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount,

Depreciation. Land and construction in progress are not depreciated. Depreciation on other items of premises and equipment and right-of-use assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

2. MATERIAL ACCOUNTING POLICY INFORMATION CONTINUIED

Asset	Useful life
Premises	40 – 110 years;
Furniture and fixtures	5 – 8 years;
Computers and office equipment	3 – 8 years;
Motor vehicles	4 – 5 years;
Other equipment	2 – 10 years;
Right-of-use assets	term of the underlying lease;
Intangible assets	1 – 20 years;

The residual value of an asset is nil if the Group expects to use the asset until the end of its physical life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Investment property. Investment property is stated at cost less accumulated depreciation and provision for impairment, where required. It is amortised on a straight-line basis over an expected useful lives of 30 to 50 years. Land included in investment property is not depreciated. Residual values of investment properties are estimated to be nil. In case of any indication that the investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell.

Earned rental income is recorded in profit or loss for the year within other operating income.

Intangible assets. The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software. Capitalised computer software is amortised on a straight line basis over expected useful lives of 1 to 20 years.

Accounting for leases by the Group as a lessee. The Group leases office, branches and service centre premises. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

As an exception to the above, the Group accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight line basis.

In determining the lease term, management of the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Income taxes. Income taxes are provided in the consolidated financial statements in accordance with the legislation enacted or substantively enacted by the end of reporting period in the respective territories that the Bank and its subsidiaries operate. The income tax charge/credit comprises of current tax and deferred tax and is recognised in profit or loss except if it is recognised directly in other comprehensive income because it relates to transactions that are also recognised, in the same or a different period, directly in other comprehensive income.

2. MATERIAL ACCOUNTING POLICY INFORMATION CONTINUIED

Current tax is the amount expected-to-be-paid to or recovered from the tax authorities in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if consolidated financial statements are authorised prior to filing relevant tax returns. Taxes, other than on income, are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of reporting period that are expected to apply to the extent of time when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred income tax is provided on post-acquisition retained earnings of subsidiaries, except where the Group controls the subsidiary's dividend policy and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future.

Share capital. Ordinary shares with discretionary dividends are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue, are disclosed in the subsequent events note.

Income and expense recognition. Interest income and expense are recorded for all debt instruments, other than those at FVTPL, using the effective interest method. As part of interest income or expense this method defers all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. The group does not have Interest income on debt instruments at FVTPL.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at FVTPL.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become defaulted (Stage 3), for which interest income is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated defaulted, for which the original credit-adjusted effective interest rate is applied to the AC.

All other fees, commissions and other income and expense items are generally recorded when earned by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

For cross currency basis swaps interest component calculation, notional amount is multiplied by contractual interest rate for respective period. While making allocation of an interest income/(expense) from FX Swaps transactions, annualized spread earned interest income/(expense) is calculated and distributed linearly throughout the lifetime of the contract.

Fee and commission income. Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes recurring fees for account maintenance, account servicing fees, account subscription fees, annual plastic card fees etc. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or

2. MATERIAL ACCOUNTING POLICY INFORMATION CONTINUED

receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, plastic card transactions, merchant fees, fees for cash settlements, collection or cash disbursements, etc.

Foreign currency translation. The Group's presentation currency is the Georgian Lari. TBCG's and the Bank's presentation currency is the Georgian Lari. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction.

The results and financial position of each group entity (the functional currency of none of which is a currency of a hyperinflationary economy) are translated into the presentation currency as follows:

(i) Assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of the respective reporting period;

(ii) Income and expenses are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions);

(iii) Components of equity are translated at the historic rate; and

(iv) All resulting exchange differences are recognised in other comprehensive income.

After losing control over a foreign operation, the exchange differences previously recognised in other comprehensive income are reclassified to profit or loss for the year as part of the gain or loss on disposal. On partial disposal of a subsidiary without loss of control, the related portion of accumulated currency translation differences is reclassified to non-controlling interest within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The closing rates of exchange used for translating foreign currency balances for the year 2023, 2022 and 2021 were as follows:

	31 December 2023	31 December 2022	31 December 2021
GBP/GEL	3.4228	3.2581	4.1737
USD/GEL	2.6894	2.7020	3.0976
EUR/GEL	2.9753	2.8844	3.5040
UZS 1,000/GEL	0.2179	0.2406	0.2861
AZN/GEL	1.5806	1.5924	1.8222

Staff costs and related contributions. Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits as well as the cash settled part of the share based payment schemes are accrued in the year in which the associated services are rendered by the Group's employees.

Earnings per share. Earnings per share ("EPS") are determined by dividing the profit or loss attributable to owners of the Group by the weighted average number of participating shares outstanding during the reporting period.

Diluted earnings per share. Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. In calculating diluted EPS, non-vested ordinary shares are treated as outstanding on the grant date.

Segment reporting. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Share based payments. Under the share-based compensation plan the Group receives services from the management as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the equity instruments is recognised as an expense. The total amount to be expensed

2. MATERIAL ACCOUNTING POLICY INFORMATION CONTINIUED

is determined by the reference to the fair value of the equity instruments granted, excluding the impact of any non-market service and performance vesting conditions. Non-market vesting conditions are included in the assumptions about the number of equity instruments that are expected to vest. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At each balance sheet date, the Group revises its estimates of the number of equity instruments that are expected to vest based on the non-marketing vesting conditions. It recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to equity. Increase in equity on accrued shares resulting from the equity settled scheme is accounted for under share based payment reserve. Upon award of shares to the scheme participants, respective share based payment reserve is transferred to share capital and share premium in case shares are issued on the market. When shares are repurchased from market initially and held via employee benefit trust, these shares are presented as treasury shares under shares held by trust category in the Statement of Financial Position until they are awarded to participants. When award takes place, treasury shares amount are credited with corresponding debit recognized in share based payment reserve. When portions of a single grant vest on two or more dates the entity applies graded vesting for accounting of share based payment arrangement. Vesting period of each tranche of the grant ends when the employee owns the shares with no further service restrictions. Under graded vesting scheme the expense for earlier years is higher than for later years. Each tranche is expensed over its own service period with a credit entry being equity.

Scrip dividends. The scrip dividend programme enables shareholders, if they wish, to receive new fully-paid ordinary shares in the Company instead of cash dividends. In such cases the Group issues new ordinary shares. Upon distribution, the Group increases its equity by the amount of scrip dividends, transferring from dividends payable liability to the share capital and share premium accounts to reflect the issuance of new shares.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Critical Judgements and Estimates

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on the management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements and estimates that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities are the following:

Judgements and estimates related to ECL measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, development of models and preparation of data inputs. Expert management judgement is also an essential part of estimating expected credit losses.

Management considers management judgements and estimates in calculating ECL as follows:

Judgements used to define criteria used in definition of default. The Bank defines default using both quantitative and qualitative criteria. Borrower is classified as defaulted if:

- any amount of contractual repayments is past due more than 90 days; or
- factors indicating the borrower's unlikeliness-to-pay.

Unlikeliness to repay is qualitative and quantitative criteria based on clients monitoring/financial stability.

In addition, default exit criteria is defined using judgement as well as whether default should be applied on a borrower or exposure level. For more details on the methodology please see Note 38.

Judgements used to define criteria for assessing, if there has been a significant increase in credit risk (SICR) which is defined using both quantitative and qualitative criteria.

Qualitative factors usually include judgements around delinquency period of more than 30 days on contractual repayments; exposure is restructured, but is not defaulted; borrower is classified as "watch".

The Bank evaluates the change in the probability of default parameter for each specific exposure on a quantitative basis, comparing it to a predefined threshold since its initial recognition. When the absolute change in the probability of default surpasses the specified threshold, it is considered a Significant Increase in Credit Risk (SICR), leading to the transfer of the exposure to Stage 2. The quantitative indicator for SICR is utilized in retail and micro segments, provided there is a substantial number of observations for accurate assessment. Refer to note 38 for more details of SICR thresholds.

Judgements used for calculation of credit risk parameters namely probability of default (PD) and loss given default (LGD). The judgements includes and are not limited by:

(i) definition of the segmentation for risk parameters estimation purposes,
(ii) decision whether simplified or more complex models can be used,
(iii) time since default date after which no material recoveries are expected,
(iv) collateral haircuts from market value as well as the average workout period for collateral discounting.

The table below describes sensitivity on 10% increase of PD and LGD estimates. For sensitivity calculation purposes, the staging has been maintained unchanged:

In thousands of GEL	31 December 2023	31 December 2022
10% increase (decrease) in PD estimates	Increase (decrease) credit loss allowance on loans and advances by GEL 16,177 (GEL 15,210).	Increase (decrease) credit loss allowance on loans and advances by GEL 19,891 (GEL 18,843).
10% increase (decrease) in LGD estimates	Increase (decrease) credit loss allowance on loans and advances by GEL 24,778 (GEL 26,679).	Increase (decrease) credit loss allowance on loans and advances by GEL 31,635 (GEL 31,770).

3.CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES CONTINUED

Estimates used for forward-looking macroeconomic scenarios and judgements made for their probability weightings.

For forward-looking information purposes, the Bank defines three macro scenarios. The scenarios are defined as baseline (most likely), upside (better than most likely) and downside (worse than most likely) scenarios of the state of the Georgian economy.

Estimates applied in differentiating between these three scenarios represent GDP, USD/GEL rate, RE price, employment levels, monetary policy rate and other macro variables. Under usual conditions, the scenario weights applied are 50%, 25% and 25% for the base case, upside and downside scenarios respectively. As at 31 December 2023 the weights remained the same as at 31 December 2022 - 50%, 25% and 25% for the base, upside and downside scenarios respectively. Based on the changes of the macro environment the Bank may modify the weightings based on expert judgement.

The table below describes the unweighted ECL for each economic scenario as at 31 December 2023:

In thousands of GEL	Baseline	Upside	Downside	Weighted
Corporate	49,285	49,285	66,024	53,470
MSME	108,614	106,830	110,964	108,739
Consumer	162,090	161,649	162,552	162,106
Mortgage	27,224	27,047	27,528	27,257
Total	**347,213**	**344,811**	**367,068**	**351,572**

The table below describes the unweighted ECL for each economic scenario as at 31 December 2022:

In thousands of GEL	Baseline	Upside	Downside	Weighted
Corporate	45,775	45,456	48,827	46,458
MSME	95,991	94,270	98,169	96,112
Consumer	195,873	194,897	196,927	195,883
Mortgage	33,856	33,520	34,422	33,912
Total	**371,495**	**368,143**	**378,345**	**372,365**

The following table describes the key macroeconomic variables under each scenario for future 3-year period as at 31 December 2023:

	Baseline			Upside			Downside		
Growth rates YoY, %	2024	2025	2026	2024	2025	2026	2024	2025	2026
GDP	4.8%	5.4%	5.2%	6.5%	7.9%	8.3%	3.0%	2.7%	1.9%
USD/GEL rate (EOP)	2.80	2.70	2.70	2.50	2.39	2.36	3.01	2.95	2.97
RE Price (in USD)	-2.4%	0.8%	0.9%	9.0%	11.0%	10.4%	-14.5%	-9.2%	-6.3%
Employment (EOP)	0.3%	0.4%	0.3%	0.8%	1.0%	1.1%	-0.2%	-0.2%	-0.4%
Monetary policy rate (EOP, Level)	8.5%	7.8%	7.5%	7.8%	6.7%	6.3%	9.6%	9.2%	9.3%

3.CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES CONTINUED

The following table describes the key macroeconomic variables under each scenario for future 3-year period as at 31 December 2022:

	Baseline			Upside			Downside		
Growth rates YoY, %	2023	2024	2025	2023	2024	2025	2023	2024	2025
GDP	3.5%	5.4%	5.2%	5.2%	7.9%	8.4%	1.7%	2.7%	1.9%
USD/GEL rate (EOP)	2.80	2.65	2.60	2.47	2.31	2.24	3.06	2.92	2.90
RE Price (in USD)	19.8%	-2.0%	-1.3%	24.2%	4.1%	4.8%	11.6%	-13.1%	-12.5%
Employment (EOP)	1.9%	-0.8%	-0.2%	2.5%	-0.1%	0.6%	1.5%	-1.3%	-0.9%
Monetary policy rate (EOP, Level)	9.0%	7.8%	7.8%	8.4%	7.0%	6.8%	10.1%	9.3%	9.6%

The Bank assessed the impact of changes in GDP growth, unemployment and monetary policy rate variables on ECL as an estimates applied in ECL assessment.

The sensitivity analysis was performed separately for each of the variable to show their significant in ECL assessment, but changes in those variables may not happen in isolation as various economic factors tend to be correlated across the scenarios. The variables were adjusted in all three macroeconomic. From the assessment of forward looking scenarios, management is comfortable with the scenarios capturing the non-linearity of the losses.

The table below shows the impact of +/-20% change in GDP growth, unemployment and monetary policy variables across all scenarios on the Bank's ECL as at 31 December 2023:

	Change in GDP growth		Change in unemployment		Change in Monetary Policy	
In thousands of GEL	20% increase	20% decrease	20% increase	20% decrease	20% increase	20% decrease
Impact on ECL	(905)	1,031	555	(561)	221	(195)

The table below shows the impact of +/-20% change in GDP growth and unemployment variables across all scenarios on the Bank's ECL as at 31 December 2022:

	Change in GDP growth		Change in unemployment		Change in Monetary Policy	
In thousands of GEL	20% increase	20% decrease	20% increase	20% decrease	20% increase	20% decrease
Impact on ECL	(987)	1,038	1,341	(1,231)	710	(616)

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

IFRS 17 Transition. Adoption of IFRS 17 affected financial reporting processes and procedures of the Group, as applications of the core principles outlined below has required additional information to be gathered and processed.

After the transition to IFRS 17 the Group has used the following measurement approaches for its insurance subsidiary, depending on the type of contract:

In thousands of GEL	Product classification	Measurement model
Motor Insurance	Insurance contracts	Premium allocation approach
Border Mandatory Third Party Liability	Insurance contracts	Premium allocation approach
Property Insurance	Insurance contracts	Premium allocation approach
Agriculture (Crop) Insurance	Insurance contracts	Premium allocation approach
Health-related Insurance	Insurance contracts	Premium allocation approach
Liability and Other Insurance	Insurance contracts	Premium allocation approach
Life Insurance	Insurance contracts	Premium allocation approach

The Group considered contract boundary of the life insurance policies and concluded that PAA is applicable approach. According to the Georgian Civil Code article 846 (related to the life insurance), if the insurance premium is paid periodically, the insurer may terminate the insurance contract at any time but only at the end of the current insurance period. Further, there is no definition of insurance period in Georgian civil code. The Group defines it in its contracts and policies. In life insurance policies is included the term, that insurance period is one month after the issuance of this policy with automatic monthly renewal till the end of the loan contract. Consequently, Group concludes that contract boundary of life insurance policies is also less than one year.

The Group has applied the full retrospective approach for all of its portfolios of insurance contracts.

For each group of contracts, cash flows related to the future service are shown as Liability for Remaining Coverage (LRC) or Asset for Remaining Coverage (ARC), depending on the sign of the net cash flow. Insurance receivables, deferred acquisition costs, unearned premium reserve and commission payables are combined to form LRC / ARC. Similarly, reinsurance share in UPR, commission receivable from reinsurance, reinsurance payables and reinsurance commission reserve together form ARC / LRC depending on the sign of the net cash flows.

Liability for Incurred Claims (LIC) represents the Company's obligation to investigate and pay valid claims for insured events that have already occurred, including events that have occurred but for which claims have not yet been reported. Reported But Not Settled (RBNS) and Incurred But Not Reported (IBNR) claims reserves are combined to form LIC. Asset for Incurred Claims (AIC) shows reinsurance share in LIC and is calculated in a similar manner.

The aforementioned elements are presented in the following way below:

- Insurance contract assets,
- Reinsurance contract assets,
- Insurance contract liabilities,
- Reinsurance contract liabilities

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS CONTINUED

Effects on Consolidated Statement of Financial Position, after the transition to IFRS 17 are presented below:

in thousands of GEL	31 December 2022 (as originally presented)	Effect of Adopting of IFRS 17 recorded directly through equity**	31 December 2022 (as restated following IFRS 17 Adoption)
Other assets*	**429,121**	**(6,193)**	**422,928**
Reinsurer's assets	10,351	(10,351)	-
Deferred acquisition cost***	1,997	(1,997)	-
Insurance contract assets	-	48	48
Reinsurance contract assets	-	6,107	6,107
Other financial assets*	**273,805**	**(37,842)**	**235,963**
Insurance and reinsurance receivables	45,069	(45,069)	-
Reinsurance receivables	-	7,227	7,227
Provisions for liabilities and charges*	**34,988**	**(15,080)**	**19,908**
Provision related to insurance activities	15,080	(15,080)	-
Other financial liabilities*	**275,781**	**18,765**	**294,546**
Other financial liabilities	9,368	(2,425)	6,943
Insurance contracts liabilities under IFRS 4	12,846	(12,846)	-
Reinsurance contract liabilities	-	6,945	6,945
Insurance contracts liabilities under IFRS 17	-	27,091	27,091
Other liabilities*	**149,920**	**(48,184)**	**101,736**
Other liabilities	48,184	(48,184)	-
Total	**242,237**	**464**	**242,701**

*Totals do not reconcile to the below breakdown considering these amounts represent only insurance related balances.
**Total effect of adoption of IFRS 17 amounted to GEL 464 thousand and is recorded directly through equity in retained earnings.
***For disclosure purposes Deferred acquisition cost was included in other assets in note 15.

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS CONTINUED

in thousands of GEL	1 January 2022 (as originally presented)	Effect of Adopting of IFRS 17 recorded directly through equity**	1 January 2022 (as restated following IFRS 17 Adoption)
Other assets*	397,079	(3,970)	393,109
Reinsurer's assets	8,834	(8,834)	-
Deferred acquisition cost**	1,474	(1,474)	-
Reinsurance contract assets	-	6,338	6,338
Other financial assets*	**453,115**	**(29,115)**	**424,000**
Insurance and reinsurance receivables	32,474	(32,474)	-
Reinsurance receivables	-	3,359	3,359
Provisions for liabilities and charges*	**25,358**	**(9,512)**	**15,846**
Provision related to insurance activities	9,512	(9,512)	-
Other financial liabilities*	**275,781**	**18,765**	**294,546**
Other financial liabilities	6,635	(2,202)	4,433
Insurance contracts liabilities under IFRS 4	7,825	(7,825)	-
Reinsurance contract liabilities	-	3,599	3,599
Insurance contracts liabilities under IFRS 17	-	19,996	19,996
Other liabilities*	**130,972**	**(37,323)**	**93,649**
Other Liabilities	37,323	(37,323)	-
Total	**554,053**	**182**	**554,235**

* Totals do not reconcile to the below breakdown considering these amounts represent only insurance related balances.
** Total effect of adoption of IFRS 17 amounted GEL 182 thousand and is recorded directly through equity in retained earnings
***For disclosure purposes Deferred acquisition cost was included in other assets in note 15.

Effects on Consolidated Statement of Profit or Loss and Other Comprehensive Income, after the transition to IFRS 17 are presented below:

in thousands of GEL	31 December 2022 (as originally presented)	IFRS 17 adoption effect	31 December 2022 (as restated)
Insurance premium earned	111,598	(111,598)	-
Reinsurers share in insurance premium earned	(17,035)	17,035	-
Insurance claims	(74,612)	74,612	-
Reinsures share in insurance claims	9,252	(9,252)	-
Insurance contract revenue	-	111,598	111,598
Reinsurance service result	-	(6,060)	(6,060)
Insurance service claims and expenses incurred	-	(76,335)	(76,335)

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS CONTINUED

Effects on Consolidated Statement of cash flows, after the transition to IFRS 17 are presented below: The movement of insurance contract assets and liabilities during the year is disclosed below:

in thousands of GEL	2022 (as originally presented)	IFRS 17 adoption effect	2022 (as restated)
Other financial assets	48,290	8,727	57,017
Other assets	59,014	2,223	61,237
Other financial liabilities	10,700	5,197	15,897
Other liabilities and provision for liabilities and charges	317	(16,147)	(15,830

The movement of insurance contract assets and liabilities during the year is disclosed below:

	Insurance contract assets		Insurance contract liabilities	
in thousands of GEL	Asset for incurred claims (AIC)	Asset for remaining coverage (IRC)	Liability for incurred claims (LIC)	Liability for remaining coverage (LRC)
Balance as of 1 January 2023	**-**	**48**	**17,080**	**10,004**
Insurance contract revenue	**-**	**(2,673)**	**-**	**(127,125)**
Insurance expenses:	**-**	**-**	**83,933**	**8,105**
Incurred claims	-	-	89,207	-
Acquisition expenses	-	-	-	8,105
Changes related to the past service	-	-	(5,940)	-
Changes related to the future service	-	-	666	-
Investment component	**-**	**-**	**-**	**-**
Insurance service result	**-**	**(2,673)**	**83,933**	**(119,020)**
Insurance finance income	**-**	**-**	**-**	**28**
Insurance finance expense	**-**	**-**	**-**	**(6)**
Cash flows:	**-**	**2,703**	**(79,574)**	**117,523**
Premium received	-	2,703	-	127,633
Claims and expenses paid	-	-	(79,574)	-
Acquisition cash flows paid	-	-	-	(10,110)
Movements from asset to liability	**-**	**18**	**-**	**(18)**
Movements from liability to asset	**-**	**(18)**	**-**	**18**
Balance as of 31 December 2023	**-**	**18**	**21,439**	**8,501**

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS CONTINUED

	Reinsurance	
in thousands of GEL	Reinsurance contract assets	Reinsurance contract liabilities
Balance as of 1 January 2023	**6,107**	**6,945**
Reinsurance contract revenue	-	22,808
Reinsurance service expense	15,595	(743)
Investment component	-	-
Reinsurance service result	15,595	22,065
Insurance finance income (expense)	-	(179)
Cash flows	(12,891)	(14,039)
Movements from asset to liability	(123)	123
Movements from liability to asset	445	(445)
Balance as of 31 December 2023	**9,133**	**14,470**

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

The amendments had no impact on the Group's consolidated financial statements.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023). The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations. In specified circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. Previously, there had been some uncertainty about whether the exemption applied to transactions such as leases and decommissioning obligations – transactions for which both an asset and a liability are recognised. The amendments clarify that the exemption does not apply and that entities are required to recognise deferred tax on such transactions. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.

The amendments had no impact on the Group's consolidated financial statements.

Amendments to IAS 12 Income taxes: International Tax Reform – Pillar Two Model Rules (issued 23 May 2023). In May 2023, the IASB issued narrow-scope amendments to IAS 12, 'Income Taxes'. This amendment was introduced in response to the imminent implementation of the Pillar Two model rules released by the Organisation for Economic Co-operation and Development's (OECD) as a result of international tax reform. The amendments provide a temporary exception from the requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two model rules. Companies may apply the exception immediately, but disclosure requirements are required for annual periods commencing on or after 1 January 2023.
Refer to Note 36 for the impact on the Group's consolidated financial statements.

5. NEW ACCOUNTING PRONOUNCEMENTS

The Group has not early adopted any of the amendments effective after 31 December 2023. The Group expects the amendments will have an insignificant effect, when adopted, or is in the process of assessment of the scale of any potential impact on the consolidated financial statements of the Group and the separate financial statements of TBC Bank Group PLC.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (Issued on 25 May 2023). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024.

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023). In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. It is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences.

6. CASH AND CASH EQUIVALENTS

In thousands of GEL	31 December 2023	31 December 2022
Cash on hand	940,140	1,243,238
Cash balances with the National Bank of Georgia and Central Bank of Uzbekistan (other than mandatory reserve deposits)	748,464	334,823
Correspondent accounts and overnight placements with other banks	1,019,720	1,446,565
Placements with and receivables from other banks with original maturities of less than three months	1,055,890	466,596
Reverse sale and repurchase agreements with oth er banks with original maturities of less than three months	-	370,022
Total gross amount of cash and cash equivalents	**3,764,214**	**3,861,244**
Less: credit loss allowance by stages		
Stage 1	(127)	(431)
Total cash and cash equivalents	**3,764,087**	**3,860,813**

As of 31 December 2023, 93% of the correspondent accounts and overnight placements with other banks was placed with OECD (Organization for Economic Co-operation and Development) banking institutions (31 December 2022: 95%).

As of 31 December 2023, GEL 1,020,150 thousand was placed on interbank term deposits with one OECD bank and none with non-OECD (as at 31 December 2022 GEL 303,206 thousand was placed on interbank term deposits with two non-OECD banks and none with OECD bank).

Interest rate analysis of cash and cash equivalents is disclosed in Note 38.

As of 31 December 2023, in the separate statement of financial position of TBC Bank Group PLC cash and cash equivalents represents correspondent accounts and overnight placements with other banks in the amount of GEL 7,312 thousand (31 December 2022: GEL 18,395 thousand). 95% of correspondent accounts and overnight placements with other banks are placed with BB rated financial institutions and 5% are placed with A+ Rated. (2022: 98% placed with BB rated, 2% placed with A+ rated).

As of 31 December 2023, in the separate statement of financial position of TBC Bank Group PLC cash and cash equivalents represents placements with and receivables from other banks with original maturities of less than three months in the amount of GEL 92,142 thousand (31 December 2022: GEL 72,362 thousand). 100% of these amounts are placed with BB rated financial institutions (2022: 100% placed with BB rated).

6. CASH AND CASH EQUIVALENTS CONTINUED

The credit-ratings of correspondent accounts and overnight placements with other banks are as follows:

in thousands of GEL	31 December 2023	31 December 2022
AA	317,762	280,732
AA-	1,162	207,873
A+	532,414	705,316
A	250	-
A-	96,294	86,538
BBB+	814	102,814
BBB	1,611	2,360
BBB-	409	-
BB+	11,050	647
BB	4,483	5,457
BB-	5,184	23,631
B+	47,289	30,460
B	734	42
B-	264	695
Total correspondent accounts and overnight placements with other banks	**1,019,720**	**1,446,565**

The credit rating of placements with and receivables from other banks with original maturities of less than three months stands as follows:

In thousands of GEL	31 December 2023	31 December 2022
AAA	158,810	1,085
A-	296,785	-
BBB+	348,308	303,364
BBB	223,591	-
BB	1,731	9,541
BB-	21,808	144,803
B+	3,692	-
B	1,165	7,803
Total placements with and receivables from other banks with original maturities of less than three months	**1,055,890**	**466,596**

The table illustrates the ratings by international agencies Standard & Poor's and Fitch Ratings. When different credit ratings are designated by the agencies, the highest designated rating for this asset is used, for those financial institutions which are not assigned credit ratings country ratings are used.

As at 31 December 2022 credit rating of reverse sale and repurchase agreements with other banks with original maturities of less than three months is rated at BB-.

7. DUE FROM OTHER BANKS

Amounts due from other banks include placements with and receivables from other banks with original maturities of more than three months that are not collateralised and represent neither past due nor impaired amounts at 31 December 2023 and 2022.

Credit ratings of placements with and receivables from other banks with original maturities of more than three months and restricted cash were as follows:

In thousands of GEL	31 December 2023	31 December 2022
BBB	446	1,298
BB	-	4,326
BB-	15,881	16,641
B+	31,614	19,589
Total placements with and receivables from other banks with original maturities of more than three months and restricted cash	**47,941**	**41,854**

As at 31 December 2023 the Group had one placements, with original maturities of more than three months and with aggregated amounts above GEL 5,000 thousand (2022: nil).

The total aggregated amount of placements with and receivables from other banks with original maturities of more than three months was GEL 47,309 thousand (2022: GEL 41,161 thousand) or 98.7% of the total amount due from other banks (2022: 98.4%).

As at 31 December 2023 GEL 874 thousand (2022: GEL 693 thousand) were kept on deposits as restricted cash under an arrangement with a credit card company or credit card related services with other banks.

For the estimated fair values of due from other bank balances please refer to Note 43.

For the purpose of ECL measurement due from other banks balances are included in Stage 1. The ECL for these balances as at 31 December 2023 is GEL 242 thousand (2022: GEL 18.9 thousand).

8. MANDATORY CASH BALANCES WITH NATIONAL BANK OF GEORGIA AND CENTRAL BANK OF UZBEKISTAN

Mandatory cash balances with the National Bank of Georgia ("NBG") represent amounts deposited with the NBG. Resident financial institutions are required to maintain an interest-earning obligatory reserve with the NBG, the amount of which depends on the level of funds attracted by the financial institutions. The Bank earned up to 10.48%, 0% and 0% annual interest in GEL, USD and EUR, respectively, on mandatory reserve with NBG during the year 2023 (2022: 10.88%, 2.17% and (0.7%) in GEL, USD and EUR, respectively).

Mandatory cash balances with the Central Bank of Uzbekistan ("CBU") are carried at AC and represent non-interest-bearing mandatory reserve deposits, which are not available to finance the Group's day to day operations. The amount placed in CBU are denominated in UZS.

In July 2023, Fitch Ratings has affirmed Georgia's Long-Term Foreign and Local Currency Issuer Default Rating (IDRs) at 'BB', with the positive outlook. The country ceiling is affirmed at 'BBB-', while short-term foreign and local-currency IDRs are kept at 'B'. Uzbekistan's Long-Term Foreign and Local Currency Issuer Default Rating (IDRs) has affirmed at 'BB-'. The country ceiling is affirmed at 'BB-' and short-term foreign and local-currency IDRs are affirmed at 'B'.

9. LOANS AND ADVANCES TO CUSTOMERS

in thousands of GEL	31 December 2023	31 December 2022
Corporate loans	8,263,605	6,282,469
Loans to micro, small and medium enterprises	5,486,788	4,809,415
Consumer loans	3,593,552	2,859,915
Mortgage loans	4,729,734	4,253,172
Total gross loans and advances to customers at amortised cost (AC)	**22,073,679**	**18,204,971**
Less: credit loss allowance	(351,572)	(372,365)
Stage 1	(104,656)	(107,353)
Stage 2	(88,075)	(99,162)
Stage 3	(158,841)	(165,850)
Total loans and advances to customers at amortised cost (AC)	**21,722,107**	**17,832,606**

As at 31 December 2023 loans and advances to customers carried at GEL 701,285 thousand have been pledged to local banks or other financial institutions as collateral with respect to other borrowed funds (2022: GEL 958,530 thousand).

No post model overlays has been processed as of 31 December 2023 (PMAs amounted to GEL 2,340 thousand for YE 2022) .

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period. Below main movements in the table are described:

- Transfers occur between Stage 1, 2 and 3, due to significant increases (or decreases) of credit risk or exposures becoming defaulted in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL. It should be noted, that:
  - For loans, which existed at the beginning of the period, opening exposures are disclosed as transfer amounts;
  - For newly issued loans, exposures upon issuance are disclosed as transfer amounts;
- New originated or purchased gives us information regarding gross loans issued and corresponding credit loss allowance created during the period (however, exposures which were issued and repaid during the period and issued to refinance existing loans are excluded);
- Derecognised during the period refers to the balance of loans and credit loss allowance at the beginning of the period, which were fully repaid during the period. Exposures which were issued and not fully repaid during the period, written off or refinanced by other loans, are excluded;
- Net repayments refers to the net changes in gross carrying amounts, which is loan disbursements less repayments, excluding loans that were fully repaid;
- Write-offs refer to write off of loans during the period;
- Foreign exchange movements refers to the translation of assets denominated in foreign currencies and effect to translation in presentational currency for foreign subsidiary;
- Net re-measurement due to stage transfers and risk parameters changes refers to the movements in ECL as a result of transfer of exposure between stages or changes in risk parameters and forward looking expectations;
- Modification refers to changes in terms that do not result in derecognition;
- Re-segmentation refers to the transfer of loans from one reporting segment to another. For presentation purposes, amounts are rounded to the nearest thousands of GEL, which in certain cases is disclosed as nil.

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

	Gross carrying amount				Credit loss allowance			
Total loans *in thousands of GEL*	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**
At 1 January 2023	**16,395,090**	**1,412,781**	**397,100**	**18,204,971**	**107,354**	**99,161**	**165,850**	**372,365**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(2,450,903)*	*2,502,805*	*(51,902)*	-	*(88,396)*	*105,828*	*(17,432)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(42,694)*	*(427,004)*	*469,698*	-	*(4,110)*	*(97,029)*	*101,139*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*1,778,046*	*(1,777,182)*	*(864)*	-	*121,005*	*(120,747)*	*(258)*	-
New originated or purchased	13,030,571	-	-	**13,030,571**	204,490	-	-	**204,490**
Derecognised or fully repaid during the period	(6,067,010)	(222,407)	(105,124)	**(6,394,541)**	(85,054)	(14,982)	(26,191)	**(126,227)**
Net repayments	(2,410,510)	(187,426)	(67,642)	**(2,665,578)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments[1]	-	-	-	-	(149,770)	115,899	163,074	**129,203**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(227,719)	**(227,719)**	-	-	(227,719)	**(227,719)**
Changes in accrued interest	29,106	14,581	2,159	**45,846**	-	-	-	-
Modification	1,457	116	167	**1,740**	-	-	-	-
Foreign exchange movements	73,871	4,036	482	**78,389**	(853)	(65)	378	**(540)**
At 31 December 2023	**20,337,024**	**1,320,300**	**416,355**	**22,073,679**	**104,666**	**88,065**	**158,841**	**351,572**

1 Movements with impact on credit loss allowance charge for the period differs from statement of profit or loss with amount of recoveries of GEL 44,807 thousand in 2023 (2022: GEL 52,366 thousand). The amount of recoveries include recoveries from sale of written off portfolio in the amount of GEL 22,023 thousand sold in 2023 (2022: GEL 18,634 thousand).

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

Total loans *in thousands of GEL*	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
At 1 January 2022	**14,602,402**	**1,935,370**	**509,619**	**17,047,391**	**104,058**	**120,832**	**185,356**	**410,246**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(2,269,345)*	*2,405,212*	*(135,867)*	-	*(95,374)*	*146,370*	*(50,996)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(64,005)*	*(376,990)*	*440,995*	-	*(9,832)*	*(121,020)*	*130,852*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*1,991,988*	*(1,979,236)*	*(12,752)*	-	*138,473*	*(137,649)*	*(824)*	-
New originated or purchased	10,223,329	-	-	**10,223,329**	190,924	-	-	**190,924**
Derecognised or fully repaid during the period	(4,779,688)	(173,829)	(117,993)	**(5,071,510)**	(51,459)	(14,303)	(40,828)	**(106,590)**
Net repayments	(2,096,655)	(222,343)	(58,002)	**(2,377,000)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(166,666)	107,374	146,267	**86,975**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(196,921)	**(196,921)**	-	-	(196,921)	**(196,921)**
Changes in accrued interest	(26,737)	5,690	3,631	**(17,416)**	-	-	-	-
Modification	4,016	834	732	**5,582**	-	-	-	-
Foreign exchange movements	(1,190,215)	(181,927)	(36,342)	**(1,408,484)**	(2,770)	(2,443)	(7,056)	**(12,269)**
At 31 December 2022	**16,395,090**	**1,412,781**	**397,100**	**18,204,971**	**107,354**	**99,161**	**165,850**	**372,365**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

Corporate loans *in thousands of GEL*	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
At 1 January 2023	**5,741,400**	**458,334**	**82,735**	**6,282,469**	**18,930**	**1,214**	**26,314**	**46,458**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(249,739)*	*257,551*	*(7,812)*	-	*(1,577)*	*2,489*	*(912)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(19,441)*	*(52,600)*	*72,041*	-	*(1,827)*	*(1,479)*	*3,306*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*143,209*	*(143,209)*	-	-	*387*	*(387)*	-	-
New originated or purchased	5,772,067	-	-	**5,772,067**	55,225	-	-	**55,225**
Derecognised or fully repaid during the period	(3,610,212)	(82,079)	(23,742)	**(3,716,033)**	(49,056)	(147)	(1,184)	**(50,387)**
Net repayments	(375,006)	(39,646)	(8,327)	**(422,979)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(4,449)	737	8,487	**4,775**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	259,557	-	(468)	**259,089**	794	-	(236)	**558**
Write-offs	-	-	(3,184)	**(3,184)**	-	-	(3,184)	**(3,184)**
Changes in accrued interest	19,587	9,492	2,039	**31,118**	-	-	-	-
Modification	286	(158)	49	**177**	-	-	-	-
Foreign exchange movements	57,393	2,681	807	**60,881**	27	18	15	**60**
At 31 December 2023	**7,739,101**	**410,366**	**114,138**	**8,263,605**	**18,454**	**2,445**	**32,606**	**53,505**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

	Gross carrying amount				Credit loss allowance			
Corporate loans *in thousands of GEL*	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
At 1 January 2022	**5,743,444**	**712,548**	**91,749**	**6,547,741**	**24,404**	**1,310**	**25,017**	**50,731**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(167,429)*	*171,531*	*(4,102)*	**-**	*(770)*	*1,550*	*(780)*	**-**
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(13,861)*	*(21,457)*	*35,318*	**-**	*(1,428)*	*(160)*	*1,588*	**-**
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*219,373*	*(207,522)*	*(11,851)*	**-**	*1,113*	*(738)*	*(375)*	**-**
New originated or purchased	3,659,826	-	-	**3,659,826**	51,203	-	-	**51,203**
Derecognised or fully repaid during the period	(2,805,071)	(35,641)	(13,318)	**(2,854,030)**	(18,621)	(188)	(1,383)	**(20,192)**
Net repayments	(378,989)	(68,653)	(8,529)	**(456,171)**	-	-	-	**-**
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	**-**	(36,022)	(494)	4,210	**(32,306)**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	64,980	16,622	-	**81,602**	139	16	-	**155**
Write-offs	-	-	(1,126)	**(1,126)**	-	-	(1,126)	**(1,126)**
Changes in accrued interest	(40,308)	(563)	242	**(40,629)**	-	-	-	**-**
Modification	1,520	62	74	**1,656**	-	-	-	**-**
Foreign exchange movements	(542,085)	(108,593)	(5,722)	**(656,400)**	(1,088)	(82)	(837)	**(2,007)**
At 31 December 2022	**5,741,400**	**458,334**	**82,735**	**6,282,469**	**18,930**	**1,214**	**26,314**	**46,458**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

	Gross carrying amount				Credit loss allowance			
Loans to micro, small and medium enterprises *in thousands of GEL*	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
At 1 January 2023	**4,327,742**	**317,830**	**163,843**	**4,809,415**	**24,938**	**23,961**	**47,213**	**96,112**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(802,913)*	*819,936*	*(17,023)*	**-**	*(20,758)*	*25,443*	*(4,685)*	**-**
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(3,870)*	*(178,452)*	*182,322*	**-**	*(481)*	*(28,153)*	*28,634*	**-**
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*515,803*	*(515,799)*	*(4)*	**-**	*33,285*	*(33,285)*	-	**-**
New originated or purchased	2,842,810	-	-	**2,842,810**	50,094	-	-	**50,094**
Derecognised or fully repaid during the period	(847,740)	(58,116)	(37,221)	**(943,077)**	(7,066)	(5,102)	(8,977)	**(21,145)**
Net repayments	(841,731)	(64,387)	(42,853)	**(948,971)**	-	-	-	**-**
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	**-**	(55,121)	49,770	57,130	**51,779**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	(250,327)	(192)	-	**(250,519)**	(753)	(27)	-	**(780)**
Write-offs	-	-	(67,981)	**(67,981)**	-	-	(67,981)	**(67,981)**
Changes in accrued interest	8,768	1,968	(3,361)	**7,375**	-	-	-	**-**
Modification	241	144	10	**395**	-	-	-	**-**
Foreign exchange movements	34,195	2,351	795	**37,341**	20	178	463	**661**
At 31 December 2023	**4,982,978**	**325,283**	**178,527**	**5,486,788**	**24,158**	**32,785**	**51,797**	**108,740**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

Loans to micro, small and medium enterprises in thousands of GEL	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
At 1 January 2022	**3,519,842**	**413,339**	**208,124**	**4,141,305**	**20,487**	**32,234**	**60,380**	**113,101**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(596,643)*	*649,360*	*(52,717)*	-	*(12,887)*	*30,360*	*(17,473)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(3,607)*	*(131,785)*	*135,392*	-	*(785)*	*(22,920)*	*23,705*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*470,443*	*(469,705)*	*(738)*	-	*31,196*	*(30,853)*	*(343)*	-
New originated or purchased	2,732,945	-	-	**2,732,945**	30,670	-	-	**30,670**
Derecognised or fully repaid during the period	(799,199)	(49,055)	(32,100)	**(880,354)**	(10,514)	(3,232)	(9,333)	**(23,079)**
Net repayments	(680,252)	(58,076)	(27,557)	**(765,885)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(33,027)	18,867	39,156	**24,996**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	(56,707)	(15,755)	-	**(72,462)**	(70)	74	-	**4**
Write-offs	-	-	(46,258)	**(46,258)**	-	-	(46,258)	**(46,258)**
Changes in accrued interest	13,981	3,054	(716)	**16,319**	-	-	-	-
Modification	546	255	353	**1,154**	-	-	-	-
Foreign exchange movements	(273,607)	(23,802)	(19,940)	**(317,349)**	(132)	(569)	(2,621)	**(3,322)**
At 31 December 2022	**4,327,742**	**317,830**	**163,843**	**4,809,415**	**24,938**	**23,961**	**47,213**	**96,112**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

Consumer loans in thousands of GEL	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
At 1 January 2023	**2,521,782**	**240,812**	**97,321**	**2,859,915**	**61,186**	**64,286**	**70,411**	**195,883**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(615,005)*	*623,783*	*(8,778)*	-	*(63,877)*	*68,882*	*(5,005)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(15,056)*	*(162,573)*	*177,629*	-	*(1,311)*	*(65,716)*	*67,027*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*399,405*	*(398,643)*	*(762)*	-	*77,948*	*(77,697)*	*(251)*	-
New originated or purchased	3,025,738	-	-	**3,025,738**	97,785	-	-	**97,785**
Derecognised or fully repaid during the period	(1,230,571)	(39,011)	(32,884)	**(1,302,466)**	(28,699)	(8,478)	(12,173)	**(49,350)**
Net repayments	(755,234)	(49,432)	(5,667)	**(810,333)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(81,922)	64,211	87,566	**69,855**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	5,124	1,021	(27)	**6,118**	(17)	82	(6)	**59**
Write-offs	-	-	(150,943)	**(150,943)**	-	-	(150,943)	**(150,943)**
Changes in accrued interest	883	3,538	4,122	**8,543**	-	-	-	-
Modification	405	39	45	**489**	-	-	-	-
Foreign exchange movements	(41,215)	(1,339)	(955)	**(43,509)**	(912)	(281)	(26)	**(1,219)**
At 31 December 2023	**3,296,256**	**218,195**	**79,101**	**3,593,552**	**60,181**	**45,289**	**56,600**	**162,070**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

	Gross carrying amount				Credit loss allowance			
Consumer loans *in thousands of GEL*	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**
At 1 January 2022	**1,920,145**	**239,240**	**86,519**	**2,245,904**	**56,365**	**65,208**	**61,355**	**182,928**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(677,604)*	*696,031*	*(18,427)*	-	*(78,887)*	*90,689*	*(11,802)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(34,514)*	*(191,180)*	*225,694*	-	*(5,980)*	*(95,682)*	*101,662*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*410,035*	*(409,872)*	*(163)*	-	*88,790*	*(88,684)*	*(106)*	-
New originated or purchased	2,479,670	-	-	**2,479,670**	107,224	-	-	**107,224**
Derecognised or fully repaid during the period	(853,343)	(42,101)	(49,387)	**(944,831)**	(22,088)	(9,110)	(21,506)	**(52,704)**
Net repayments	(659,682)	(52,659)	(4,265)	**(716,606)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(82,295)	102,625	88,015	**108,345**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	3,580	(34)	-	**3,546**	(77)	(39)	-	**(116)**
Write-offs	-	-	(145,821)	**(145,821)**	-	-	(145,821)	**(145,821)**
Changes in accrued interest	3,110	5,105	5,345	**13,560**	-	-	-	-
Modification	1,076	260	101	**1,437**	-	-	-	-
Foreign exchange movements	(70,691)	(3,978)	(2,275)	**(76,944)**	(1,866)	(721)	(1,386)	**(3,973)**
At 31 December 2022	**2,521,782**	**240,812**	**97,321**	**2,859,915**	**61,186**	**64,286**	**70,411**	**195,883**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

	Gross carrying amount				Credit loss allowance			
Mortgage loans *in thousands of GEL*	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**
At 1 January 2023	**3,804,166**	**395,805**	**53,201**	**4,253,172**	**2,300**	**9,700**	**21,912**	**33,912**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(783,246)*	*801,535*	*(18,289)*	-	*(2,184)*	*9,014*	*(6,830)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(4,327)*	*(33,379)*	*37,706*	-	*(491)*	*(1,681)*	*2,172*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*719,629*	*(719,531)*	*(98)*	-	*9,385*	*(9,378)*	*(7)*	-
New originated or purchased	1,389,956	-	-	**1,389,956**	1,386	-	-	**1,386**
Derecognised or fully repaid during the period	(378,487)	(43,201)	(11,277)	**(432,965)**	(233)	(1,255)	(3,857)	**(5,345)**
Net repayments	(438,539)	(33,961)	(10,795)	**(483,295)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(8,278)	1,181	9,891	**2,794**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	(14,354)	(829)	495	**(14,688)**	(24)	(55)	242	**163**
Write-offs	-	-	(5,611)	**(5,611)**	-	-	(5,611)	**(5,611)**
Changes in accrued interest	(132)	(417)	(641)	**(1,190)**	-	-	-	-
Modification	525	91	63	**679**	-	-	-	-
Foreign exchange movements	23,498	343	(165)	**23,676**	12	20	(74)	**(42)**
At 31 December 2023	**4,318,689**	**366,456**	**44,589**	**4,729,734**	**1,873**	**7,546**	**17,838**	**27,257**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

	Gross carrying amount				Credit loss allowance			
Mortgage loans *in thousands of GEL*	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
At 1 January 2022	**3,418,971**	**570,243**	**123,227**	**4,112,441**	**2,802**	**22,080**	**38,604**	**63,486**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	(827,669)	888,290	(60,621)	-	(2,830)	23,771	(20,941)	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	(12,023)	(32,568)	44,591	-	(1,639)	(2,258)	3,897	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	892,137	(892,137)	-	-	17,374	(17,374)	-	-
New originated or purchased	1,350,888	-	-	**1,350,888**	1,827	-	-	**1,827**
Derecognised or fully repaid during the period	(322,075)	(47,032)	(23,188)	**(392,295)**	(236)	(1,773)	(8,606)	**(10,615)**
Net repayments	(377,732)	(42,955)	(17,651)	**(438,338)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(15,322)	(13,624)	14,886	**(14,060)**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	(11,853)	(833)	-	**(12,686)**	8	(51)	-	**(43)**
Write-offs	-	-	(3,716)	**(3,716)**	-	-	(3,716)	**(3,716)**
Changes in accrued interest	(3,520)	(1,906)	(1,240)	**(6,666)**	-	-	-	-
Modification	874	257	204	**1,335**	-	-	-	-
Foreign exchange movements	(303,832)	(45,554)	(8,405)	**(357,791)**	316	(1,071)	(2,212)	**(2,967)**
At 31 December 2022	**3,804,166**	**395,805**	**53,201**	**4,253,172**	**2,300**	**9,700**	**21,912**	**33,912**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

The credit quality of loans to customers carried at amortised cost at 31 December 2023 is as follows:

	31 December 2023			
in thousands of GEL	Stage 1 (12months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
Corporate loans risk category				
- Very low	7,590,132	3,358	-	**7,593,490**
- Low	147,609	400,886	-	**548,495**
- Moderate	1,360	6,122	-	**7,482**
- Default	-	-	114,138	**114,138**
Gross carrying amount	**7,739,101**	**410,366**	**114,138**	**8,263,605**
Credit loss allowance	(18,454)	(2,445)	(32,606)	**(53,505)**
Carrying amount	**7,720,647**	**407,921**	**81,532**	**8,210,100**
Loans to MSME risk category				
- Very low	4,400,875	20,477	-	**4,421,352**
- Low	562,589	88,843	-	**651,432**
- Moderate	19,514	159,257	-	**178,771**
- High	-	56,706	-	**56,706**
- Default	-	-	178,527	**178,527**
Gross carrying amount	**4,982,978**	**325,283**	**178,527**	**5,486,788**
Credit loss allowance	(24,158)	(32,785)	(51,797)	**(108,740)**
Carrying amount	**4,958,820**	**292,498**	**126,730**	**5,378,048**
Consumer loans risk category				
- Very low	2,395,960	7,127	-	**2,403,087**
- Low	769,837	24,492	-	**794,329**
- Moderate	130,459	148,601	-	**279,060**
- High	-	37,975	-	**37,975**
- Default	-	-	79,101	**79,101**
Gross carrying amount	**3,296,256**	**218,195**	**79,101**	**3,593,552**
Credit loss allowance	(60,181)	(45,289)	(56,600)	**(162,070)**
Carrying amount	**3,236,075**	**172,906**	**22,501**	**3,431,482**
Mortgage loans risk category				
- Very low	3,776,199	17,893	-	**3,794,092**
- Low	518,078	176,355	-	**694,433**
- Moderate	24,412	146,396	-	**170,808**
- High	-	25,812	-	**25,812**
- Default	-	-	44,589	**44,589**
Gross carrying amount	**4,318,689**	**366,456**	**44,589**	**4,729,734**
Credit loss allowance	(1,873)	(7,546)	(17,838)	**(27,257)**
Carrying amount	**4,316,816**	**358,910**	**26,751**	**4,702,477**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

The credit quality of loans to customers carried at amortised cost at 31 December 2022 is as follows:

31 December 2022				
in thousands of GEL	Stage 1 (12months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
Corporate loans risk category				
- Very low	5,605,060	-	-	**5,605,060**
- Low	136,070	427,830	-	**563,900**
- Moderate	270	30,504	-	**30,774**
- Default	-	-	82,735	**82,735**
Gross carrying amount	**5,741,400**	**458,334**	**82,735**	**6,282,469**
Credit loss allowance	(18,930)	(1,214)	(26,314)	**(46,458)**
Carrying amount	**5,722,470**	**457,120**	**56,421**	**6,236,011**
Loans to MSME risk category				
- Very low	3,437,333	24,043	-	**3,461,376**
- Low	876,548	177,178	-	**1,053,726**
- Moderate	13,741	85,733	-	**99,474**
- High	120	30,876	-	**30,996**
- Default	-	-	163,843	**163,843**
Gross carrying amount	**4,327,742**	**317,830**	**163,843**	**4,809,415**
Credit loss allowance	(24,938)	(23,961)	(47,213)	**(96,112)**
Carrying amount	**4,302,804**	***293,869***	**116,630**	**4,713,303**
Consumer loans risk category				
- Very low	1,748,692	6,988	-	**1,755,680**
- Low	656,988	40,120	-	**697,108**
- Moderate	116,102	150,763	-	**266,865**
- High	-	42,941	-	**42,941**
- Default	-	-	97,321	**97,321**
Gross carrying amount	**2,521,782**	**240,812**	**97,321**	**2,859,915**
Credit loss allowance	(61,186)	(64,286)	(70,411)	**(195,883)**
Carrying amount	**2,460,596**	***176,526***	**26,910**	**2,664,032**
Mortgage loans risk category				
- Very low	3,349,388	38,732	-	**3,388,120**
- Low	433,913	205,328	-	**639,241**
- Moderate	20,865	125,898	-	**146,763**
- High	-	25,847	-	**25,847**
- Default	-	-	53,201	**53,201**
Gross carrying amount	**3,804,166**	**395,805**	**53,201**	**4,253,172**
Credit loss allowance	(2,300)	(9,700)	(21,912)	**(33,912)**
Carrying amount	**3,801,866**	**386,105**	**31,289**	**4,219,260**

Please refer to note 38 for the definitions of the credit quality grades.

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

The contractual amounts outstanding on loans to customers that have been written off during the period partially or fully, but are still subject to enforcement activity was principal amount GEL 45,163 thousand (31 December 2022: GEL 22,535 thousand) and accrued interest GEL 6,323 thousand (31 December 2022: GEL 4,160 thousand).

Economic sector risk concentrations within the customer loan portfolio are as follows:

	31 December 2023		31 December 2022	
in thousands of GEL	**Amount**	**%**	**Amount**	**%**
Individual	8,709,583	39%	7,199,092	40%
Real Estate	2,020,022	9%	1,564,352	9%
Construction	1,471,145	7%	1,073,761	6%
Hospitality, Restaurants & Leisure	1,252,741	6%	1,147,098	6%
Trade	1,340,622	6%	1,054,958	6%
Food Industry	1,154,925	5%	1,060,058	6%
Energy & Utilities	997,117	5%	947,441	5%
Agriculture	988,519	4%	822,779	5%
Healthcare	623,301	3%	451,304	2%
Services	506,086	2%	388,517	2%
Financial Services	325,356	1%	262,675	1%
Transportation	302,072	1%	240,535	1%
Automotive	282,777	1%	297,558	2%
Pawn Shops	208,236	1%	196,489	1%
Metals and Mining	179,519	1%	179,365	1%
Communication	55,000	1%	30,758	0%
Other	1,656,658	8%	1,288,231	7%
Total gross loans and advances to customers	**22,073,679**	**100%**	**18,204,971**	**100%**

As of 31 December 2023, the Group had 7 borrowers (2022: 4 borrowers) with aggregated gross loan amounts above GEL 100,000 thousand. The total aggregated amount of these loans was GEL 1,111,275 thousand (2022: GEL 520,913 thousand) or 5.0% of the gross loan portfolio (2022: 2.9%).

The amount and type of collateral required depend on an assessment of the credit risk of the counterparty. There are three key types of collateral:

- Real estate;
- Movable property including fixed assets, inventory and precious metals;
- Financial assets including deposits, shares, and third party guarantees.

The financial effect of collateral is presented by disclosing the collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed the assets' carrying value ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the assets' carrying value ("under-collateralised assets").

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

The effect of collateral as at 31 December 2023:

	31 December 2023			
	Over-collateralised Assets		Under-collateralised Assets	
in thousands of GEL	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Corporate loans	4,716,371	12,729,581	3,547,234	1,224,531
Consumer loans	1,156,883	2,817,061	2,436,669	41,742
Mortgage loans	4,407,048	12,190,665	322,686	156,424
Loans to micro, small and medium enterprises	4,261,346	9,594,104	1,225,442	435,223
Total	**14,541,648**	**37,331,411**	**7,532,031**	**1,857,920**

The effect of collateral as at 31 December 2022:

	31 December 2022			
	Over-collateralised Assets		Under-collateralised Assets	
in thousands of GEL	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Corporate loans	3,534,635	9,524,073	2,747,834	1,135,017
Consumer loans	793,706	1,933,209	2,066,209	60,642
Mortgage loans	3,729,421	10,695,687	523,751	238,075
Loans to micro, small and medium enterprises	3,439,685	7,566,047	1,369,730	523,237
Total	**11,497,447**	**29,719,016**	**6,707,524**	**1,956,971**

As at 31 December 2023 loans and advances to customers which were 1. over-collateralised and 2. credit loss allowance was nil, amounted to GEL 1,770,547 thousand (2022: GEL 1,525,046 thousand).

The effect of collateral by types as at 31 December 2023:

	31 December 2023			
	Over-collateralised Assets		Under-collateralised Assets	
in thousands of GEL	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Cash Cover	669,593	713,715	89,558	70,798
Gold	171,256	222,339	31,283	30,609
Inventory	367,392	3,078,135	365,947	158,663
Real Estate	13,333,407	33,317,222	2,472,023	1,597,850
Unsecured and secured solely by third party guarantees	-	-	4,573,220	-
Total	**14,541,648**	**37,331,411**	**7,532,031**	**1,857,920**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

The effect of collateral by types as at 31 December 2022:

	31 December 2022			
	Over-collateralised Assets		Under-collateralised Assets	
in thousands of GEL	Carrying value of the assets	Fair value of collateral	Carrying value of the assets	Fair value of collateral
Cash Cover	304,408	336,311	164,437	128,474
Gold	147,485	186,835	40,777	40,181
Inventory	407,903	2,061,900	258,222	150,724
Real Estate	10,637,651	27,133,970	2,554,711	1,637,592
Unsecured and secured solely by third party guarantees	-	-	3,689,377	-
Total	**11,497,447**	**29,719,016**	**6,707,524**	**1,956,971**

The financial effect of collateral is determined by comparing the fair value of collateral to outstanding gross loans and advances in the reporting date.

Stage 3 loans presented by segments and collateral classes as at 31 December 2023 are the following:

	31 December 2023			
in thousands of GEL	Corporate	Consumer	Mortgage	Loans to micro, small and medium enterprises
Cash Cover	267	3	-	169
Gold	-	1,015	-	271
Inventory	12,445	-	-	1,238
Real Estate	94,767	18,592	43,486	155,409
Unsecured and secured solely by third party guarantees	6,659	59,491	1,103	21,440
Total	**114,138**	**79,101**	**44,589**	**178,527**

Stage 3 loans presented by segments and collateral classes as at 31 December 2022 are the following:

	31 December 2022			
in thousands of GEL	Corporate	Consumer	Mortgage	Loans to micro, small and medium enterprises
Cash Cover	21	9	-	47
Gold	-	991	-	308
Inventory	8,913	-	-	1,131
Real Estate	59,302	19,931	50,539	143,285
Unsecured and secured solely by third party guarantees	14,499	76,390	2,662	19,072
Total	**82,735**	**97,321**	**53,201**	**163,843**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

The gross carrying amount of loans by stages that have been modified since initial recognition at a time when the loss allowance was measured at an amount equal to lifetime expected credit losses and for which the loss allowance has changed during the reporting period to an amount equal to 12-month expected credit losses loans are the following:

in thousands of GEL	31 December 2023	31 December 2022
Stage 1	243,759	354,308
Stage 2	191,879	184,044
Stage 3	50,160	49,975
Total	**485,798**	**588,327**

At the central level a specific unit manages collateral to ensure that they serve as an adequate mitigation for credit risk management purposes. In line with the Group's internal policies, collateral provided to loans are evaluated by the Internal Appraisal Group (external reviewers are used in case of loans to related parties or specific cases when complex objects are appraised). The Internal Appraisal Group is part of the collateral management unit and, in order to ensure adequate and objective appraisal procedures, it is independent from the loan granting process. Real estate collateral of significant value is re-evaluated annually by internal appraisers. Statistical methods are used to monitor the value of real estate collateral that are of non-significant value and other types of collateral such as movable assets and precious metals.

In some instances, where the discounted recovery from the liquidation of collateral (adjusted for the liquidity haircut and discounted for the period of expected workout time) is larger than the estimated exposure at default, no credit loss allowance is recognised. Collateral values include the contractual price of third-party guarantees, which, due to their nature, are capped at the loan's carrying value. The values of third-party guarantees in the tables above amounted to GEL 62,610 thousand and GEL 387,356 thousand as of 31 December 2023 and 2022, respectively. These third-party guarantees are not taken into consideration when assessing the impairment allowance. Refer to Note 43 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 38. Information on related party balances is disclosed in Note 45.

For the year ended 31 December 2023 amortised cost of loans with lifetime ECL immediately before contractual modification that was not a derecognition event was GEL 891,977 thousand (31 December 2022: GEL 1,796,668 thousand). During 2023, gains less losses recognised in profit or loss on modifications of loans with lifetime ECL that did not lead to derecognition was GEL (1) thousand (2022: GEL (14) thousand).

For the year ended 31 December 2023 gross carrying amount of loans that were contractually modified (without derecognition) in the past when measured at lifetime ECL and which were reclassified to Stage 1 (12 months ECL) during the current year was GEL 513,241thousand (31 December 2022: GEL 1,063,796 thousand).

10. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

in thousands of GEL	31 December 2023	31 December 2022
Corporate bonds		
Gross carrying amount	1,225,537	1,296,095
Fair value adjustment	(114)	(4,375)
Stage 1	(422)	(335)
Corporate bonds measured at FVTOCI	**1,225,001**	**1,291,385**
Ministry of Finance of Georgia treasury bills		
Gross carrying amount	1,934,373	1,548,832
Fair value adjustment	13,466	11,035
Stage 1	(3,707)	(2,772)
Ministry of Finance of Georgia treasury bills at FVTOCI	**1,944,132**	**1,557,095**
Foreign government treasury bills		
Gross carrying amount	304,881	36,319
Fair value adjustment	(1,015)	(702)
Stage 1	(16)	(34)
Foreign government treasury bills at FVTOCI	**303,850**	**35,583**
Total investment securities measured at fair value through other comprehensive income excluding corporate shares	**3,472,983**	**2,884,063**
Corporate shares – unquoted	2,478	1,025
Total investment securities measured at fair value through other comprehensive income	**3,475,461**	**2,885,088**

All debt securities in 2023 and 2022 except for corporate bonds and foreign government treasury bills are issued by the Government of Georgia and National Bank of Georgia. Country rating for Georgia stands at BB with positive outlook (as assigned by Fitch rating agency in January 2024). Latest country rating for Uzbekistan stands at BB-. 80.6% of corporate bonds are issued by triple A rated international financial institutions, 16.1% of corporate bonds are issued by BB rating and 3.3% by B+ rating. Information includes credit ratings assigned by the international rating agencies (Standard & Poor's, Fitch), for those financial institutions which are not assigned credit ratings, country ratings are used.

The Group designated investments in corporate shares disclosed in the above table as equity securities at FVOCI. The FVOCI designation was made because the investments are expected to be held primarily for liquidity management or medium-term investment purposes instead of short-term profit making from subsequent sales.

As at 31 December 2023 investment securities measured at fair value through other comprehensive income carried at GEL 970,019 thousand have been pledged with local banks or financial institutions as a collateral for other borrowed funds (2022: GEL 475,259 thousand). Refer to Note 19.

10. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME CONTINUED

The movements in investment securities measured at fair value through other comprehensive income are as follows:

in thousands of GEL	2023	2022
Carrying amount as of 1 January	**2,885,088**	**1,938,196**
Purchases	1,563,326	2,413,600
Disposals	(383,122)	(816,875)
Redemption at maturity	(854,540)	(391,341)
Revaluation	6,878	16,329
Interest income accrued	284,495	196,114
Interest income received	(275,820)	(178,128)
Effect of translation to presentation currency	(17,335)	(24,990)
Transfer from/(to) repurchase receivables	267,495	(267,495)
Changes in credit loss allowance	(1,004)	(322)
Carrying amount as of 31 December	**3,475,461**	**2,885,088**

11. BONDS CARRIED AT AMORTISED COST

in thousands of GEL	31 December 2023	31 December 2022
Certificates of deposit of Central Bank of Uzbekistan	61,761	33,640
Ministry of Finance treasury bills	6,314	-
Corporate bonds	5,986	3,753
Total gross amount of bonds carried at amortised cost	**74,061**	**37,393**
Less: credit loss allowance by stages	(98)	(1)
Stage 1	(98)	(1)
Stage 2	-	-
Stage 3	-	-
Total bonds carried at amortised cost	**73,963**	**37,392**

As at 31 December 2023 certificates of deposits are issued by Central Bank of Uzbekistan. Latest country rating for Uzbekistan stands at BB-.

The movements in bonds carried at amortised cost are as follows:

in thousands of GEL	2023	2022
Carrying amount at 1 January	**37,392**	**49,582**
Purchases	308,176	261,568
Redemption at maturity	(267,079)	(267,904)
Interest income accrual	8,378	8,227
Interest income received	(8,539)	(6,967)
Effect of translation to presentation currency	(4,268)	(7,113)
Changes in credit loss allowance	(97)	(1)
Carrying amount as of 31 December	**73,963**	**37,392**

11. BONDS CARRIED AT AMORTISED COST CONTINUED

For the disclosure of bonds' fair value carried at amortised cost refer to Note 43. An analysis on interest rate for bonds carried at amortised cost is disclosed in Note 38.

As at 31 December 2023 none of the bonds carried at amortised cost have been pledged to local banks or financial institutions as collateral for other borrowed funds (2022: nil).

12. REPURCHASE RECEIVABLES

Repurchase receivables represent securities sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or repledge.

in thousands of GEL	31 December 2023	31 December 2022
Investment securities measured at FVOCI sold under sale and repurchase agreements	-	267,495
Total repurchase receivables	**-**	**267,495**

As at 31 December 2023 credit loss allowance for Investment securities measured at FVOCI sold under sale and repurchase agreements was nil (2022: nil). Meanwhile credit risk category of total portfolio is classified as very low.

Refer to Note 19 for liability leg of sale and repurchase agreements with other banks.

13. OTHER FINANCIAL ASSETS

in thousands of GEL	31 December 2023	31 December 2022(restated)	1 January 2022(restated)
Receivables on credit card services and money transfers	73,056	46,724	62,881
Receivable on terminated leases	61,639	40,103	46,346
Receivables on guarantees and letters of credit	32,347	23,140	9,766
Receivables from plastic card service providers	26,591	28,081	14,472
Derivatives margin	20,762	2,837	1,022
Advances paid to promotional service provider	19,774	19,733	17,681
Derivative financial assets	17,464	57,887	185,710
Reinsurance receivables	13,705	7,227*	3,359*
Trade receivables	9,761	7,763	7,715
Investment held at fair value through profit or loss	8,062	9,704	11,125
Government subsidy related receivables	4,565	3,981	1,949
Prepayments for purchase of leasing assets	1,405	2,794	2,073
Receivables for rental income	652	666	1,349
Receivables from sales of non-financial assets	400	657	72,650
Other	47,613	39,081	37,709
Total gross amount of other financial assets	**337,796**	**290,378***	**475,807***
Less: credit loss allowance	(57,528)	(54,415)	(51,807)
Total other financial assets	**280,268**	**235,963***	**424,000***

*Certain amounts do not correspond to the 2022 and 2021 consolidated financial statements as they reflect the certain restatements due to IFRS 17 adoption as described in Note 4.

For the year end of 2023 other financial asset gross portfolio with related credit loss allowance (excluding reinsurance receivables) represented: stage 1 - GEL 227,724 thousand and GEL 4,784 thousand (2022: GEL 218,661 thousand and GEL 9,899 thousand); stage 2 - GEL 3,383 thousand and GEL 1,324 thousand (2022: GEL 412 thousand and GEL 66

13.OTHER FINANCIAL ASSETS CONTINUED

thousand); stage 3 - GEL 92,984 thousand and GEL 51,419 thousand (2022: GEL 64,078 thousand and GEL 44,450 thousand). GEL 61,639 thousand of receivable on terminated leases represents stage 3 financial instruments (2022: GEL 40,103 thousand).

As of 31 December 2022, in the separate statement of financial position of TBC Bank Group PLC other financial assets include derivative assets generated from the call option existed with minority shareholders of Inspired LLC in the amount of Gel 78,078. As at 31 December 2023 option value is nil due to the fact that option was exercised in 2023. The value of the call option has been recognised only for separate reporting purposes.

14. FINANCE LEASE RECEIVABLES

As at 31 December 2023 finance lease receivables of GEL 400,311 thousand (2022: GEL 312,334 thousand) are represented by leases of fixed assets excluding land and buildings.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty. The main types of collateral obtained are:

- Leased assets (inventory and equipment);
- Down payment;
- Real estate properties.

The financial effect of collateral is presented by disclosing the collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed the assets' carrying value ("over-collateralized assets") and (ii) those assets where collateral and other credit enhancements are less than the assets' carrying value ("undercollateralized assets").

Finance lease payments receivable and their present values as of 31 December 2023 are as follows:

in thousands of GEL	Due in 1 year	Due between 1 and 2 year	Due between 2 and 3 year	Due between 3 and 4 year	Due between 4 and 5 year	Due in 5 year or more	Total
Lease payments receivable	208,455	125,191	70,102	46,185	28,990	77,249	**556,172**
Unearned finance income	(51,505)	(31,963)	(18,991)	(12,423)	(7,964)	(22,059)	**(144,905)**
Credit loss allowance	(5,103)	(2,203)	(1,182)	(706)	(512)	(1,150)	**(10,856)**
Present value of lease payments receivable	**151,847**	**91,025**	**49,929**	**33,056**	**20,514**	**54,040**	**400,411**

Finance lease payments receivable and their present values as of 31 December 2022 are as follows:

in thousands of GEL	Due in 1 year	Due between 1 and 2 year	Due between 2 and 3 year	Due between 3 and 4 year	Due between 4 and 5 year	Due in 5 year or more	Total
Lease payments receivable	157,761	94,641	60,931	35,399	24,306	42,693	**415,731**
Unearned finance income	(30,972)	(21,886)	(13,885)	(7,758)	(4,454)	(13,475)	**(92,430)**
Credit loss allowance	(4,867)	(2,086)	(1,339)	(951)	(973)	(751)	**(10,967)**
Present value of lease payments receivable	**121,922**	**70,669**	**45,707**	**26,690**	**18,879**	**28,467**	**312,334**

For fair values refer to Note 43.

14. FINANCE LEASE RECEIVABLES CONTINUED

The following table discloses the changes in the credit loss allowance and gross carrying amount for finance lease receivables between the beginning and the end of the reporting period:

	Gross carrying amount				Credit loss allowance			
in thousands of GEL	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
At 1 January 2023	**266,098**	**37,127**	**20,076**	**323,301**	**4,540**	**2,280**	**4,147**	**10,967**
Transfers								
– to lifetime (from Stage 1 and Stage 3 to Stage 2)	(53,452)	56,010	(2,558)	-	(1,970)	2,010	(40)	-
– to defaulted (from Stage 1 and Stage 2 to Stage 3)	(16,357)	(6,873)	23,230	-	(966)	(900)	1,866	-
– to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	4,127	(3,459)	(668)	-	267	(157)	(110)	-
New originated or purchased	238,340	-	-	**238,340**	4,058	-	-	**4,058**
Derecognised or fully repaid during the period	(68,153)	(13,067)	(11,524)	**(92,744)**	(1,560)	(773)	(2,353)	**(4,686)**
Net repayments	(41,572)	(10,495)	(5,597)	**(57,664)**	-	-	-	**-**
Foreign exchange movements	(1,117)	243	(255)	**(1,129)**	78	(11)	(273)	**(206)**
Other movements	130	183	850	**1,163**	-	-	-	**-**
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	**-**	(972)	828	867	**723**
At 31 December 2023	**328,044**	**59,669**	**23,554**	**411,267**	**3,475**	**3,277**	**4,104**	**10,856**

14. FINANCE LEASE RECEIVABLES CONTINUED

	Gross carrying amount				Credit loss allowance			
in thousands of GEL	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
At 1 January 2022	**200,671**	**43,900**	**28,371**	**272,942**	**3,101**	**3,469**	**4,326**	**10,896**
Transfers								
– to lifetime (from Stage 1 and Stage 3 to Stage 2)	(24,063)	30,815	(6,752)	-	(1,161)	1,585	(424)	-
– to defaulted (from Stage 1 and Stage 2 to Stage 3)	(15,402)	(4,847)	20,249	-	(1,758)	(268)	2,026	-
– to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	7,697	(7,662)	(35)	-	199	(195)	(4)	-
New originated or purchased	200,298	-	-	**200,298**	5,187	-	-	**5,187**
Derecognised or fully repaid during the period	(51,936)	(18,430)	(17,459)	**(87,825)**	(813)	(2,024)	(2,855)	**(5,692)**
Net repayments	(42,066)	(5,672)	(3,874)	**(51,612)**	-	-	-	-
Foreign exchange movements	(8,228)	(954)	(1,217)	**(10,399)**	(85)	(26)	(141)	**(252)**
Other movements	(873)	(23)	793	**(103)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(130)	(261)	1,219	**828**
At 31 December 2022	**266,098**	**37,127**	**20,076**	**323,301**	**4,540**	**2,280**	**4,147**	**10,967**

As at 31 December 2023, credit quality of finance lease receivables is analysed below:

	31 December 2023			
in thousands of GEL	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
Finance lease receivables risk category				
– Very low	278,151	6,785	-	284,936
– Low	49,893	10,194	-	60,087
– Moderate	-	30,623	-	30,623
– High	-	12,067	-	12,067
– Default	-	-	23,554	23,554
Gross carrying amount	**328,044**	**59,669**	**23,554**	**411,267**
Credit loss allowance	(3,475)	(3,277)	(4,104)	(10,856)
Carrying amount	**324,569**	**56,392**	**19,450**	**400,411**

14. FINANCE LEASE RECEIVABLES CONTINUED

As at 31 December 2022, credit quality of finance lease receivables is analysed below:

	31 December 2022			
in thousands of GEL	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
Finance lease receivables risk category				
– Very low	237,286	-	-	237,286
– Low	28,724	6,982	-	35,706
– Moderate	88	10,002	-	10,090
– High	-	20,143	-	20,143
– Default	-	-	20,076	20,076
Gross carrying amount	**266,098**	**37,127**	**20,076**	**323,301**
Credit loss allowance	(4,540)	(2,280)	(4,147)	(10,967)
Carrying amount	**261,558**	**34,847**	**15,929**	**312,334**

The effect of collateral as at 31 December 2023:

	31 December 2023			
	Over-collateralised Assets		Under-collateralised Assets	
in thousands of GEL	Gross carrying value of the assets	Fair value of collateral	Gross carrying value of the assets	Fair value of collateral
Finance lease receivables	290,529	435,885	120,738	72,935
Total	**290,529**	**435,885**	**120,738**	**72,935**

The effect of collateral as at 31 December 2022:

	31 December 2022			
	Over-collateralised Assets		Under-collateralised Assets	
in thousands of GEL	Gross carrying value of the assets	Fair value of collateral	Gross carrying value of the assets	Fair value of collateral
Finance lease receivables	226,389	397,377	96,912	83,271
Total	**226,389**	**397,377**	**96,912**	**83,271**

15. OTHER ASSETS

in thousands of GEL	31 December 2023	31 December 2022 (restated)	1 January 2022(restated)
Current other assets			
Repossessed collateral	277,332	268,374	255,766
Prepayments for other assets	46,524	51,404	62,724
Prepayments for purchase of leasing assets	28,900	28,595	28,829
Other inventories	14,838	17,091	10,849
Prepaid taxes other than income tax	5,476	6,283	6,634
Total current other assets	**373,070**	**371,747**	**364,802**
Non-current other assets			
Assets repossessed from terminated leases	3,543	16,531	10,224
Prepayments for construction in progress	37,713	22,460	5,757
Prepaid insurance of leasing assets	828	-	2,038
Assets purchased for leasing purposes	923	1,049	313
Insurance and reinsurance contract assets	9,151	6,155*	6,338*
Other	6,249	4,986*	3,637*
Total non-current other assets	**58,407**	**51,181***	**28,307***
Total other assets	**431,477**	**422,928***	**393,109***

*Certain amounts do not correspond to the 2022 and 2021 consolidated financial statements as they reflect the certain restatements due to IFRS 17 adoption as described in Note 4

Repossessed collateral represents tangible assets acquired by the Group in settlement of defaulted loans, which is expected to be disposed in a foreseeable future. The assets do not meet the definition of non-current assets held for sale and are classified as inventories in accordance with IAS 2 "Inventories". The assets were initially recognised at the lower of cost and net realisable value when acquired. In 2023, collaterals repossessed for settlement of defaulted loans amounted to GEL 97,602 thousand (2022: GEL 98,289 thousand).

For certain repossessed collateral, the Group has granted previous owners a right to repurchase the repossessed collateral at prices equal to or higher than the carrying value of the loan at the date of repossession. This right is usually effective for a period of 6 to 24 months from the repossession date, during this time the repossessed collateral may not be disposed to third parties. In some cases prolongation of repurchase right is offered to the owners of the property. As at 31 December 2023, the carrying value of the repossessed collaterals subjected to the repurchase agreement was GEL 116,087 thousand (2022: 143,780 GEL thousand).

16. PREMISES, EQUIPMENT AND INTANGIBLE ASSETS

in thousands of GEL	Land, premises and leasehold improvements	Office and other equipment*	Construction in progress	Total premises and equipment	Intangible assets	Total
At cost						
1 January 2022	**205,892**	**294,568**	**110,489**	**610,949**	**450,482**	**1,061,431**
Additions	19,398	66,186	27,568	113,152	114,805	**227,957**
Transfers within premises and equipment	4,704	(198)	(4,506)	-	-	**-**
Disposals	(10,925)	(21,382)	(3,544)	(35,851)	(5,133)	**(40,984)**
Reclassification to right of use assets	(20,813)	-	-	(20,813)	-	**(20,813)**
Impairment (charge)/reversal	746	349	-	1,095	(404)	**691**
Effect of translation to presentation currency	(106)	(1,862)	(232)	(2,200)	(203)	**(2,403)**
31 December 2022	**198,896**	**337,661**	**129,775**	**666,332**	**559,547**	**1,225,879**
Additions	6,797	61,718	46,607	115,122	148,184	**263,306**
Transfers within premises and equipment	2,716	(2,450)	(266)	-	-	**-**
Disposals	(3,015)	(7,360)	(247)	(10,622)	(583)	**(11,205)**
Impairment reversal/(charge)	519	256	(473)	302	-	**302**
Effect of translation to presentation currency	(5)	(1,726)	(54)	(1,785)	(2,083)	**(3,868)**
31 December 2023	**205,908**	**388,099**	**175,342**	**769,349**	**705,065**	**1,474,414**
Accumulated depreciation / amortisation						
1 January 2022	**(46,144)**	**(172,299)**	**-**	**(218,443)**	**(130,519)**	**(348,962)**
Depreciation / amortisation charge	(5,134)	(23,149)	-	(28,283)	(50,889)	**(79,172)**
Elimination of accumulated depreciation of reclassification to right of use assets	9,249	-	-	9,249	-	**9,249**
Elimination of accumulated depreciation / amortisation on disposals	1,860	11,552	-	13,412	3,726	**17,138**
Effect of translation to presentation currency	106	513	-	619	1,333	**1,952**
31 December 2022	**(40,063)**	**(183,383)**	**-**	**(223,446)**	**(176,349)**	**(399,795)**
Depreciation / amortisation charge	(3,604)	(25,220)	-	(28,824)	(59,340)	**(88,164)**
Reversal of elimination of accumulated depreciation	(3,299)	(8,083)	-	(11,382)	1,845	**(9,537)**
Transfers within premises and equipment	(842)	842	-	-	-	**-**
Elimination of accumulated depreciation / amortisation on disposals	584	6,532	-	7,116	31	7,147
Effect of translation to presentation currency	17	510	-	527	131	**658**
31 December 2023	**(47,207)**	**(208,802)**	**-**	**(256,009)**	**(233,682)**	**(489,691)**
Carrying amount						
31 December 2022	**158,833**	**154,278**	**129,775**	**442,886**	**383,198**	**826,084**
31 December 2023	**158,701**	**179,297**	**175,342**	**513,340**	**471,383**	**984,723**

*Office and other equipment include furniture and fixtures, computer and office equipment, motor vehicles as well as other equipment.

Construction in progress consists of construction and refurbishment of branch premises and the Bank's new headquarter, that will be transferred to premises upon completion.

17. RIGHT OF USE ASSETS

The Group leases offices, branches and service centres. Rental contracts are typically made for fixed periods of 1 to 14 years.

Leases are recognised as a right-of-use asset and a corresponding liability from the date when the leased asset becomes available for use by the Group.

The movements in right of use of assets are as follows:

in thousands of GEL	2023	2022
Carrying amount at 1 January	**112,625**	**70,513**
Additions of new contracts	31,698	36,200
Increases in value from substantial changes in contractual terms	(3,160)	5,199
Reclassification from premises and equipment	-	11,564
Disposals	(4,675)	(3,759)
Depreciation charge	(28,165)	(21,582)
Elimination of depreciation	11,754	14,490
Carrying amount at 31 December	**120,077**	**112,625**

The lease agreements do not impose any covenants, other than the security interests in the leased assets that are held by the lessor. Leased assets cannot be used as collateral for borrowings.

Expenses relating to short-term leases amounted GEL 1,805 thousand during 2023 (2022: GEL 3,038 thousand) and expenses relating to leases of low-value assets amounted GEL 7,065 thousand during 2023 (2022: GEL 6,025 thousand). These expenses are included in administrative and other operating expenses.

18. GOODWILL

As at 31 December 2023 the carrying amount of Goodwill represented GEL 59,964 thousand (2022: GEL 59,964 thousand).

Goodwill Impairment Test

Goodwill is allocated to cash-generating units (CGUs, which represent the lowest level within the Group at which the goodwill is monitored by the Management and which are not larger than a segment) as follows:

in thousands of GEL	31 December 2023	31 December 2022
Bank Republic JSC	**24,166**	**24,166**
Bank Republic Retail	11,088	11,088
Bank Republic Corporate	7,491	7,491
Bank Republic MSME	4,791	4,791
Bank Republic Other	796	796
My.ge LLC	15,812	15,812
Inspired LLC	14,015	14,015
Other	5,971	5,971
Total carrying amount of goodwill	**59,964**	**59,964**

The recoverable amount of each CGU was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets covering a three-year period. Cash flows beyond the three-year period are extrapolated using the estimated growth rates stated below, which is relevant for the market, where CGU is operating.

18. GOODWILL CONTINUED

Key assumptions used for value-in-use calculations is following:

in thousands of GEL	31 December 2023	31 December 2022
Bank Republic JSC*		
Growth rate applied to free cash flow to equity beyond three years	5.2% p.a.	5.2% p.a.
Pre-tax discount rate	14.0% p.a.	14.7% p.a.
My.ge LLC		
Growth rate applied to free cash flow to equity beyond three years	5.2% p.a.	5.2% p.a.
Pre-tax discount rate	16.2% p.a.	29.3% p.a.
Inspired LLC		
Growth rate applied to free cash flow to equity beyond three years	5.5% p.a.	5.0% p.a.
Pre-tax discount rate	20.1% p.a.	20.5% p.a.

*Assumptions related to Bank Republic JSC are similar for all related CGU's.

Pre-tax discount rate used for value-in-use calculations is the assumption to which the recoverable amount is most sensitive. The management determined the budgeted gross margin based on past performance and its market expectations. The weighted average long term growth rates used are consistent with the forecasts included in the industry reports. The discount rates reflect specific risks related to the relevant CGUs.

If the revised estimated pre-tax discount rate applied to the discounted cash flows of CGU Bank Republic Retail had been 10% higher than the management's estimates or growth rate beyond three years of free cash flow to equity had been 10% lower, the Group would not need to reduce the carrying value of goodwill or carrying value of net assets of the CGU. Recoverable amount of Bank Republic Retail CGU exceeds its carrying amount by GEL 4,014,022 thousand (2022: 3,253,314 GEL thousand). The CGU's carrying amount would equal its value in use at a discount rate of 36.77% p.a. (2022: 35.72% p.a.).

If the revised estimated pre-tax discount rate applied to the discounted cash flows of CGU Bank Republic Corporate had been 10% higher than the management's estimates or growth rate beyond three years of free cash flow to equity had been 10% lower, the Group would not need to reduce the carrying value of goodwill or carrying value of net assets of the CGU. Recoverable amount of Bank Republic Corporate CGU exceeds its carrying amount by GEL 5,264,087 thousand (2022: GEL 3,793,123 thousand). The CGU's carrying amount would equal its value in use at a discount rate of 36.29% p.a. (2022: 34.99% p.a.).

If the revised estimated pre-tax discount rate applied to the discounted cash flows of CGU Bank Republic MSME had been 10% higher than the management's estimates or growth rate beyond three years of free cash flow to equity had been 10% lower, the Group would not need to reduce the carrying value of goodwill or carrying value of net assets of the CGU. Recoverable amount of Bank Republic MSME CGU exceeds its carrying amount by GEL 1,465,722 thousand (2022: GEL 1,073,190 thousand). The CGU's carrying amount would equal its value in use at a discount rate of 25.62% p.a. (2022: 25.00% p.a.).

If the revised estimated pre-tax discount rate applied to the discounted cash flows of LLC My.ge had been 10% higher than the management's estimates or growth rate beyond three years of free cash flow to equity had been 10% lower, the Group would not need to reduce the carrying value of goodwill or carrying value of net assets of the CGU. Recoverable amount of LLC My.ge CGU exceeds its carrying amount by GEL 15,305 thousand (2022: 25,847 GEL thousand). The CGU's carrying amount would equal its value in use at a discount rate of 21.19% p.a. (2022: 41.84% p.a.).

If the revised estimated pre-tax discount rate applied to the discounted cash flows of Inspired LLC had been 10% higher than the management's estimates or growth rate beyond three years of free cash flow to equity had been 10% lower, the Group would not need to reduce the carrying value of goodwill or carrying value of net assets of the CGU. Recoverable amount of Inspired LLC CGU exceeds its carrying amount by GEL 440,418 thousand (2022: GEL 553,323 thousand). The CGU's carrying amount would equal its value in use at a discount rate of 188.01% p.a. (2022: 176.39%p.a.).

18. GOODWILL CONTINUED

For stand-alone financial statements the Management has also reviewed the subsidiaries investments for potential impairment. The Management has reviewed any qualitative indicators of potential impairment and if there were any, has additionally performed quantitative test. For quantitative impairment exercise, the Company has determined future cash flows based on budgeted results and long term growth rates for each industry. Pre-tax discount rate used for value-in-use calculations is the assumption to which the recoverable amount is most sensitive. The discount rates reflect specific risks related to the relevant CGUs. As a result of this exercise, none of the investments has revealed the impairment needs.

19. DUE TO CREDIT INSTITUTIONS

in thousands of GEL	31 December 2023	31 December 2022
Due to other banks		
Correspondent accounts and overnight placements	247,064	334,081
Deposits from banks	642,493	41,957
Sale and repurchase agreements with other banks	-	262,415
Total due to other banks	**889,557**	**638,453**
Other borrowed funds		
Borrowings from foreign banks and international financial institutions	2,337,897	2,192,451
Borrowings from other local banks and financial institutions	46,973	79,222
Borrowings from National Bank of Georgia	1,120,755	1,030,534
Total other borrowed funds	**3,505,625**	**3,302,207**
Total amounts due to credit institutions	**4,395,182**	**3,940,660**

Refer to Note 38 for the disclosure of the maturity analysis of Due to credit institutions.

Refer to Note 12 for Investment securities measured at FVOCI sold under sale and repurchase agreements.

As of 31 December 2023, no borrowings from other local banks and financial institutions is attributable to separate TBC Bank Group PLC (2022: GEL 44,983 thousand).

20. CUSTOMER ACCOUNTS

in thousands of GEL	31 December 2023	31 December 2022
State and public organisations		
Current/settlement accounts	1,129,559	1,053,255
Term deposits	558,197	553,743
Other legal entities		
Current/settlement accounts	7,111,063	5,752,571
Term deposits	1,164,425	1,236,063
Individuals		
Current/settlement accounts	5,326,763	5,375,570
Term deposits	5,085,491	4,065,331
Total customer accounts	**20,375,498**	**18,036,533**

20. CUSTOMER ACCOUNTS CONTINUED

State and public organisations include government owned profit orientated businesses.

Economic sector concentrations within customer accounts are as follows:

	31 December 2023		31 December 2022	
in thousands of GEL	Amount	%	Amount	%
Individuals	10,410,421	51%	9,432,022	52%
Trade	1,798,254	9%	1,568,181	9%
Financial services	1,700,448	8%	1,164,373	6%
Energy & utilities	920,555	5%	1,073,229	6%
Government sector	825,041	4%	623,953	3%
Construction	755,125	4%	773,603	4%
Services	753,492	4%	828,692	5%
Transportation	708,923	3%	452,229	3%
Real estate	545,278	3%	545,959	3%
Hospitality & leisure	228,611	1%	223,906	1%
Healthcare	206,274	1%	169,611	1%
Agriculture	77,871	0%	77,068	1%
Metals and mining	23,321	0%	26,514	0%
Other	1,421,884	7%	1,077,193	6%
Total customer accounts	**20,375,498**	**100%**	**18,036,533**	**100%**

As of 31 December 2023, the Group had 154 customers (2022: 154 customers) with balances above GEL 10,000 thousand. Their aggregate balance was GEL 7,281,004 thousand (2022: GEL 6,275,976 thousand) or 35.7% of total customer accounts (2022: 34.8%).

As of 31 December 2023, included in customer accounts are deposits of GEL 146,550 thousand and GEL 208,214 thousand (2022: GEL 72,591 thousand and GEL 188,699 thousand) held as collateral for irrevocable commitments under letters of credit and guarantees issued, respectively. The latter is discussed in Note 39. As of 31 December 2023, deposits held as collateral for loans to customers amounted to GEL 784,512 thousand (2022: GEL 478,295 thousand).

Refer to Note 43 for the disclosure of the fair value of each class of customer accounts. Information on related party balances is disclosed in Note 45.

21. DEBT SECURITIES IN ISSUE

in thousands of GEL	Currency	Carrying amount as of 31 December 2023	Maturity Date	Coupon rate	Effective interest rate
Bonds issued on Irish Stock Exchange	USD	613,238	6/19/2024	5.8%	6.5%
Bonds issued on Irish Stock Exchange	USD	342,372	10/3/2024	10.8%	11.4%
Bonds issued on Irish Stock Exchange	USD	204,643	2/4/2027	8.9%	9.9%
Private placement	USD	18,214	4/29/2030	8.0%	8.5%
Private placement	USD	84,064	8/18/2024	5.00%	5.5%
Private placement	USD	41,079	5/11/2024	6.00%	6.6%
Private placement	USD	40,427	3/20/2026	7.00%	7.6%
Bonds issued on Georgian Stock Exchange	GEL	68,710	3/20/2026	TIBR 3M+2.75%	14.17%
Bonds issued on Georgian Stock Exchange	GEL	10,171	6/27/2026	TIBR 3M+2.75%	14.08%
Baku Stock Exchange CJSC	AZN	1,593	6/6/2024	12.0%	12.4%
Baku Stock Exchange CJSC	AZN	1,663	7/15/2024	12.0%	12.4%
Total debt securities in issue		**1,426,174**			

in thousands of GEL	Currency	Carrying amount as of 31 December 2022	Maturity Date	Coupon rate	Effective interest rate
Bonds issued on Irish Stock Exchange	USD	614,748	6/19/2024	5.80%	6.40%
Bonds issued on Irish Stock Exchange	USD	342,698	10/3/2024	10.80%	11.40%
Bonds issued on Irish Stock Exchange	USD	204,477	2/4/2027	8.90%	9.90%
Private placement	USD	84,766	8/18/2024	5.00%	5.40%
Private placement	USD	40,838	5/11/2024	6.00%	6.10%
Bonds issued on Georgian Stock Exchange JSC	GEL	38,550	3/20/2023	TIBR 3M+3.25%	12.50%
Private placement	USD	27,349	3/19/2023	6.50%	7.10%
Baku Stock Exchange CJSC	AZN	4,904	9/23/2023	12.00%	12.40%
Baku Stock Exchange CJSC	AZN	1,652	6/6/2024	12.00%	12.40%
Baku Stock Exchange CJSC	AZN	1,591	7/15/2024	12.00%	12.40%
Total debt securities in issue		**1,361,573**			

On 20 March 2023 the TBC Bank Group PLC completed the transaction of USD 15 million 3-year 7% senior unsecured bonds issue (the “Notes”). The private placement is direct, unsecured and unsubordinated obligations of the Group, issued in Georgia.

On 20 March 2023, TBC Leasing JSC placed senior secured bonds of amount GEL 100 million on the Georgian Stock Exchange JSC out of which as of 30 June 2023 GEL 88.71 million was sold to investors. The coupon rate of securities is variable, 2.75% added to the 3-month Tbilisi Interbank Interest rate. Fitch rates the bonds ‘BB-‘.

On 27 April 2023, the Bank has issued USD 30 million 7-year, 8% Subordinated notes, through the private placement, out of which as of 30 June 2023 USD 6.7 million was sold to investors.

On 28 June 2023, TBC Leasing JSC issued Green Bonds of amount GEL 15 million on the Georgian Stock Exchange JSC. The coupon rate of securities is variable, 2.75% added to the 3-month Tbilisi Interbank Interest rate. Fitch rates the bonds ‘BB-‘.

On 14 July 2022 the TBC Kredit LLC issued interest-baring paperless unsecured bond in the amount of AZN 1 million, with 2 year maturity at 12%.

21. DEBT SECURITIES IN ISSUE CONTINUED

On 7 June 2022 the TBC Kredit LLC issued interest-baring paperless unsecured bond in the amount of AZN 1 million, with 2 year maturity at 12%.

On 12 May 2022 the TBC Bank Group PLC completed the transaction of USD 15 million 2-year 6% senior unsecured bonds issue (the “Notes”). The private placement is direct, unsecured and unsubordinated obligations of the Group, issued in Georgia.

On 6 April 2022 the Bank completed the partial redemption of 2019 issued senior bond in the amount of USD 55 million. Consideration paid amounted to USD 52 million. The difference between amount paid and amortised cost of the bond adjusted with transaction fee was accounted as a gain on extinguishment of debt in the amount of USD 2 million recognized within other operating income.

On 28 October 2021, the Bank completed the transaction of USD 75 million 8.894% yield Additional Tier 1 Capital Perpetual Subordinated Notes issue (“AT1 Notes”) and successfully returned to the international capital markets. The AT1 Notes are listed on the regulated market of Euronext Dublin and are rated B- by Fitch.

On 23 September 2021 the TBC Kredit LLC issued interest-baring paperless unsecured bond in the amount of AZN 1 million, with 2 year maturity at 12%.

On 18 August 2021 the TBC Bank Group PLC completed the transaction of USD 31 million 3-year 5% senior unsecured bonds issue (the “Notes”). The private placement is direct, unsecured and unsubordinated obligations of the Group.

On 3 July 2019 the Bank completed the transaction of a debut inaugural USD 125 million 10.75% yield Additional Tier 1 Capital Perpetual Subordinated Notes issue (“AT1 Notes”). The AT1 Notes are listed on the regulated market of Euronext Dublin and are rated B- by Fitch. The AT1 Notes have been simultaneously listed on JSC Georgian Stock Exchange, making it the first dual-listed international offering of additional Tier 1 Capital Notes from Georgia.

On 19 June 2019 the Bank completed the transaction of a debut USD 300 million 5-year 5.75% senior unsecured bonds issue. The Notes are listed on the regulated market of Euronext Dublin and are rated Ba2 by Moody’s and BB- by Fitch. The Notes have been simultaneously listed on JSC Georgian Stock Exchange, making it the first dual-listed international offering of senior unsecured Notes from Georgia.

22. PROVISION FOR LIABILITIES AND CHARGES

Movements in credit loss allowance for performance guarantees, credit related commitment and liabilities and charges are as follows:

in thousands of GEL	Performance guarantees	Credit related commitments	Provision for other liabilities and charges	Provision related to insurance activities	Total
Carrying amount as of 31 December 2021	**4,620**	**3,624**	**7,602**	**9,512**	**25,358**
Impact of adopting IFRS 17*	-	-	-	(9,512)	**(9,512)**
Carrying amount as of 1 January 2022	**4,620**	**3,624**	**7,602**	**-**	**15,846**
Charges/(releases) recorded in profit or loss	2,931	(210)	2,200	-	**4,921**
Foreign exchange movements	(345)	(237)	(277)	-	**(859)**
Carrying amount as of 31 December 2022	**7,206**	**3,177**	**9,525**	**-**	**19,908**
Charges less releases recorded in profit or loss	1,381	(477)	155	-	**1,059**
Foreign exchange movements	8	(2)	87	-	**93**
Carrying amount at 31 December 2023	**8,595**	**2,698**	**9,767**	**-**	**21,060**

*For details of IFRS 17 adoption please refer to note 4

Credit related commitments and performance guarantees: Impairment allowance estimation methods differ for (i) letter of credits and guarantees and (ii) undrawn credit lines. For letter of credits and guarantees allowance estimation purposes the Group applies the staged approach and classifies them in stage 1, stage 2 or stage 3. Significant stage 2 and 3 guarantees are assessed individually. Non-significant stage 3 as well as all stage 1 and stage 2 guarantees and

22. PROVISION FOR LIABILITIES AND CHARGES CONTINUED

letter of credits are assessed collectively using exposure, marginal probability of conversion, loss given default and discount factor. Amount of the expected allowance differs based on the classification of the facility in the respective stage.

For impairment allowance assessment purposes for undrawn exposures the Group distinguishes between revocable and irrevocable loan commitments. For revocable commitments the Group does not create impairment allowance. As for the irrevocable undisbursed exposures the Group estimates utilization parameter (which represents expected limit utilization percentage conditional on the default event) in order to convert off-balance part of the exposure to on-balance

23. OTHER FINANCIAL LIABILITIES

Other financial liabilities comprise the following:

in thousands of GEL	31 December 2023	31 December 2022(restated)	1 January 2022(restated)
Trade payables	87,055	50,299	29,988
Derivative financial liabilities	62,124	72,188	9,727
Payables to plastic card service providers	34,628	22,785	28,963
Insurance contract liabilities	29,941	27,091*	19,996*
Liabilities for leasing activities	28,428	38,747	18,295
Transfers in transit	15,424	43,905	15,136
Reinsurance contract liabilities	14,469	6,945*	3,599*
Payable to deposit insurance agency	1,385	1,365	1,033
Prepayments related to guarantees	471	804	516
Security deposits for finance lease receivables	467	137	906
Liabilities related to co-financing of hotels and restaurants sectors	1	550	1,638
Other accrued liabilities	84,129	29,730	23,582
Total other financial liabilities	**358,522**	**294,546***	**153,379***

*Certain amounts do not correspond to the 2022 and 2021 consolidated financial statements as they reflect the certain restatements due to IFRS 17 adoption as described in Note 4.

Refer to Note 43 for disclosure of the fair value of other financial liabilities.

24. OTHER LIABILITIES

Other liabilities comprise the following:

in thousands of GEL	31 December 2023	31 December 2022(restated)	1 January 2022(restated)
Accrued employee benefit costs	76,529	61,713	51,075
Advances received	18,992	15,003	13,595
Taxes payable other than on income	17,902	5,532	17,938
Other	9,795	19,488	11,041
Total other liabilities	**123,218**	**101,736***	**93,649***

*Certain amounts do not correspond to the 2022 and 2021 consolidated financial statements as they reflect the certain restatements due to IFRS 17 adoption as described in Note 4.

All of the above liabilities are expected to be settled within twelve months after the year-end.

25. SUBORDINATED DEBT

As of 31 December 2023, subordinated debt comprised of:

in thousands of GEL	Grant Date	Maturity Date	Currency	Agreement Interest Rate	Outstanding amount in original currency	Outstanding amount in GEL
Asian Development Bank	10/18/2016	12/31/2026	USD	10.1%	50,841	136,732
DEG	9/26/2023	9/26/2033	EUR	9.7%	30,474	90,669
EBRD London	11/20/2023	11/21/2033	USD	11.4%	30,068	80,864
Global Climate Partnership Fund	11/20/2018	11/20/2028	USD	11.8%	25,127	67,576
European Fund for Southeast Europe	12/21/2018	12/21/2028	USD	8.8%	20,079	53,999
BlueOrchard Microfinance Fund	06/09/2023	06/09/2033	USD	11.5%	19,931	53,604
Green for Growth Fund	12/18/2015	12/16/2030	USD	11.8%	15,458	41,572
BlueOrchard Microfinance Fund	12/14/2018	12/15/2025	USD	9.3%	15,008	40,363
BlueOrchard Microfinance Fund	12/14/2018	12/14/2028	USD	9.3%	14,983	40,296
European Fund for Southeast Europe	12/18/2015	12/16/2030	USD	11.8%	7,728	20,785
European Fund for Southeast Europe	3/15/2016	3/17/2031	USD	11.8%	7,727	20,780
ResponsAbility SICAV (Lux) - Micro and SME Finance Fund	11/30/2018	11/30/2028	USD	11.9%	5,958	16,025
ResponsAbility SICAV (Lux) -' Micro and SME Finance Fund	04/07/2022	04/07/2032	USD	11.4%	5,184	13,943
ResponsAbility SICAV (Lux) - Micro and SME Finance Leaders	04/07/2022	04/07/2032	USD	11.4%	4,168	11,209
ResponsAbility SICAV (Lux) - Financial Inclusion Fund	04/07/2022	04/07/2032	USD	11.4%	3,965	10,662
ResponsAbility SICAV (Lux) - Financial Inclusion Fund	11/30/2018	11/30/2028	USD	11.9%	3,130	8,418
Triple Jump Innovation Fund	3/14/2023	4/15/2028	USD	9.0%	3,097	8,330
ResponsAbility SICAV (Lux) - Micro and SME Finance Leaders	04/07/2022	04/07/2032	USD	11.4%	1,931	5,194
ResponsAbility SICAV (Lux) - Microfinance Leaders	11/30/2018	11/30/2028	USD	11.9%	1,010	2,716
Private Lenders	06/08/2017-08/08/2023	11/18/2024-08/08/2031	USD	8-9.5%	53,913	144,993
Total subordinated debt						**868,730**

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

25. SUBORDINATED DEBT CONTINUED

As of 31 December 2022, subordinated debt comprised of:

in thousands of GEL	Grant Date	Maturity Date	Currency	Agreement Interest Rate	Outstanding amount in original currency	Outstanding amount in GEL
Asian Development Bank	10/18/2016	12/31/2026	USD	12.2%	51,001	137,804
Private lenders	6/8/2017-12/6/2022	1/25/2023-3/31/2028	USD	8-9.5%	36,271	98,008
Global Climate Partnership Fund	11/20/2018	11/20/2028	USD	9.2%	25,097	67,813
European Fund for Southeast Europe	12/21/2018	12/21/2028	USD	8.8%	20,079	54,252
Green for Growth Fund	12/18/2015	12/16/2030	USD	9.7%	15,359	41,501
BlueOrchard Microfinance Fund	12/14/2018	12/15/2025	USD	9.3%	14,986	40,492
BlueOrchard Microfinance Fund	12/14/2018	12/14/2028	USD	9.3%	14,968	40,443
European Fund for Southeast Europe	12/18/2015	12/16/2030	USD	9.7%	7,679	20,749
European Fund for Southeast Europe	3/15/2016	3/17/2031	USD	9.7%	7,678	20,745
ResponsAbility SICAV (Lux) Micro and SME Finance Leaders	4/7/2022	4/7/2032	USD	9.9%	6,080	16,428
ResponsAbility SICAV (Lux) Micro and SME Finance Fund	11/30/2018	11/30/2028	USD	11.3%	5,955	16,091
ResponsAbility SICAV (Lux) Micro and SME Finance Fund	4/7/2022	4/7/2032	USD	9.9%	5,168	13,964
ResponsAbility SICAV (Lux) - Financial Inclusion Fund	4/7/2022	4/7/2032	USD	9.9%	3,952	10,679
ResponsAbility SICAV (Lux) - Financial Inclusion Fund	11/30/2018	11/30/2028	USD	11.3%	3,128	8,453
ResponsAbility SICAV (Lux) - Microfinance Leaders	11/30/2018	11/30/2028	USD	11.3%	1,009	2,726
Total subordinated debt						**590,148**

The debt ranks after all other creditors in case of liquidation, except AT1 Notes listed in note 21.

Refer to Note 43 for the disclosure of the fair value of subordinated debt. Information on related party balances is disclosed in Note 45.

26. EQUITY

Share capital

in thousands of GEL, unless otherwise indicated	Number of ordinary shares	Share Capital
As of 1 January 2022	**55,155,896**	**1,682**
Scrip dividend issued	536,515	18
Shares cancelled	(589,645)	(19)
As of 31 December 2022	**55,102,766**	**1,681**
Scrip dividend issued	402,245	13
Shares cancelled	(111,347)	(4)
As of 31 December 2023	**55,393,664**	**1,690**

As of 31 December 2023, the total authorised number of ordinary shares was 55,393,664 shares (31 December 2022: 55,102,766 shares). Each share has a nominal value of one British Penny. All issued ordinary shares are fully paid and entitled to dividends.

Dividends

in thousands of GEL	2023	2022
Dividends payable at 1 January	-	-
Interim dividend:		
Dividends declared during the year	137,718	137,629
Dividends paid during the year:	(137,718)	(137,629)
Scrip dividends	(22,683)	(12,075)
Dividends paid in cash	(115,035)	(125,554)
Prior year final dividend:		
Dividends declared during the year	159,976	118,653
Dividends paid during the year:	(159,976)	(118,653)
Scrip dividends	(11,216)	(15,366)
Dividends paid in cash	(148,760)	(103,287)
Dividends payable at 31 December	-	-

All dividends declared in GEL and paid in GBP.

On 10 August 2023, TBC Bank Group PLC's Board of directors declared an interim dividend of GEL 2.55 per share payable by cash or shares (under TBC Bank Group PLC's SCRIP dividend program) at the option of the Shareholders. The record date was on 8 September 2023 and dividend was paid on 13 October 2023. As a result, the company has issued additional 253,448 shares to meet requests of those shareholders who opted to share dividend.

On 18 April 2023, TBC Bank Group PLC's Board of directors declared a final dividend of GEL 2.95 per share payable by cash or shares (under TBC Bank Group PLC's scrip dividend program) at the option of the Shareholders. The record date was on 12 May 2023 and dividend was paid on 14 June 2023. As a result, the company has issued additional 148,797 shares to meet requests of those shareholders who opted to share dividend.

On 12 August 2022, TBC Bank Group PLC's Board of directors declared an interim dividend of GEL 2.5 per share payable by cash or shares (under TBC Bank Group PLC's scrip dividend program) at the option of the Shareholders. The record date was on 16 September 2022 and dividend was paid on 14 October 2022. As a result, the company has issued additional 212,991 shares to meet requests of those shareholders who opted to share dividend.

26. EQUITY CONTINUED

On 16 June 2022, TBC Bank Group PLC's shareholders passed a resolution to declare a final dividend of GEL 2.16 per share payable by cash or shares (under TBC Bank Group PLC's scrip dividend program) at the option of the Shareholders. The record date was on 17 June 2022 and dividend was paid on 15 July 2022. As a result, the company has issued additional 323,524 shares to meet requests of those shareholders who opted to share dividend.

Shares held by trust

Part of the shares are held by employee benefit trust (EBT) for the purpose of future employee share based payments plan. The EBT has waived its rights to receive dividends on such shares. Information related to the shares held by trust is presented below:

in thousands of GEL, unless otherwise indicated	Number of shares held by trust (Quantity)	Shares held by trust (GEL equivalent)
As of 1 January 2022	**641,391**	**25,489**
Delivery of bonus shares to employees via trust shares	(415,265)	(17,589)
As of 31 December 2022	**226,126**	**7,900**
Purchase of shares by employee benefit trust	666,885	50,102
Share transfer from treasury shares	434,276	24,802
Delivery of bonus shares to employees via trust shares	(194,243)	(7,195)
As of 31 December 2023	**1,133,044**	**75,609**

Merger Reserve

Following a group restructuring occurred in 2016, TBC Bank Group PLC was established as a parent entity of TBC Bank Group JSC and was successfully listed on the London Stock Exchange on 10 August 2016. As a result, the shares of TBC Bank Group JSC have been exchanged for shares of TBC Bank Group PLC for existing shareholders.

Following the admission to the premium listing, TBCG's management undertook a reduction of capital in order to create distributable reserves in TBCG's standalone financial statements: each TBCG share had an original (tender offer) nominal value of GBP 5.00, that was reduced to GBP 0.01 following the capital reduction. The capital reduction created a distributable reserve that was recognised as retained earnings in the standalone statements. Total standalone equity was set at an amount equal to TBC Bank Group JSC's total equity at the moment of reorganisation. The balancing figure to arrive at the total standalone equity after consideration of share capital and retained earnings, was recognised as merger reserve according to Companies Act 2006 section 612 and amounted to GEL 565,029 in the standalone statements.

In the consolidated statements, share capital was recognised with the same amount as recognised in the standalone statements, whilst retained earnings were set at an amount equal to the retained earnings of TBC Bank Group JSC at the moment of reorganisation. The balancing figure to arrive at the total consolidated equity (equal to TBC Bank Group JSC's total equity at the moment of reorganisation), was recognised as merger reserve and amounted to GEL 402,862 in the consolidated statements.

Other reserve

in thousands of GEL	2023	2022
Other reserves at the beginning of the year	**477,329**	**238,455**
Derecognition of redemption liability during the period	(141,234)	-
Remeasurement of redemption liability during the period*	29,385	238,874
Other effects	33	-
Other reserves at the end of the year	**365,513**	**477,329**

*Remeasurement contains the effects of changes of exchange rate, unwinding accrual and expected results.

26. EQUITY CONTINUED

Option agreement with TBC Bank Uzbekistan JSC minority shareholders

In September 2021, the Group entered into the agreement with existing minority interest shareholders of TBC Bank Uzbekistan JSC allowing the parties to exercise call and put options for acquisition of minority shares. As part of the option agreement, the selling shareholders have a put option to sell their remaining minority stake in the TBC Bank Uzbekistan JSC beginning on the sixth anniversary of the date of the Investor Subscription Agreement continuing for so long thereafter as either option-holder holds any option-holder shares or has any obligation to subscribe for any option-holder shares under its Investor Subscription Agreement. At initial recognition, the Group has recognised present value of exercise price to purchase the remaining minority shares as redemption liability, having the offsetting side to other reserves in equity. The liability has been subsequently remeasured as required by IFRS by adjusting liability and other reserve balances.

The non-controlling interest arising from the consolidated financial statements has not been de-recognised in line with IFRS requirements as ownership interest has been retained by minority shareholders.

The redemption liability is carried at amortised cost and interest is unwound as well as subsequent remeasurement effects on each reporting date are recorded through other reserves in equity, as allowed by IFRS for transactions where the non-controlling participants remain exposed to the risks and rewards associated with the subsidiary's shares.

The redemption liability and other reserve balances represented GEL 365,480 thousand as at 31 December 2023 (31 December 2022: 355,424 thousand).

Option agreement with Inspired LLC minority shareholders

In April 2019, the Group entered into the agreement with existing minority interest shareholders of Inspired LLC allowing the parties to exercise call and put options for acquisition of minority shares. As part of the option agreement, the selling shareholders have a put option to sell their remaining minority stake in the Inspired LLC beginning from 48 months to 72 months (inclusive) from the closing date prescribed in the agreement. At initial recognition, the Group has recognised present value of exercise price to purchase the remaining minority shares as redemption liability, having the offsetting side to other reserves in equity. The liability has been subsequently remeasured as required by IFRS by adjusting liability and other reserve balances. Such requirement arises given the put option agreement had been signed with holders of the non-controlling interest (NCI) of subsidiary entity.

The redemption liability is carried at amortised cost and interest is unwound as well as subsequent remeasurement effects on each reporting date are recorded through other reserves in equity, as allowed by IFRS.

In May 2023 TBC Bank Group PLC finalized the acquisition process of the remaining 49% interest of Inspired LLC. The acquisition price paid to minority shareholders amounted to GEL 141,234 thousand. Accordingly, respective redemption liability has been derecognized as it is fully settled at the acquisition date.

27. SHARE BASED PAYMENTS

2022-2024 remuneration scheme:

The current compensation system was approved by shareholders at the TBC Bank Group PLC's Annual General Meeting in June 2021 and came into effect on 1 January 2022. It covers the period 2022-2024 inclusive.

Share salary 2022-2024

The base salary of the executive management board members of the Bank, including TBC Bank Group PLC CEO (the "Top Management") is determined based on market practice and provides with a competitive fixed income to efficiently retain and reward TBC's leadership.

For the CEO (both in his capacity as TBC Bank JSC's and TBC Bank Group PLC's CEO) the base salary comprises cash salary payable in GEL on a monthly basis and share salary. Salary shares are delivered during the first quarter of the second year (i.e. the year after the performance year). The number of shares is calculated based on the average share price of the last 10 days preceding the Remuneration Committee decision date. Shares do not have deferral period, are not subject to malus and claw back or any other restrictions and are vested immediately upon delivery.

The Deputy CEOs' base salary comprises only cash and is payable in GEL on a monthly basis.

Variable Remuneration

Variable remuneration of the Top Management consists of the annual bonus delivered in shares (the "Annual Bonus") and the share awards under Long Term Incentive Plan (the "LTIP Award"). 60% of variable remuneration is LTIP Award and the remaining 40% constitutes the Annual Bonus.

Variable remuneration (Annual Bonus and LTIP Awards) are subject to meeting eligibility "gate KPIs", which, based on the Remuneration Committee's recommendation, can be amended every year by the Board, and will only be paid if the "gate KPIs" are met.

(a) Annual Bonus under Deferred Share plan 2022-2024

Annual Bonus is delivered in TBC PLC shares. The Top Management receives annual bonus entirely in TBC PLC shares and it does not comprise any cash component. The Annual Bonus KPIs are set at the beginning of each year in relation to that year by the Remuneration Committee.

The maximum opportunity of the Annual Bonus for each member of the Top Management is fixed at 135% of fixed salary. For achieving target performance, no more than 50% of the maximum Annual Bonus opportunity is payable. For threshold performance, no Annual Bonus is paid. The number of Shares to be allocated is calculated based on the average share price of the last 10 days preceding the Remuneration Committee's decision date. Annual Bonus share awards are governed by the Deferred Share Plan of TBC PLC as amended from time to time (the "Deferred Share Plan").

The Top Management's Annual Bonus awards are subject to a holding period (but not continued employment) over 2 years period with 50% being released after one year and remaining 50% being released at the end of second year. The Annual Bonus is subject to malus and claw back provisions as described in the Deferred Share Plan. During the holding period, participants are entitled to vote at the shareholder meetings and receive dividends.

(b) Long Term Incentive Plan (LTIP) 2022-2024

Long term incentive plan is used to provide a strong motivational tool to achieve long term performance conditions and to provide rewards to the extent those performance conditions are achieved. Performance conditions are chosen to align the Group's and the Bank's executive directors' interests with strategic objectives of the Group over multi-year periods and encourage a long-term view.

The level of LTIP Award grant is determined pro rata from the LTIP maximum opportunity based on the assessment of the base i.e., prior year's Annual Bonus corporate KPIs performance. LTIP Awards granted will then be subject to 3-year LTIP forward-looking performance conditions and will vest at the end of 5-year period following the grant. LTIP Award forward-looking KPIs are set at the beginning of each year in relation to that year's cycle by the Remuneration Committee.

The maximum opportunity of the LTIP Award in any given year is 161% of salary. 100% of the award will crystalize for achieving the maximum performance set for each measure. At threshold level of performance, for each measure, 25% of the award will crystalize.

27. SHARE BASED PAYMENTS CONTINUED

The Remuneration Committee has the discretion, any time after an award has been granted, to reduce (including to zero) an award if the Remuneration Committee considers that either the underlying financial performance of the Bank or the performance of the individual is such that the level of vesting cannot be justified. The Participants are not entitled to any dividend or voting rights until the LTIP Award vests.

Tabular information on the schemes is given below:

in thousands of GEL, unless otherwise indicated	31 December 2023	31 December 2022
Number of unvested shares at the beginning of the period	**2,044,604**	**2,125,246**
Number of shares granted	433,288	747,074
Change in estimates of number of shares expected to be granted	(534,819)	-
Change in number of shares awarded for 2022 based on actual share price, exchange rate and KPI accomplishment	(95,654)	(35,879)
Number of shares vested	(239,096)	(791,837)
Number of unvested shares at the end of the period	**1,608,323**	**2,044,604**

*The maximum amount is fixed share compensations for deferred for top management, the exact number will be calculated as per policy.

Expense recognised as staff cost during the period was GEL 33,213 thousand (31 December 2022: GEL 26,283 thousand).

The fair value of the employee services received in exchange for the grant of the equity instruments is determined by the nature the award. Currently there are several types of share based award schemes as described above. The deferred share salary and deferred share bonus are the grants of the possible bonus pool amount, which will be based on the performance conditions. The fair value of the award is determined by the present value of the amount as at grant date and probable performance conditions accomplishment. The LTIP is the award of potential maximum share numbers also up to performance conditions. The fair value of the award as at grant date is determined by the grant date share price and probable performance conditions accomplishment. The fair value amount of 2023 performance related grants is GEL 52,153 thousand.

Tax part of the existing bonus system is accounted for both equity and cash settled basis. Cash settled part recognised as liability at the end of 31 December 2023 is GEL 267 thousand (nil on 31 December 2022, as there were no cash settled transactions at that dates).

Staff costs related to equity settled part of the share based payment schemes are recognised in the income statement on a straight line basis over the vesting period of each relevant tranche and corresponding entry is credited to share based payment reserve in equity.

The Group operates employee benefit trust (EBT) set up by the Executive Equity Compensation Trustee – Sanne Fiduciary Services Limited (the "Trustee") which acts as the trustee of the Group's share based payments plan. EBT, under the instruction of the Company, purchases TBC Bank Group PLC's shares from the open market and holds them before they are awarded to participants. Decision on the number of shares to be purchased each year is the remit of the Remuneration Committee of the TBC Bank Group PLC. The shares are presented under Shares held by trust category in the Statement of Financial Position until they are awarded to participants. As at 31 December 2023 the share number held by Trustee was 1,133,044 (31 December 2022: 226,126), which represents 2% of total outstanding shares (31 December 2022:0.4%).

28. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the profit or loss attributable to the owners of the Group by the weighted average number of ordinary shares in issue during the year.

in thousands of GEL	2023	2022
Profit for the year attributable to the owners of the Group	1,124,180	995,206
Weighted average number of ordinary shares in issue	54,192,120	54,852,641
Basic earnings per ordinary share attributable to the owners of the Group (expressed in GEL per share)	**20.74**	**18.14**

Diluted earnings per share are calculated by dividing the profit or loss attributable to owners of the Group by the weighted average number of ordinary shares adjusted for the effects of all dilutive potential ordinary shares during the year. Ordinary shares with dilutive potential represent those shares that were granted to the participants of the share based payments scheme and are not yet distributed.

in thousands of GEL	2023	2022
Profit for the year attributable to the owners of the Group	1,124,180	995,206
Weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares during the period	54,630,904	55,723,499
Diluted earnings per ordinary share attributable to the owners of the Group (expressed in GEL per share)	**20.58**	**17.86**

29. SEGMENT ANALYSIS

The Management Board (the "Board") is the chief operating decision maker (CODM) and it reviews the Group's internal reporting in order to assess the performance and to allocate resources.

Following changes to the Group's strategic focus, the management has reconsidered the existing segmentation of the Group by disclosing two major segments, while other relatively immaterial business directions are all combined into another segment, which is in line with how CODM analyses the Group results and make group level decisions. The segments are aggregated considering the similarity of business nature, geography and other economic characteristics:

According to the updated segment definition starting from 1 January 2023, the operating segments are defined as follows:

Georgian financial services include TBC Bank JSC with its Georgian subsidiaries and JSC TBC Insurance, with its subsidiaries. The Georgia financial service segment consist of three major business sub-segments, while treasury, leasing and insurance businesses are combined into corporate and other sub-segment:

- Corporate – a legal entity/group of affiliated entities with an annual revenue exceeding GEL 20 million or which has been granted facilities of more than GEL 7.5 million. Some other business customers may also be assigned to the CIB segment or transferred to the micro, small and medium enterprises segment on a discretionary basis. In addition, CIB includes Wealth Management private banking services to high-net-worth individuals with a threshold of US$ 250,000 on assets under management (AUM), as well as on discretionary basis;
- Retail – non-business individual customers;
- Micro, small and medium enterprises – business customers who are not included in the CIB segment;
- Corporate center, other and sub-segment eliminations - comprises the treasury operations, TBC Leasing, TBC Insurance and sub-segment eliminations.
- Uzbekistan operations – TBC Bank Uzbekistan with respective subsidiaries and Payme (Inspired LLC);
- Other operations and eliminations – includes non-material or non-financial subsidiaries of the group and intra-group eliminations.

Apart from strategical re-segmentation changes mentioned above, the Group has standard annual re-segmentations, after which some of the clients are reallocated between micro, small and medium enterprises and corporate segments.

29. SEGMENT ANALYSIS CONTINUED

The Board of Directors assesses the performance of the operating segments based on a measure of profit before income tax.

The reportable segments are the same as the operating segments.

No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Group's total revenue in 2023 and 2022.

The vast majority of the Group's revenues are attributable to Georgia. A geographic analysis of origination of the Group's assets and liabilities is given in Note 38.

Allocation of indirect expenses is performed based on drivers identified for each type of cost where possible. If there is no identifiable driver for any type of expense/overhead cost, those expenses are allocated between segments based on the same logic as applied for the expenses with similar nature (e.g. other operating expenses would follow the pattern of closest category of operating expenses).

The intersegment transfer pricing methodology is an internally developed tool founded on matched maturity logics. It is used to effectively manage liquidity and mitigate interest rate risks within the Group. The process entails the corporate centre borrowing monetary amounts (deposits) from different business segments. Compensation for each deposit is based on its specific currency, duration, type, liquidity and capital requirements, ensuring equitable treatment for each segment. In turn, business segments borrow funds from the corporate centre to finance loans and other assets. The pricing for each borrowing transaction is determined based on factors such as the currency, loan type (fixed, floating, mixed interest rates), loan duration, and capital requirement.

A summary of the Group's reportable segments for the years ended 31 December 2023 and 2022 is provided below:

29. SEGMENT ANALYSIS CONTINUED

Segment disclosure below for 2023 is prepared with the effect of 2023 re-segmentations as described above:

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate center, other and sub-segment eliminations	Georgian financial services	Uzbekistan operations	Other operations and intersegment eliminations	Total
Interest income	792,698	879,106	584,108	431,844	2,687,756	253,264	7,036	**2,948,056**
Interest expense	(554,873)	(172,430)	(14,040)	(531,025)	(1,272,368)	(120,556)	(2,345)	**(1,395,269)**
Net interest gains on currency swaps	4,805	644	41	77,611	83,101	(94)	4	**83,011**
Inter-segment interest income/ (expense)	310,127	(197,526)	(236,023)	123,422	-	-	-	**-**
Net interest income	**552,757**	**509,794**	**334,086**	**101,852**	**1,498,489**	**132,614**	**4,695**	**1,635,798**
Fee and commission income	105,418	379,799	87,206	(1,112)	571,311	101,241	3,798	**676,350**
Fee and commission expense	(17,578)	(161,999)	(52,859)	(4,185)	(236,621)	(27,112)	(292)	**(264,025)**
Net fee and commission income/ (expense)	**87,840**	**217,800**	**34,347**	**(5,297)**	**334,690**	**74,129**	**3,506**	**412,325**
Net insurance income	-	-	-	31,557	31,557	-	(267)	**31,290**
Net gains/(losses) from derivatives, foreign currency operations and translation	110,126	85,214	48,535	29,568	273,443	(191)	(16,328)	**256,924**
Net gains from disposal of investment securities measured at fair value through other comprehensive income	-	-	-	5,880	5,880	-	-	**5,880**
Other operating income	7,887	6,289	3,237	5,391	22,804	1,228	6,594	**30,626**
Share of profit of associate	-	-	-	657	657	-	-	**657**
Other operating non-interest income and net insurance income	**118,013**	**91,503**	**51,772**	**73,053**	**334,341**	**1,037**	**(10,001)**	**325,377**
Credit loss (allowance)/recovery for loans to customers	(7,980)	(52,911)	(70,574)	(67)	(131,532)	(32,279)	1,152	**(162,659)**
Credit loss (allowance)/recovery for performance guarantees	(1,500)	-	120	-	(1,380)	-	(1)	**(1,381)**
Credit loss recovery/(allowance) for credit related commitments	264	242	(29)	-	477	-	-	**477**
Credit loss (allowance)/recovery for finance lease receivables	-	-	-	(2,167)	(2,167)	(2,042)	171	**(4,038)**
Credit loss allowance for other financial assets	(6,434)	(83)	-	(2,873)	(9,390)	(553)	-	**(9,943)**
Credit loss recovery for financial assets measured at fair value through other comprehensive income	(63)	-	-	(935)	(998)	(68)	-	**(1,066)**
Net (impairment)/recovery of non-financial assets	(986)	(879)	(276)	1	(2,140)	-	10	**(2,130)**
Operating income after expected credit and non-financial asset impairment losses	**741,911**	**765,466**	**349,446**	**163,567**	**2,020,390**	**172,838**	**(468)**	**2,192,760**
Staff costs	(72,796)	(202,752)	(86,321)	(33,134)	(395,003)	(39,562)	(38,407)	**(472,972)**
Depreciation and amortization	(12,173)	(65,897)	(19,317)	(5,092)	(102,479)	(8,974)	(4,522)	**(115,975)**
Provision for liabilities and charges	-	-	-	(155)	(155)	-	-	**(155)**
Administrative and other operating expenses	(22,013)	(125,580)	(33,178)	(14,073)	(194,844)	(59,230)	(15,751)	**(269,825)**
Operating expenses	**(106,982)**	**(394,229)**	**(138,816)**	**(52,454)**	**(692,481)**	**(107,766)**	**(58,680)**	**(858,927)**
Profit before tax	**634,929**	**371,237**	**210,630**	**111,113**	**1,327,909**	**65,072**	**(59,148)**	**1,333,833**
Income tax expense	(90,565)	(49,322)	(31,362)	(16,719)	(187,968)	(5,743)	(147)	(193,858)
Profit for the year	**544,364**	**321,915**	**179,268**	**94,394**	**1,139,941**	**59,329**	**(59,295)**	**1,139,975**

*The Group has not separated eliminations separately considering their immateriality. Meanwhile other operating income includes intergroup dividends of GEL 720,471 thousand.

29. SEGMENT ANALYSIS CONTINUED

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate center, other*	Eliminations between Georgian financial service companies	Georgian financial services	Uzbekistan operations	Other operations	Eliminations	Total
Total gross loans and advances to customers reported	8,283,723	7,513,229	5,480,822	-	(20,082)	21,257,692	796,930	59,582	(40,525)	**22,073,679**
Total customer accounts reported	10,200,321	7,469,587	1,900,459	515,079	(185,104)	19,900,342	581,483	-	(106,327)	**20,375,498**
Total credit related commitments and performance guarantees	2,831,610	161,874	486,756	-	(1,151)	3,479,089	-	-	-	**3,479,089**

29. SEGMENT ANALYSIS CONTINUED

For comparison purposes segment disclosure below for 2022 is prepared with the effect of 2023 re-segmentations as described above:

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate center, other and sub-segment eliminations	Georgian financial services	Uzbekistan operations	Other operations and intersegment eliminations	Total
Interest income	643,567	816,689	474,468	282,663	2,217,387	106,953	6,498	**2,330,838**
Interest expense	(375,690)	(122,998)	(10,477)	(498,801)	(1,007,966)	(62,033)	(5,498)	**(1,075,497)**
Net interest gains on currency swaps	1,126	98	79	33,408	34,711	-	-	**34,711**
Inter-segment interest income/(expense)	137,990	(254,943)	(231,109)	348,062	-	-	-	**-**
Net interest income/(expense)	**406,993**	**438,846**	**232,961**	**165,332**	**1,244,132**	**44,920**	**1,000**	**1,290,052**
Fee and commission income	89,289	359,949	31,627	(3,250)	477,615	60,841	4,643	**543,099**
Fee and commission expense	(15,434)	(175,863)	(13,820)	(6,353)	(211,470)	(9,105)	142	**(220,433)**
Net fee and commission income/ (expense)	**73,855**	**184,086**	**17,807**	**(9,603)**	**266,145**	**51,736**	**4,785**	**322,666**
Net insurance income	-	-	-	29,392	29,392	-	(189)	**29,203**
Net gains/(losses) from derivatives, foreign currency operations and translation	128,150	91,188	53,425	140,561	413,324	(379)	(14,079)	**398,866**
Net gains from disposal of investment securities measured at fair value through other comprehensive income	3,573	-	-	2,238	5,811	-	-	**5,811**
Other operating income	1,702	6,180	1,230	10,235	19,347	456	4,011	**23,814**
Share of (loss)/profit of associate	(232)	-	-	584	352	-	-	**352**
Other operating non-interest income and net insurance income	**133,193**	**97,368**	**54,655**	**183,010**	**468,226**	**77**	**(10,257)**	**458,046**
Credit loss (allowance)/recovery for loans to customers	2,025	(89,198)	(21,274)	(10)	(108,457)	(13,695)	3,209	**(118,943)**
Credit loss (allowance)/recovery for performance guarantees	(2,831)	(4)	(96)	-	(2,931)	-	-	**(2,931)**
Credit loss recovery/(allowance) for credit related commitments	(58)	345	(77)	-	210	-	-	**210**
Credit loss (allowance)/recovery for finance lease receivables	-	-	-	(226)	(226)	(1,500)	1,006	**(720)**
Credit loss allowance for other financial assets	(1,423)	(1,601)	(416)	(6,101)	(9,541)	(614)	-	**(10,155)**
Credit loss recovery for financial assets measured at fair value through other comprehensive income	84	-	-	778	862	-	-	**862**
Net (impairment)/recovery of non-financial assets	432	(64)	104	(827)	(355)	-	(868)	(1,223)
Operating income after expected credit and non-financial asset impairment losses	**612,270**	**629,778**	**283,664**	**332,353**	**1,858,065**	**80,924**	**(1,125)**	**1,937,864**
Staff costs	(58,944)	(164,777)	(65,784)	(24,782)	(314,287)	(36,501)	(24,028)	**(374,816)**
Depreciation and amortization	(6,664)	(61,530)	(14,377)	(4,937)	(87,508)	(8,291)	(5,398)	**(101,197)**
Provision for liabilities and charges	-	-	-	(2,200)	(2,200)	-	-	**(2,200)**
Administrative and other operating expenses	(23,953)	(102,268)	(27,486)	(14,226)	(167,933)	(34,835)	(10,339)	(213,107)
Operating expenses	**(89,561)**	**(328,575)**	**(107,647)**	**(46,145)**	**(571,928)**	**(79,627)**	**(39,765)**	**(691,320)**
Profit before tax	**522,709**	**301,203**	**176,017**	**286,208**	**1,286,137**	**1,297**	**(40,890)**	**1,246,544**
Income tax expense	(54,272)	(31,275)	(20,037)	(144,409)	(249,993)	6,979	(191)	(243,205)
Profit for the year	**468,437**	**269,928**	**155,980**	**141,799**	**1,036,144**	**8,276**	**(41,081)**	**1,003,339**

*The Group has not separated eliminations separately considering their immateriality. Meanwhile other operating income includes intergroup dividends of GEL 483,061 thousand.

29. SEGMENT ANALYSIS CONTINUED

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate center, other*	Eliminations between Georgian financial service companies	Georgian financial services	Uzbekistan operations	Other operations	Eliminations	Total
Total gross loans and advances to customers reported	6,459,584	6,753,242	4,646,363	-	(19,492)	17,839,697	347,695	17,579	-	**18,204,971**
Total customer accounts reported	9,313,612	6,536,649	1,696,962	412,442	(159,767)	17,799,898	330,976	-	(94,341)	**18,036,533**
Total credit related commitments and performance guarantees	2,636,033	165,807	407,145	-	(1,260)	3,207,725	-	-	-	**3,207,725**

29. SEGMENT ANALYSIS CONTINUED

Segment disclosure below for 2022 is prepared without the effect of 2023 re-segmentations as described above:

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate centre and other operations	Total
Interest income	626,509	902,968	488,321	313,040	**2,330,838**
Interest expense	(362,656)	(179,856)	(11,395)	(521,590)	**(1,075,497)**
Net interest gains on currency swaps	1,074	82	-	33,555	**34,711**
Inter-segment interest income /(expense)	140,947	(254,944)	(234,065)	348,062	**-**
Net interest income	**405,874**	**468,250**	**242,861**	**173,067**	**1,290,052**
Fee and commission income	86,170	356,829	33,404	66,696	**543,099**
Fee and commission expense	(12,280)	(175,877)	(13,255)	(19,021)	**(220,433)**
Net fee and commission income	**73,890**	**180,952**	**20,149**	**47,675**	**322,666**
Net insurance income	-	-	-	29,203	**29,203**
Net gains/(losses) from derivatives, foreign currency operations and translation	126,900	91,233	54,674	126,059	**398,866**
Net gains from disposal of investment securities measured at fair value through other comprehensive income	3,573	-	-	2,238	**5,811**
Other operating income	1,613	6,513	1,412	14,276	**23,814**
Share of profit of associate	(232)	-	-	584	**352**
Other operating non-interest income and net insurance income	**131,854**	**97,746**	**56,086**	**172,360**	**458,046**
Credit loss recovery/(allowance) for loans to customers	2,763	(101,850)	(19,856)	-	**(118,943)**
Credit loss (allowance)/recovery for performance guarantees and credit related commitments	(2,889)	341	(173)	-	**(2,721)**
Credit loss allowance for finance lease receivables	-	-	-	(720)	**(720)**
Credit loss allowance for other financial assets	(1,423)	(1,602)	(416)	(6,714)	**(10,155)**
Credit loss recovery for financial assets measured at fair value through other comprehensive income	79	-	-	783	**862**
Net recovery/(impairment) of non-financial assets	432	(64)	105	(1,696)	**(1,223)**
Operating income after expected credit and non-financial asset impairment losses	**610,580**	**643,773**	**298,756**	**384,755**	**1,937,864**
Staff costs	(61,482)	(167,141)	(66,766)	(79,427)	**(374,816)**
Depreciation and amortization	(6,845)	(61,698)	(14,465)	(18,189)	**(101,197)**
Recovery for provision for liabilities and charges	-	-	-	(2,200)	**(2,200)**
Administrative and other operating expenses	(26,103)	(102,829)	(27,339)	(56,836)	**(213,107)**
Operating expenses	**(94,430)**	**(331,668)**	**(108,570)**	**(156,652)**	**(691,320)**
Profit before tax	**516,150**	**312,105**	**190,186**	**228,103**	**1,246,544**
Income tax expense	(54,289)	(31,274)	(20,038)	(137,604)	**(243,205)**
Profit for the year	**461,861**	**280,831**	**170,148**	**90,499**	**1,003,339**
Total gross loans and advances to customers reported	6,282,469	7,113,087	4,809,415	-	**18,204,971**
Total customer accounts reported	9,001,120	6,866,003	1,756,968	412,442	**18,036,533**
Total credit related commitments and performance guarantees	2,573,585	165,807	468,333	-	**3,207,725**

29. SEGMENT ANALYSIS CONTINUED

Segment disclosure below for 2023 is prepared with the effect of 2023 re-segmentations as described above:

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate centre and other operations	Georgian financial services	Uzbekistan operations	Other operations and intersegment eliminations	Total
- Fee and commission income	105,418	379,799	87,206	(1,112)	571,311	101,241	3,798	**676,350**
- Other operating income	7,887	6,289	3,237	5,391	22,804	1,228	6,594	**30,626**
Total	**113,305**	**386,088**	**90,443**	**4,279**	**594,115**	**102,469**	**10,392**	**706,976**
Timing of revenue recognition:								
- At point in time	113,177	385,333	90,421	4,279	593,210	102,469	10,392	**706,071**
- Over a period of time	128	755	22	-	905	-	-	**905**

*The Group has not separated eliminations separately considering their immateriality. Meanwhile other operating income includes intergroup dividends of GEL 720,471 thousand.

For comparison purposes segment disclosure below for 2022 is prepared with the effect of 2023 re-segmentations as described above:

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate centre and other operations	Georgian financial services	Uzbekistan operations	Other operations and intersegment eliminations	Total
- Fee and commission income	89,645	359,949	31,271	(3,250)	477,615	60,841	4,643	**543,099**
- Other operating income	1,702	6,180	1,231	10,235	19,348	456	4,010	**23,814**
Total	**91,347**	**366,129**	**32,502**	**6,985**	**496,963**	**61,297**	**8,653**	**566,913**
Timing of revenue recognition:								
- At point in time	90,943	365,017	32,449	6,985	495,394	61,297	8,722	565,412
- Over a period of time	404	1,112	53	-	1,569	-	(69)	**1,501**

*The Group has not separated eliminations separately considering their immateriality. Meanwhile other operating income includes intergroup dividends of GEL 483,061 thousand.

30. INTEREST INCOME AND EXPENSE

in thousands of GEL	2023	2022
Interest income calculated using effective interest method		
Loans and advances to customers	2,450,306	1,997,732
Investment securities measured at fair value through other comprehensive income	284,495	196,114
Due from other banks	109,160	54,823
Bonds carried at amortised cost	8,378	8,227
Repurchase receivables	4,544	2,449
Other financial assets	3,553	3,981
Other interest income		
Finance lease receivables	87,620	67,512
Total interest income	**2,948,056**	**2,330,838**
Interest expense		
Customer accounts	(912,137)	(625,664)
Due to credit institutions	(298,032)	(266,828)
Debt securities in issue	(113,016)	(124,617)
Subordinated debt	(67,539)	(53,889)
Other interest expense		
Lease Liabilities	(4,545)	(4,499)
Total interest expense	**(1,395,269)**	**(1,075,497)**
Net interest gains on currency swaps	83,011	34,711
Net interest income	**1,635,798**	**1,290,052**

During 2023 interest accrued on defaulted loans amounted to GEL 37,350 thousand (2022: 32,339 GEL thousand).

During 2023 capitalized interest expense in the amount of GEL 2,391 thousand (2022: GEL 1,794 thousand) was attributable to the development of the Group's headquarter. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is weighted average of interest bearing liabilities by currencies: 9.0% in GEL, 2.1% in USD and 1.0% in EUR. (2022: 8.7% in GEL, 2.3% in USD and 0.6% in EUR). For details of construction in progress please refer to Note 16.

31. FEE AND COMMISSION INCOME AND EXPENSE

Below tables disclose fee and commission income and expense by segments. For the definition of the segments refer to note 29.

2023 *in thousands of GEL*	Retail	Micro, small and medium enterprises	Corporate	Corporate center, other and sub-segment eliminations	Georgian financial services	Uzbekistan operations	Other operations and intersegment eliminations	Total
Fee and commission income in respect of financial instruments not at fair value through profit or loss:								
- Card operations	257,212	53,245	8	(72)	310,393	266	(1,478)	309,181
- Settlement transactions	110,054	17,785	14,215	(91)	141,963	35,210	(108)	177,065
- Guarantees issued	26	6,059	38,607	-	44,692	-	-	44,692
- Cash transactions	4,009	4,935	8,040	-	16,984	60,328	-	77,312
- Issuance of letters of credit	2	120	8,012	(31)	8,103	-	-	8,103
- Foreign exchange operations	114	783	4,546	(8)	5,435	-	-	5,435
- Other	8,383	4,279	31,990	(912)	43,740	5,437	5,385	54,562
Total fee and commission income	**379,800**	**87,206**	**105,418**	**(1,114)**	**571,310**	**101,241**	**3,799**	**676,350**
Fee and commission expense in respect of financial instruments not at fair value through profit or loss:								
- Card operations	(141,794)	(33,468)	-	72	(175,190)	(20,174)	(31)	(195,395)
- Settlement transactions	(6,826)	(9,251)	(5,571)	(37)	(21,685)	(2,307)	(36)	(24,028)
- Cash transactions	(5,515)	(2,584)	(6,346)	(3,143)	(17,588)	-	32	(17,556)
- Guarantees received	-	(276)	(1,706)	93	(1,889)	-	-	(1,889)
- Letters of credit	-	(38)	(2,517)	(3)	(2,558)	-	-	(2,558)
- Foreign exchange operations	(8)	-	-	8	-	-	(10)	(10)
- Other	(7,856)	(7,242)	(1,438)	(1,174)	(17,710)	(4,631)	(248)	(22,589)
Total fee and commission expense	**(161,999)**	**(52,859)**	**(17,578)**	**(4,184)**	**(236,620)**	**(27,112)**	**(293)**	**(264,025)**
Net fee and commission income	**217,801**	**34,347**	**87,840**	**(5,298)**	**334,690**	**74,129**	**3,506**	**412,325**

31. FEE AND COMMISSION INCOME AND EXPENSE CONTINUED

2022* *in thousands of GEL*	Retail	Micro, small and medium enterprises	Corporate	Corporate center, other and sub-segment eliminations	Georgian financial services	Uzbekistan operations	Other operations and intersegment eliminations	Total
Fee and commission income in respect of financial instruments not at fair value through profit or loss:								
- Card operations	252,734	-	-	(3,124)	249,610	39	(580)	249,069
- Settlement transactions	94,986	16,163	13,195	(103)	124,241	53,397	(98)	177,540
- Guarantees issued	49	5,438	35,069	3	40,559	-	-	40,559
- Cash transactions	6,024	5,792	5,403	-	17,219	3,131	(2)	20,348
- Issuance of letters of credit	-	81	6,779	(45)	6,815	-	-	6,815
- Foreign exchange operations	153	757	5,243	18	6,171	-	-	6,171
- Other	6,002	3,395	23,600	1	32,998	4,275	5,324	42,597
Total fee and commission income	**359,948**	**31,626**	**89,289**	**(3,250)**	**477,613**	**60,842**	**4,644**	**543,099**
Fee and commission expense in respect of financial instruments not at fair value through profit or loss:								
- Card operations	(155,581)	-	-	3,124	(152,457)	(1,778)	(171)	(154,406)
- Settlement transactions	(6,886)	(9,534)	(5,738)	(19)	(22,177)	-	(44)	(22,221)
- Cash transactions	(4,162)	(3,554)	(1,052)	(9,692)	(18,460)	-	17	(18,443)
- Guarantees received	(9)	(590)	(3,115)	479	(3,235)	-	-	(3,235)
- Letters of credit	-	(19)	(1,240)	3	(1,256)	-	-	(1,256)
- Foreign exchange operations	(39)	(107)	(897)	2	(1,041)	-	(7)	(1,048)
- Other	(9,185)	(16)	(3,392)	(251)	(12,844)	(7,327)	347	(19,824)
Total fee and commission expense	**(175,862)**	**(13,820)**	**(15,434)**	**(6,354)**	**(211,470)**	**(9,105)**	**142**	**(220,433)**
Net fee and commission income	**184,086**	**17,806**	**73,855**	**(9,604)**	**266,143**	**51,737**	**4,786**	**322,666**

* Starting from 2023 fee and commission income and expense are presented by segments.

32. NET GAINS FROM CURRENCY DERIVATIVES, FOREIGN CURRENCY OPERATIONS AND TRANSLATION

Net gains from currency derivatives, foreign currency operations and translation for the following years are as follows:

in thousands of GEL	2023	2022
Net gains from trading in foreign currencies	186,279	117,779
Net gains/(losses) from foreign exchange translation	70,978	280,952
Net gains from derivative financial instruments other than derivatives on foreign currency	(333)	135
Total net gains from currency derivatives, foreign currency operations and translation	**256,924**	**398,866**

33. NET INSURANCE INCOME

Net insurance income for the following years are as follows:

in thousands of GEL	2023	2022
Insurance contract revenue	129,798	111,597
Reinsurance service result	(6,470)	(7,783)
Insurance service claims and expenses incurred	(92,038)	(74,611)
Net insurance income	**31,290**	**29,203**

34. STAFF COSTS

in thousands of GEL	2023	2022
Wages and salaries		
Salaries and bonuses	414,248	333,839
Share based compensation	33,214	26,283
Pension contributions	8,510	6,746
Other compensation cost	17,000	7,948
Salaries and other employee benefits	**472,972**	**374,816**

Share based compensation represents remuneration paid in shares and is excluded as non-cash in the consolidated statement of cash flows. On the other hand, acquisition of treasury shares for share based payment scheme is included as financing activity in the consolidated statement of cash flows.

Breakdown of monthly average number of employees by categories is as follows:

	2023	2022
Headquarters*	4,945	4,513
Branches*	4,070	4,085
Other administrative staff **	1,627	1,471

* Under monthly average number of employees in headquarters and branches employees in TBC Bank JSC, TBC Insurance JSC, TBC bank Uzbekistan JSC and TBC Kredit LLC are considered.
** Employees from other subsidiaries are considered under other administrative staff.

In 2023 monthly average number of employees in TBC Bank Group PLC, as a stand-alone entity, was 10 individuals (2022: 10). Except for 1 person, all other employees represent the directors of the Group. Hence no disclosure is made on breakdown of staff cost by its nature.

35. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

in thousands of GEL	2023	2022
Advertising and marketing services	68,462	42,382
Intangible asset maintenance	42,342	28,229
Professional services	39,688	35,786
Taxes other than on income	16,918	13,485
Premises and equipment maintenance	10,562	9,560
Utilities services	9,619	8,830
Communications and supply	9,491	8,665
Rent*	8,870	9,862
Stationery and other office expenses	6,712	7,791
Personnel training and recruitment	6,452	4,850
Representative expenses	4,583	6,144
Business trip expenses	4,259	2,703
Transportation and vehicle maintenance	3,061	3,092
Insurance	2,289	2,450
Security services	2,092	1,669
Charity	1,110	854
Loss on disposal of premises and equipment	1,101	1,138
Loss on disposal of repossessed collateral	727	1,635
Other	31,487	23,982
Total administrative and other operating expenses	**269,825**	**213,107**

*Includes short-term leases, low value leases not recognised under IFRS 16 scope.

35. ADMINISTRATIVE AND OTHER OPERATING EXPENSES CONTINUED

Auditors' remuneration is included within professional services expenses above and comprises:

in thousands of GEL	Audit	Audit Related	Other Services	Total
2023				
Fees payable to the company's auditors and its associates for the audit of parent company and consolidated financial statements	3,130	-	-	**3,130**
Audit of the financial statements of the company's subsidiaries***	1,121	-	-	**1,121**
Audit-related assurance services*	-	347	-	**347**
Other assurance services**	-	-	2,055	**2,055**
Total auditors' remuneration	**4,251**	**347**	**2,055**	**6,653**
2022				
Fees payable to the company's auditors and its associates for the audit of parent company and consolidated financial statements	2,655	-	-	**2,655**
Audit of the financial statements of the company's subsidiaries***	890	-	-	**890**
Audit-related assurance services*	-	315	-	**315**
Other assurance services**	-	-	1,667	**1,667**
Total auditors' remuneration	**3,545**	**315**	**1,667**	**5,527**

*Audit-related assurance services represent fees for the review of the interim financial information of the Group.
**Other assurance services include services provided by audit firms other than of the group auditor.
*** Apart from fees paid to Group auditors for Company's consolidated and stand-alone accounts, the Group auditor performs the audit of 2 subsidiaries TBC Insurance and TBC Bank Uz.

36. INCOME TAXES

Income tax credit/(expense) comprise of the following:

in thousands of GEL	2023	2022
Current tax charge	250,538	148,304
Effect of change in tax legislation	-	112,877
Deferred tax credit	(56,680)	(17,976)
Total income tax expense for the year	**193,858**	**243,205**

In 2022 the Government of Georgia has approved the changes to the current corporate tax model in Georgia for financial institutions applicable from 2023.

According to the announced changes, the financial sector will no longer switch to the Estonian tax model, which was expected to exempt banks from paying corporate taxes on retained earnings and only required a payment of 15% corporate tax rate on distributed earnings.

The change to the corporate taxation model has an immediate impact on deferred tax balances and a corresponding income tax expense, attributable to temporary differences between financial and tax accounting balances, arising from prior periods. In addition to above changes, tax authorities require the banks to reimburse the tax reliefs obtained through previous provisioning and interest income/expense calculation differences caused by differences in tax and IFRS bases.

36. INCOME TAXES CONTINUED

As a result of these changes, in 2022 the Group has recognized net deferred tax liabilities and corresponding deferred tax expense in the amount of GEL 112,877 thousand in the statement of profit and loss.

In addition, with the effect from 2023, the existing corporate tax rate for banks has been increased from 15% to 20%, while dividends will no longer be taxed with 5% dividend tax.

Current income tax liability to the regulatory authorities is generally paid on a quarterly basis. The amount is calculated by dividing previous year current income tax amount by 4 equal portions. The liability is settled in the following year, based on current income tax liability amount as at Year end.

The weighted average income tax rate is 2023: 20% (2022: 15%), when the income tax rate applicable to the majority of subsidiaries income ranged from 15% - 20% (2022: 15% - 20%).

Reconciliation between the expected and the actual taxation (credit)/expense is provided below.

in thousands of GEL	2023	2022
Statutory rate	**20%**	**15%**
Profit before tax	**1,333,833**	**1,246,544**
Theoretical tax charge at weighted average applicable tax rate of 20% (2022: 15%)	267,185	187,504
Tax effect of items which are not deductible or assessable for taxation purposes:		
– Income which is exempt from taxation	(71,984)	(38,693)
– Non-deductible expenses	4,137	(285)
– Effects of changes in tax legislation	(5,094)	94,716
– Other differences	(386)	(37)
Total income tax expense for the year	**193,858**	**243,205**

Differences between financial reporting framework and statutory taxation regulations in Georgia, Azerbaijan and Uzbekistan give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2022: 15%) for Georgia, 20% (2022: 20%) for Azerbaijan, 20% (2022: 20%) for Uzbekistan and 20% (2022: 20%) for United Kingdom.

Income which is exempt from taxation includes interest income from placements in NBG, Georgian Government Treasury bills and IFI securities. Non-deductible expenses include penalties paid and charity expenses towards beneficiary which are not registered charity organizations.

In December 2021, the Organisation for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework (Pillar Two). The group is within the scope of the OECD Pillar Two model rules. Pillar Two legislation was enacted in the UK. The UK Government enacted legislation to implement the global minimum tax rules and a UK domestic minimum tax with effect from 1 January 2024. Under the legislation, the group is liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate.

Since the Pillar Two legislation was not effective at the reporting date, the group has no related current tax exposure. The group applies the exception on recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

All entities within the group have a statutory tax rate that equal or exceed 15% but considering the complexity of the Pillar two model rules there might still be Pillar Two tax implications. The group is in the process of assessing its exposure to the Pillar Two legislation for when it comes into effect. The group is currently engaged with tax specialists to assist it with applying the legislation.

36. INCOME TAXES CONTINUED

Deferred tax assets/liabilities as of 31 December 2023 and 31 December 2022 are the following:

in thousands of GEL	1 January 2023	Credited/ (charged) to profit or loss	Credited/ (charged) to other comprehensive income	Effect of currency translation	31 December 2023
Tax effect of (taxable)/deductible temporary differences and tax loss carry forwards					
Premises and equipment and intangibles	(50,808)	(7,495)	-	91	**(58,212)**
Loans and advances to customers	840	(3,852)	-	(708)	**(3,720)**
Other financial assets	4,805	1,024	(260)	-	**5,569**
Other assets	217	136	-	73	**426**
Other financial liabilities	(723)	418	-	-	**(305)**
Other liabilities	610	1,216	-	(46)	**1,780**
Share based payment	4,302	1,636	-	-	**5,938**
Goodwill	(4,987)	1,585	-	-	**(3,402)**
Investments in associates	(423)	-	-	-	**(423)**
Tax loss carried forward**	14,096	(2,089)	-	(3,215)	**8,792**
One off reimbursement for different tax and IFRS bases	(64,101)	64,101*	-	-	**-**
Net deferred tax asset/(liability)	**(96,172)**	**56,680**	**(260)**	**(3,805)**	**(43,557)**
Recognised deferred tax asset	16,705	(5,500)	-	(3,805)	**7,400**
Recognised deferred tax liability	(112,877)	62,180	(260)	-	**(50,957)**
Net deferred tax asset/(liability)	**(96,172)**	**56,680**	**(260)**	**(3,805)**	**(43,557)**

* The amount had no effect on the consolidated statement of profit and loss and other comprehensive income, as far as, one off deferred tax reimbursements required due to the changes in tax legislation in 2022, has been recorded to current income tax of 2023, leaving no effect on tax expenses.

** Tax loss carried forward is related to operations in Uzbekistan.

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

36. INCOME TAXES CONTINUED

in thousands of GEL	1 January 2022	Credited/ (charged) to profit or loss	Effect of change in tax legislation	Effect of currency translation	31 December 2022
Tax effect of (taxable)/deductible temporary differences and tax loss carry forwards					
Premises and equipment and intangibles	(85)	174	(50,882)	(15)	**(50,808)**
Loans and advances to customers	(13,558)	14,191	-	207	**840**
Other financial assets	4,208	(4,139)	4,736	-	**4,805**
Other assets	(805)	937	64	21	**217**
Due to credit institutions	(368)	368	-	-	**-**
Other financial liabilities	(336)	332	(719)	-	**(723)**
Other liabilities	(485)	2,157	(867)	(195)	**610**
Share based payment	2,695	(2,695)	4,302	-	**4,302**
Finance lease receivables	853	(853)	-	-	**-**
Goodwill	-	-	(4,987)	-	**(4,987)**
Investments in associates	-	-	(423)	-	**(423)**
Tax loss carried forward	9,259	7,504	-	(2,667)	**14,096**
One off reimbursement for different tax and IFRS bases	-	-	(64,101)	-	**(64,101)**
Net deferred tax asset/(liability)	**1,378**	**17,976**	**(112,877)**	**(2,649)**	**(96,172)**
Recognised deferred tax asset	12,357	6,997	-	(2,649)	16,705
Recognised deferred tax liability	(10,979)	10,979	(112,877)	-	(112,877)
Net deferred tax asset/(liability)	**1,378**	**17,976**	**(112,877)**	**(2,649)**	**(96,172)**

In the context of the Group's current structure and Georgian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

37. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below sets out movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

in thousands of GEL	Other borrowed funds	Debt securities in Issue	Subordinated debt	Lease Liabilities	Total
Liabilities from financing activities at 1 January 2022	**2,659,519**	**1,710,288**	**623,647**	**66,167**	**5,059,621**
Proceeds from principal	2,553,646	49,471	62,578	-	**2,665,695**
Redemption of principal	(1,731,799)	(205,898)	(13,710)	(17,081)	**(1,968,488)**
Net interest movement**	5,349	14,191	2,921	282	**22,743**
Other non-cash movements*	-	(6,951)	-	45,103	**38,152**
Foreign exchange adjustments	(184,508)	(199,528)	(85,288)	(9,701)	**(479,025)**
Liabilities from financing activities at 31 December 2022	**3,302,207**	**1,361,573**	**590,148**	**84,770**	**5,338,698**
Proceeds from principal	1,939,443	134,519	287,589	-	**2,361,551**
Redemption of principal	(1,743,653)	(70,927)	(15,867)	(16,554)	**(1,847,001)**
Net interest movement**	4,335	(4,409)	4,355	(337)	**3,944**
Other non-cash movements*	-	-	-	25,017	**25,017**
Foreign exchange adjustments	3,293	5,418	2,505	(1,017)	**10,199**
Liabilities from financing activities at 31 December 2023	**3,505,625**	**1,426,174**	**868,730**	**91,879**	**5,892,408**

* Other non-cash movements represent additions less terminations for finance lease contracts and gain on extinguishment of debt securities in issue.
**Net interest movement includes interest accrued and interest paid. Interest paid on other borrowed funds, debt securities in issue, subordinated debt and lease liabilities is included in operating cash flow interest paid caption.

The reconciliation table includes following movement of separate TBC Bank Group PLC: Proceeds from principal of debt securities in issue GEL 38,699 thousand (GEL 45,967 thousand in 2022), redemption of debt securities in issue GEL 25,800 thousand (nil in 2022), proceeds from principal of other borrowed funds nil (GEL 44,726 thousand in 2022), redemption of other borrowed funds GEL 44,983 thousand (nil in 2022).

38. FINANCIAL AND OTHER RISK MANAGEMENT

Credit Quality

Depending on the type of financial asset the Group may utilize different sources of asset credit quality information including credit ratings assigned by the international rating agencies (Standard & Poor's, Fitch), credit scoring information from credit bureau and internally developed credit ratings. Financial assets are classified in an internally developed credit quality grades by taking into account the internal and external credit quality information in combination with other indicators specific to the particular exposure (e.g. delinquency). The Group uses following credit quality grades:

- Very low risk – exposures demonstrate strong ability to meet financial obligations;
- Low risk – exposures demonstrate adequate ability to meet financial obligations;
- Moderate risk – exposures demonstrate satisfactory ability to meet financial obligations;
- High risk – exposures that require closer monitoring, and
- Default – exposures in default, with observed credit impairment.

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

	Internal rating grades			External ratings	
Credit quality grade	**Rating for consumer loans**	**Ratings for Loans to micro, small and medium enterprises**	**Rating for corporate loans**	**Credit bureau (when applicable)**	**International credit agency ratings (when applicable)**
Very low	1-10	1-2	1-10	A; B; C1; C2; C3	**A1.3; A1.4; A1.5; A2; A3; B1; B2**
Low	11-21	3-5	11-18	A; B; C1; C2; C3; D1; D2; D3	**A2; A3; B1; B2; B3; C1**
Moderate	22-35	6-9	19-31	A; B; C1; C2; C3; D1; D2; D3; E1; E2; E3	**A1.3; A1.4; A1.5; A2; A3; B1; B2; B3; C1; C2; C3**
High	36-44	10-16	32-56	D1; D2; D3; E1; E2; E3	**A1.3; A1.4; A1.5; A2; A3; B1; B2; B3; C1; C2; C3; D1; D2; D3**

Expected credit loss (ECL) measurement

ECL is a probability-weighted estimate of the present value of future cash shortfalls. An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate. The estimates consider forward looking information, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The Group uses is a three-stage model for ECL measurement and classifies its borrowers across three stages: The Group classifies its exposures as Stage 1 if no significant deterioration in credit quality occurred since initial recognition and the instrument was not defaulted when initially recognized. The exposure is classified to Stage 2 if the significant deterioration in credit quality was identified since initial recognition but the financial instrument is not considered defaulted. The exposures for which the defaulted indicators have been identified are classified as Stage 3 instruments. The Expected Credit Loss (ECL) amount differs depending on exposure allocation to one of the Stages. In the case of Stage 1 instruments, the ECL represents that portion of the lifetime ECL that can be attributed to default events potentially occurring within the next 12 months from the reporting date. In case of Stage 2 instruments, the ECL represents the lifetime ECL, i.e. credit losses that can be attributed to possible default events during the whole lifetime of a financial instrument. Generally, lifetime is set equal to the remaining contractual maturity of the financial instrument. Factors such as existence of contractual repayment schedules, options for extension of repayment maturity and monitoring processes held by The Group affect the lifetime determination. In case of Stage 3 instruments, default event has already incurred and the lifetime ECL is estimated based on the expected recoveries.

Definition of default

Financial assets for which the Group observed occurrence of one or more loss events are classified in Stage 3.

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

The Group uses both quantitative and qualitative criteria for the definition of default. The borrower is classified as defaulted if at least one of the following occurred:

- Any amount of contractual repayments is past due more than 90 days;
- Factors indicating the borrower's unlikeliness-to-pay.

In case of individually significant borrowers The Group additionally applies criteria including but not limited to: bankruptcy proceedings, significant fraud in the borrower's business that significantly affected its financial condition, breach of the contract terms etc. For SME and corporate borrowers default is identified on the counterparty level, meaning that all the claims against the borrower are treated as defaulted. As for retail and micro exposures, facility level default definition is applied considering additional pulling effect criteria. If the amount of defaulted exposure exceeds predefined threshold, all the claims against the borrower are classified as defaulted. Once financial instrument is classified as defaulted, it remains as such until it no longer meets any of the default criteria for a consecutive period of six months, in which case exposure is considered to no longer be in default (i.e. to have cured). Probation period of six months has been determined on analysis of likelihood of a financial instrument returning to default status after curing. Exposures which are moved to stage 2 from default state are kept there for certain period before transferring to Stage 1 and classified as fully performing instruments again.

Significant increase in credit risk ("SICR")

Financial assets for which the Group identifies significant increase in credit risk since its origination are classified in Stage 2. SICR indicators are recognized at financial instrument level even though some of them refer to the borrower's characteristics. The Group uses both quantitative and qualitative indicators of SICR.

Quantitative criteria

On a quantitative basis the Group assesses change in probability of default parameter for each particular exposure since initial recognition and compares it to the predefined threshold. When absolute change in probability of default exceeds the applicable threshold, SICR is deemed to have occurred and exposure is transferred to Stage 2. While defining and applying SICR thresholds, the Bank considers product type, age of the contracts and rating at origination, therefore, SICR threshold for each particular sub segment vary. Below we disclose the threshold ranges across the relevant sub groups in percentage points triggering contract to move to stage 2:

Mortgage	0% - 10.4%
Consumer (further divided into subgroups to apply thresholds)	0% - 28.2%
Micro (further divided into subgroups to apply thresholds)	0% - 28.7%

Qualitative criteria

Financial asset is transferred to Stage 2 and lifetime ECLs is measured if at least one of the following SICR qualitative criteria is observed:

- delinquency period of more than 30 days on contractual repayments;
- exposure is restructured, but is not defaulted;
- borrower is classified as "watch".

The Group has not rebutted the presumption that there has been significant increase in credit risk since origination when financial asset becomes more than 30 days past due. This qualitative indicator of SICR together with debt restructuring is applied to all segments. Particularly for corporate and SME segment the Group uses downgrade of risk category since origination of the financial instrument as a qualitative indicator of SICR. Based on the results of the monitoring, borrowers are classified across different risk categories. In case there are certain weaknesses present, which if materialized may lead to loan repayment problems, borrowers are classified as "watch" category. Although watch borrowers' financial standing is sufficient to repay obligations, these borrowers are closely monitored and specific actions are undertaken to mitigate potential weaknesses. Once the borrower is classified as "watch" category, it is transferred to Stage 2. If any of the SICR indicators described above occur financial instrument is transferred to Stage 2. Financial asset may be moved back to Stage 1, if SICR indicators are no longer observed.

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

ECL measurement

The Group utilizes two approaches for ECL measurement – individual assessment and collective assessment. Individual assessment is mainly used for stage 2 and stage 3 individually significant borrowers. For selecting individually significant exposures, the management uses the following estimated thresholds above which exposures[1] are selected for individual review: for stage 2 - to GEL 10 million and for stage 3 - GEL 4 million. Additionally, the Group may arbitrarily designate selected exposures to individual measurement of ECL based on the Group's credit risk management or underwriting departments' decision. The individual assessment takes into account latest available information in order to define ECL under baseline, upside and downside scenarios.

The Group uses the discounted cash flow (DCF) method for the determination of recovery amount under individual assessment. In order to ensure the accurate estimation of recoverable amount the Group utilizes scenario analysis approach. Scenarios may be defined considering the specifics and future outlook of individual borrower, sector the borrower operates in or changes in values of collateral. In case of scenario analysis The Group forecasts recoverable amount for each scenario and estimates respective losses. Ultimate ECL is calculated as the weighted average of losses expected in each scenario, weighted by the probability of scenario occurring.

As for the non-significant and non-impaired significant borrowers The Group estimates expected credit losses collectively. For the collective assessment and risk parameters estimation purposes the exposures are grouped into a homogenous risk pools based on similar credit risk characteristics. Common credit risk characteristics of the group include but are not limited to: Stage (Stage 1, Stage 2 or Stage 3), type of counterparty (individual vs business), type of product, rating (external or internal), overdue status, restructuring status, months in default category or any other characteristics that may differentiate certain sub-segments for risk parameter's estimation purposes. Number of pools differs for different products/ segments considering specifics of portfolio and availability of data within each pool. Collective ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained below, and discounted to present value using the instrument's effective interest rate.

The key principles of calculating the credit risk parameters:

Exposure at default (EAD)

The EAD represents estimation of exposure to credit risk at the time of default occurring during the life of financial instrument. The EAD parameter used for the purpose of the ECL calculation is time-dependent, i.e. the Group allows for various values of the parameter to be applied to subsequent time periods during the lifetime of an exposure. Such structure of the EAD is applied to all Stage 1 and Stage 2 financial instruments. In case of Stage 3 financial instruments and defaulted POCI assets, the EAD vector is one-element with current EAD as the only value. EAD is determined differently for amortising financial instruments with contractual repayment schedules and for revolving facilities. For amortising products EAD is calculated considering the contractual repayments of principal and interest over the 12-month period for facilities classified in Stage 1 and over lifetime period for remaining instruments. It is additionally adjusted to include effect of reduction in exposure due to prepayments - Namely full prepayment ratio. Full Prepayment Ratio (FPR) parameter represents the probability that a financial instrument will be fully prepaid during the particular period to maturity. For the purpose of calculating Full Prepayment Ratio, the Group make the analysis of the historical data of the contracts fully prepaid until the maturity. For revolving facilities, the Bank calculates the EAD based on the expected limit utilisation percentage conditional on the default event.

Probability of default (PD)

Probability of default parameter reflects the likelihood of a default of a facility over a particular time horizon. It provides an estimate of the likelihood that a borrower will be unable to meet its contractual debt obligations. The PD parameter is time-dependent (i.e. has a specific term structure) and is applied to all non-defaulted contracts. Taking into account specific nature of different segments of clients for which the PD is estimated as well as unique characteristics that drive their default propensity, the PD is modelled differently for Retail and Micro segments and Corporate and SME segments. PD assessment approach is also differentiated for different time horizons and is further adjusted due to expected influence of macroeconomic variables as forecasted for the period (see 'Forward Looking Information" section for further details on incorporation of macroeconomic expectations in ECL calculation). FLI adjustment is applied on PD for the three-year period, given the uncertainty involved in the macroeconomic forecasts for the longer time horizon. Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months marginal PDs over the life of the instrument. The Group generally uses number based approach of PD model

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

construction, however for the nonhomogeneous portfolios exposure-weighted approach is utilised. The Group uses different statistical approaches such as the extrapolation of 12-month PDs based on migration matrixes, developing lifetime PD curves based on the historical default data and gradual convergence of long-term PD with the long-term default rate.

Loss given default (LGD)

The LGD parameter represents the share of an exposure that would be irretrievably lost if a borrower defaults. For Stage 1 and Stage 2 financial instruments, the LGD is estimated for each period in the instrument's lifetime and reflects the share of the expected EAD for that period that will not be recovered over the remaining lifetime of the instrument after the default date. For Stage 3 financial instruments, the LGD represents the share of the EAD as of reporting date that will not be recovered over the remaining life of that instrument. Assessment of LGD varies by the type of counterparty, segment, type of product, securitization level, availability of historical observations and portfolio sale. The general LGD estimation process employed by the Group is based on the assumption that after the default of the exposure, two mutually exclusive scenarios are possible. Non-sold scenario-The exposure either leaves the default state (cure scenario) or does not leave the default state and will be subject to recovery process (non-cure scenario); Sold scenario- exposure is sold. The probability that an exposure is sold, probability of a cure and the probability that a cured exposure defaults again are all determined in the estimation process. Risk parameters applicable to both sub-scenarios, i.e. cure rates and recovery rates, are estimated by means of migration matrices approach, whereas the probability of sale is determined by expert judgement until enough data is gather to allow for statistical estimation. For each LGD portfolio the Group defines the recovery horizon for non-sold exposures and maximum period for an exposure to be sold (which is set at the average time-to-sale), after which no material recoveries are assumed. Recovery horizon is defined by data analytics and expert judgment. For certain portfolios based on the limitations of observations alternative versions of the general approach may be applied. For significant corporate exposures, the Group uses the LGD modelling approach that is based on realized recoveries from historical defaults, adjusted with approximation of future recoveries from individually assessed defaulted exposures. In order to model LGD for SME and non-significant corporate borrowers, the Group is estimating recoverable amount from the collateral and assumes that no recoveries from cash is expected. In order to estimate recoverable amount from the collateral the Group is applying respective haircuts defined for different types of collateral and discounts them using effective interest rate over the realization period. In addition, at each reporting date, the Group makes the decision which historical data horizon should be used in order to model recoveries.

Forward-looking information

The measurement of unbiased, probability weighted ECL requires inclusion of forward looking information obtainable without undue cost or effort. For forward-looking information purposes the Group defines three macro scenarios. The scenarios are defined as baseline (most likely), upside (better than most likely) and downside (worse than most likely) scenarios of the state of the economy. To derive the baseline macro-economic scenario, the Group takes into account forecasts from various external sources – the National Bank of Georgia, Ministry of Finance, International Monetary Fund ("IMF") as well as other International Financial Institutions ("IFI"'s) – in order to ensure the to the consensus market expectations. Upside and downside scenarios are defined based on the framework developed by the Group's macroeconomic unit.

The Group uses statistical models and historical relationship between the various macroeconomic factors and default observations to derive forward-looking adjustments. In case these models do not provide reasonable results either from statistical or business perspective, the Group may apply expert judgment or use alternative approach. As at 31 December 2023, the Group employs statistical models to derive forward looking adjustment in all segments except for corporate. In corporate segment, due to the insignificance of the statistical models, the Group does not applies FLI adjustment. The baseline, upside and downside scenarios were assigned probability weighing of 50%, 25% and 25%, respectively.

The forward looking information is incorporated in collective assessment of expected credit losses of Retail and MSME portfolios and individually assessed exposures.

Model maintenance and validation

The Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual credit loss. Such back-testing (including back-casting) is performed at least once a year. As part of the back-testing process, the Group evaluates actual realization of the risk parameters and their consistency with the model

[1] Total exposure of the bank toward the borrower or group of interconnected borrowers

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

estimates. Additionally staging criteria are also analysed within the back-testing process. The results of back-testing the ECL measurement methodology are communicated to the Group Management and further actions for tuning the models and assumptions are defined after discussions between authorised persons.

Risk governance

ECL impairment models were developed by internal credit risk governance division with the involvement of external consultants. The division runs the models to calculate ECL each month. They are also responsible for model back-testing, analytics and governance.

Economic scenarios and probability weights are prepared by macro-financial analysis unit.

All the assumptions, including PMAs and PMOs used in the ECL measurement go through of review and approval process:
- Chief Economist reviews and approves the forward-looking scenarios and respective weights;
- Internal allowance committee reviews and approves appropriateness of the estimates and judgements as well as PMAs and PMOs used in ECL measurement on a regular basis; internal committee includes Head of ERM, Heads of Portfolio Credit Risk Management divisions and CRO, who ultimately approves ECL results as of each reporting date.
- Models used in calculation, as well as back-testing process is also validated by the model risk management division.

Climate risk. The Group's largest operations are located in Georgia hence the climate risk overview is done by the management from Georgian perspective. The second largest subsidiary of the group is TBC UZ and constitutes 2.5% of the Group's assets. Considering that TBC UZ business activities focus on retail segment with a very low volume of the average exposure, it is considered to be immaterial for the Group from the climate-risk perspective. The Georgia's 2030 Climate Change Strategy and Climate Action Plan lays out different policy measures on which TBC Bank based its identification of the potential impact of the policy measures on different economic sectors. As a summary of the potential impact of the various transition risks and physical risks identified, the transitional risks in Georgia are low, considering, that trade and services dominate the Georgian economy, the policy measures outlined in the Georgia's 2030 Climate Change Strategy will have overall low impact on the economic sectors, especially in short and medium term. The Georgia's 2030 Climate Change Strategy takes into consideration that Georgia is a transitional and growing economy, and therefore the government strategy is not to impede the growth of the GDP with policy measures and rather to support a smooth transition where necessary. It is worth noting, that the economic sectors most affected by transitional risks world-wide such as mining crude petroleum, natural gas and metal ores, manufacturing coke and refined petroleum products are present to the very limited extend in Georgia, resulting in a low overall impact of transitional measures on economic growth, if any. In order to increase the understanding of climate-related risks on its loan portfolio, the Bank performed a high-level sectoral risk assessment, as different sectors might be vulnerable to different climate-related risks over different time horizons; furthermore, the Bank performed climate stress testing of the credit portfolio. The maturity structure of the loan portfolio shows that the largest part of assets is distributed in the time horizons that are much shorter than the impacts of climate change, especially of physical risks, can be materialized in Georgia. Therefore, the bank has not made any adjustment to the level of provisions purely related to climate risk. On the other hand, the understanding of climate related risks, which have longer-term impacts need to be increased in coming years, therefore, when the bank has a more definitive analysis, it will further develop the approach, how to consider climate risks in provisioning. No post model adjustments (PMAs) or Post model overlays (PMOs) have been posted for 2023 in this regard.

Insurance Risk

TBC Insurance carries out assessment of potential losses posed by individuals and business entities insured under health, life, PA and other property and casualty insurance contracts. As such, TBC Insurance is exposed to the uncertainty as to the timing and severity of claims under these contracts. The principal risk is that the frequency and severity of claims may be higher than expected. Insurance events are by their nature random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques. TBC Insurance also has exposure to market risk through insurance and investment activities.

TBC Insurance employees two layer to manage insurance risks. On the first layer, the company manages the risk through appropriate underwriting, while as a second level control also enters into reinsurance contracts.

TBC Insurance's key methods in managing these risks are two-fold. Firstly, the risk is managed through appropriate underwriting and secondly, is transferred using reinsurance. TBC Insurance purchases reinsurance for various business

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

lines: motor, life, property, cargo, liability, and surety business.

Non-financial risk adjustment including technique used to measure it and confidence level:

In case of the gross of reinsurance calculation for groups with sufficient and reliable own statistics a stochastic bootstrapping method is applied to calculate sufficient number of scenarios from which one in line with the 75% confidence level equivalent is taken. The BEL (best estimate liabilities) determined at this percentage is compared to the actual BEL of the Company. This way the difference between the two gives the related risk adjustment. For groups where sufficient and/or reliable data is not available the average RA% of the remaining portfolio can be chosen based on characteristics of the given group.

In the end the total Company level RA is determined as simple sum of RAs per groups, while also the diversification effect is calculated using the easiest and most reliable parameters for correlation between those from Solvency II Directive. For the final RA%s this diversification ratio is incorporated into the raw (previously calculated) RA%s. Later these RA%s are used in the calculations as multipliers to the BEL.

For the reinsurance RA rates the followings are considered:
- In terms of proportional reinsurance - due to the proportionality - simply the gross rates are applied.
- In terms of non-proportional reinsurance:
  - The share of projected such payments are usually nil or immaterial due to the low probability of such huge claims to happen;
  - However, it actually happens a few time, but those are not sufficient for a reliable sophisticated analysis, therefore as the best benchmark still the gross rates are applied.

Maturity of insurance liabilities:

The measurement of a group of contracts includes all of the future cash flows within the boundary of each contract in the group, determined as follows:
- Cash flows are within the contract boundary if they arise from substantive rights and obligations that exist during the reporting period in which the Group can compel the policyholder to pay premiums or has a substantive obligation to provide services.

A substantive obligation to provide services ends when:
- The Group has the practical ability to reassess the risks of the particular policyholder and can set a price or level of benefits that fully reflects those reassessed risks; or
- The Group has the practical ability to reassess the risks of the portfolio that contains the contract and can set a price or level of benefits that fully reflects the risks of that portfolio, and the pricing of the premiums up to the reassessment date does not take into account risks that relate to periods after the reassessment date.

Sensitivity analysis for insurance risk:

The assumptions used in the estimation of insurance assets and liabilities are intended to result in best estimate liabilities which are sufficient to cover any liabilities arising out of insurance contracts so far as can reasonably be foreseen.

For all types of insurance contracts, the Group estimates BEL arising from reported but not settled claims based on the latest information the Group has related to the severity of the claim. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In addition, the Group makes estimate of the ultimate liability arising from claims under life and health insurance contracts that are incurred but not yet reported at the reporting date. The liability is calculated by using standard actuarial methods such as chain-ladder method for life insurance and expected loss ratio method for health insurance. The primary underlying assumption of the chain-ladder method is that historical loss development patterns are indicative of future loss development patterns. The expected loss ratio is the ratio of ultimate losses to earned premiums. The ultimate losses can be calculated as the earned premium multiplied by the expected loss ratio. The total reserve is calculated as the ultimate losses less paid losses.

Sensitivity analysis for life insurance shows that 5% increase in the chain-ladder development factors would increase best estimate liability by GEL 319 thousand, accordingly 5% decrease in the development factors would decrease best estimate liability by GEL 319 thousand.

Health insurance is short-tailed business as there is only a two-month limit to report a claim after the occurrence. To calculate BEL for health insurance management uses subsequent period actual claims which are reported before the

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

financial statement reporting date. For the remaining period expert judgement is applied. Medical services received in a limited number of medical institutions may be reported after 2 months from claims occurrence date. Due to immateriality of such claims historically, no actuarial method is used, instead expert judgement is applied.

Management believes that the BEL set up is adequate and there will be no need of additional reserve requirements

Geographical risk concentrations

Assets, liabilities, credit related commitments and performance guarantees have generally been attributed to geographic regions based on the country in which the counterparty is located. Balances legally outstanding to/from off-shore companies which are closely related to Georgian counterparties are allocated to the caption "Georgia". Cash on hand and premises and equipment have been allocated based on the country in which they are physically held.

Tables below includes geographical concentration by country of incorporation. Loans and advances to OECD and Non-OECD resident customers, as well as to Georgian customers, are issued to the entities most of which are based and performing in Georgia.

The geographical concentration of the Group's assets and liabilities as of 31 December 2023 is set out below by country of incorporation:

in thousands of GEL	Georgia	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	1,691,847	1,968,167	104,073	3,764,087
Due from other banks	47,467	446	28	47,941
Mandatory cash balances with NBG and CBU	1,572,506	-	4,568	1,577,074
Loans and advances to customers	20,328,591	338,835	1,054,681	21,722,107
Investment securities measured at fair value through FVTOCI	2,184,130	695,552	595,779	3,475,461
Bonds carried at amortised cost	12,271	-	61,692	73,963
Finance lease receivables	363,303	-	37,108	400,411
Other financial assets	241,075	25,236	13,957	280,268
Total financial assets	**26,441,190**	**3,028,236**	**1,871,886**	**31,341,312**
Non-financial assets	1,548,597	201	74,717	1,623,515
Total assets	**27,989,787**	**3,028,437**	**1,946,603**	**32,964,827**
Liabilities				
Due to credit institutions	1,680,318	1,997,341	717,523	4,395,182
Customer accounts	16,785,864	933,113	2,656,521	20,375,498
Debt securities in issue	1,422,918	-	3,256	1,426,174
Other financial liabilities	274,868	61,882	21,772	358,522
Lease liabilities	84,460	-	7,419	91,879
Subordinated debt	153,323	578,675	136,732	868,730
Redemption liability	-	-	365,480	365,480
Total financial liabilities	**20,401,751**	**3,571,011**	**3,908,703**	**27,881,465**
Non-financial liabilities	250,897	684	11,599	263,180
Total liabilities	**20,652,648**	**3,571,695**	**3,920,302**	**28,144,645**
Net balance sheet position	**7,337,139**	**(543,258)**	**(1,973,699)**	**4,820,182**
Performance guarantees	1,134,620	439,939	60,147	1,634,706
Undrawn credit lines	1,045,632	787	2,596	1,049,015
Letters of credit issued	282,757	-	914	283,671
Financial guarantees issued	509,855	1,065	777	511,697

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

The geographical concentration of the Group's assets and liabilities as of 31 December 2022 is set out below by country of incorporation:

in thousands of GEL	Georgia	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	2,080,960	1,684,247	95,606	3,860,813
Due from other banks	40,557	1,297	-	41,854
Mandatory cash balances with NBG and CBU	2,047,564	-	2,421	2,049,985
Loans and advances to customers	17,094,888	151,750	585,968	17,832,606
Investment securities measured at fair value through OCI	1,712,976	596,009	576,103	2,885,088
Bonds carried at amortised cost	3,761	-	33,631	37,392
Repurchase receivables	-	267,495	-	267,495
Finance lease receivables	282,300	-	30,034	312,334
Other financial assets	229,215	-	6,748	235,963
Total financial assets	**23,492,221**	**2,700,798**	**1,330,511**	**27,523,530**
Non-financial assets*	1,395,795	257	68,559	1,464,611
Total assets	**24,888,016**	**2,701,055**	**1,399,070**	**28,988,141**
Liabilities				
Due to credit institutions	1,408,652	1,930,394	601,614	3,940,660
Customer accounts	14,954,836	1,034,409	2,047,288	18,036,533
Debt securities in issue	1,353,426	-	8,147	1,361,573
Other financial liabilities	292,963	433	1,150	294,546
Lease liabilities	74,675	-	10,095	84,770
Subordinated debt	98,008	354,336	137,804	590,148
Redemption liability	-	-	477,329	477,329
Total financial liabilities	**18,182,560**	**3,319,572**	**3,283,427**	**24,785,559**
Non-financial liabilities*	218,688	1,168	16,312	236,168
Total liabilities	**18,401,248**	**3,320,740**	**3,299,739**	**25,021,727**
Net balance sheet position	**6,486,768**	**(619,685)**	**(1,900,669)**	**3,966,414**
Performance guarantees	900,970	565,669	56,881	1,523,520
Undrawn credit lines	1,045,975	2,021	3,229	1,051,225
Letters of credit issued	224,789	-	7,277	232,066
Financial guarantees issued	400,006	876	32	400,914

*Certain amounts do not correspond to the 2022 and 2021 consolidated financial statements as they reflect the certain restatements as described in Note 4.

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

The geographical concentration of the Group's assets and liabilities as at 1 January 2022 is set out below by country of incorporation:

in thousands of GEL	Georgia	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	989,156	593,003	139,978	1,722,137
Due from other banks	56,203	16,033	6,906	79,142
Mandatory cash balances with National Bank of Georgia	2,086,113	-	1,028	2,087,141
Loans and advances to customers	16,104,160	126,415	406,570	16,637,145
Investment securities measured at fair value through OCI	1,440,168	496,377	1,651	1,938,196
Bonds carried at amortised cost	1,537	-	48,045	49,582
Finance lease receivables	246,328	-	15,718	262,046
Other financial assets	414,421	2,749	6,830	424,000
Total financial assets	**21,338,086**	**1,234,577**	**626,726**	**23,199,389**
Non-financial assets*	1,222,928	-	53,159	1,276,087
Total assets	**22,561,014**	**1,234,577**	**679,885**	**24,475,476**
Liabilities				
Due to credit institutions	1,272,866	1,612,336	98,974	2,984,176
Customer accounts	12,752,286	1,029,719	1,256,167	15,038,172
Debt securities in issue	1,704,639	-	5,649	1,710,288
Other financial liabilities	150,739	270	2,370	153,379
Lease liabilities	57,303	-	8,864	66,167
Subordinated debt	109,427	357,834	156,386	623,647
Redemption liability	-	-	238,455	238,455
Total financial liabilities	**16,047,260**	**3,000,159**	**1,766,865**	**20,814,284**
Non-financial liabilities*	197,100	-	10,136	207,236
Total liabilities	**16,244,360**	**3,000,159**	**1,777,001**	**21,021,520**
Net balance sheet position	**6,316,654**	**(1,765,582)**	**(1,097,116)**	**3,453,956**
Performance guarantees	724,502	675,323	165,661	1,565,486
Undrawn credit lines	1,664,926	3,145	4,794	1,672,865
Letters of credit issued	163,036	-	7,346	170,382
Financial guarantees issued	350,873	1,051	178	352,102

*Certain amounts do not correspond to the 2022 and 2021 consolidated financial statements as they reflect the certain restatements as described in Note 4.

Market risk. 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. Management sets risk appetite limits on the value of risk that may be accepted, which is monitored on a regular basis. These limits provide buffers over regulatory limits, ensuring early detection of potential losses in the event of more significant market movements.

Currency risk. Foreign exchange rate 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 NBG requires the Bank to monitor both balance sheet and total aggregate (including off-balance sheet) open currency positions and to maintain the later one within 20% of the Bank's regulatory capital. The Asset-Liability Management Committee ("ALCO") has set limits on the level of exposure by currency as well as on aggregate exposure positions which are more conservative than those set by the NBG. The Bank's compliance with such limits is monitored daily by the heads of the Treasury department and Financial Risk Management division.

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

Currency risk management framework is governed through the Foreign Exchange Risk Management Policy. The table below summarises the Group's exposure to foreign currency exchange rate risk at the balance sheet date. While managing open currency position the Group considers part of the provisions to be denominated in the USD, Euro and other currencies. Gross amount of currency swap deposits is included in Derivatives. Therefore, total financial assets and liabilities below are not traceable with either balance sheet or liquidity risk management tables, where net amount of gross currency swaps is presented.

As of 31 December 2023 *in thousands of GEL*	Monetary financial assets	Monetary financial liabilities	Derivatives	Net position
Georgian Lari	15,331,334	12,898,299	1,238,458	3,671,493
US Dollar	10,245,790	11,205,694	837,453	(122,451)
Euro	4,671,228	2,584,909	(2,114,187)	(27,868)
Other	1,092,960	848,143	12,666	257,483
Total	**31,341,312**	**27,537,045**	**(25,610)**	**3,778,657**

As of 31 December 2022 *in thousands of GEL*	Monetary financial assets	Monetary financial liabilities	Derivatives	Net position
Georgian Lari	13,473,913	10,881,999	528,501	3,120,415
US Dollar	9,133,236	10,959,719	1,826,759	276
Euro	4,210,470	1,933,880	(2,323,860)	(47,270)
Other	705,911	552,540	(31,929)	121,442
Total	**27,523,530**	**24,328,138**	**(529)**	**3,194,863**

US Dollar strengthening by 20% (weakening 20%) would decrease Group's profit or loss and equity in 2023 by GEL 24,490 thousand (increase by GEL 24,490 thousand). Euro strengthening by 20% (weakening 20%) would decrease Group's profit or loss and equity in 2023 by GEL 5,574 thousand (increase by GEL 5,574 thousand).

US Dollar strengthening by 20% (weakening 20%) would decrease Group's profit or loss and equity in 2022 by GEL 55 thousand (increase by GEL 55 thousand). Euro strengthening by 20% (weakening 20%) would decrease Group's profit or loss and equity in 2022 by GEL 9,454 thousand (increase by GEL 9,454 thousand).

Interest rate risk. Interest rate risk arises from potential changes in the market interest rates that can adversely affect the fair value or future cash flows of the financial instrument. This risk can arise from maturity mismatches of assets and liabilities, as well as from the re-pricing characteristics of such assets and liabilities.

The biggest share of the Bank's deposits and loans are at fixed interest rates, while major part of the Bank's borrowings is at a floating interest rate. In addition, the Bank actively uses floating and combined[1] interest rate structures in its loan portfolio. In case of need, the Bank also applies for interest rate hedging instruments in order to mitigate interest rate risk. 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 the Bank's 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 possible adverse interest rate movements.

The Group employs an advanced framework for the management of interest rate risk by establishing appropriate Risk Appetite limits, monitoring compliance with them and preparing forecasts. From September, 2020 the NBG introduced regulation on interest rate risk and set the limit for Economic Value of Equity (EVE) sensitivity at 15% of NBG Tier 1 Capital. The main principles and assumptions of NBG IRR methodology are in line with Basel standards developed for IRR management purposes.

[1] In case of combined interest rates, interest rate is fixed for a pre-agreed term, and switches to floating interest rate after the term passes.

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

According to NBG guidelines the net interest income sensitivity under parallel shifts of interest rate scenarios are maintained for monitoring purposes, while EVE sensitivity is calculated under 6 predefined stress scenarios of interest rate changes and the limit is applied to the worst case scenario result.

Interest rate risk is managed by the Balance Sheet Management division and is monitored by the ALCO, which decides on actions that are necessary for effective interest rate risk management and follows up on their implementation. Financial Risk Management division is responsible for developing procedures, policy document and setting risk appetite for interest rate risk. The major aspects of interest rate risk management development and the respective reporting are periodically provided to the Management Board, the Supervisory Board's Risk Committee.

Following main assumptions under NBG IRR Regulation and Basel 2016 guidelines, at 31 December, 2023, if market interest rates for each currency had been 200 basis points higher, with all other variables held constant, profit would have been equivalent GEL 24 million higher, mainly as a result of higher interest income on variable interest assets (2022: GEL 84 million). If market interest rates for each currency at 31 December, 2023 had been 200 basis points lower with all other variables held constant, profit for the year would have been equivalent GEL 42 million lower, mainly as a result of lower interest income on variable interest assets (2022: GEL 78 million). Compared to the last year, in 2023 in both of the scenarios the effects have been muted due to the reduction of variable interest assets over the year.

At 31 December, 2023, if interest rates had been 200 basis points lower, with all other variables held constant, other comprehensive income would have been GEL 47.3 million higher (2022: GEL 35.6 million), as a result of an increase in the fair value of fixed rate financial assets measured at fair value through other comprehensive income and repurchase receivables. If interest rates at 31 December 2023 had been 200 basis points higher with all other variables held constant, Other comprehensive income would have been GEL 47.3 million lower (2022: GEL 35.6 million), as a result of decrease in the fair value of fixed rate financial assets measured at fair value through other comprehensive income.

Liquidity Risk. The liquidity risk is the risk that TBC Bank either does not have sufficient financial resources available to meet all of its obligations and commitments as they fall due or can access those resources only at a high cost. The risk is managed by the Balance Sheet Management division and Treasury Department and is monitored by the ALCO, within their pre-defined functions. Financial Risk Management (FRM) division is responsible for developing procedures, policy document and setting risk appetite on funding and market liquidity risk management. In addition, FRM performs liquidity risk assessment and communicates the results to the MB and Risk Committee of the Supervisory Board on a regular basis.

The principal objectives of the TBC Bank's liquidity risk management policy are to: (i) ensure the availability of funds in order to meet claims arising from total liabilities and off-balance sheet commitments, both actual and contingent, at an economic price; (ii) recognise any structural mismatch existing within TBC Bank's statement of financial position and set monitoring ratios to manage funding in line with well-balanced growth; and (iii) monitor liquidity and funding on an on-going basis to ensure that approved business targets are met without compromising the risk profile of the Bank.

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

Funding liquidity risk is the risk that TBC will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs without affecting either its daily operations or its financial condition. To manage funding liquidity risk TBC Bank uses the Liquidity Coverage ratio and the Net Stable Funding ratio set, forth under Basel III, and defined further by the NBG. In addition, the Bank performs stress tests and "what-if" scenario analysis. For NBG LCR the limits are set by currency (GEL, FC, Total). TBC monitors compliance with NBG LCR limits on a daily basis. On a monthly basis the Bank also monitors compliance with the set limit for NBG NSFR.

The Liquidity Coverage Ratio is used to help manage short-term liquidity risks. The Bank's liquidity risk management framework is designed to comprehensively project cash flows arising from assets, liabilities and off-balance sheet items over certain time buckets and ensure that NBG LCR limits, are met on a daily basis.

The Net Stable Funding ratio is used for long-term liquidity risk management to promote resilience over a longer time horizon by creating additional incentives for TBC Bank to rely on more stable sources of funding on a continuous basis. The Bank also monitors deposit concentration for large deposits and sets the limits for non-Georgian residents deposits share in total deposit portfolio.

The Bank relies on relatively stable deposits from Georgia as the main source of funding. In order to maintain and further enhance the liability structure TBC Bank sets the targets for deposits and IFI funding within the Bank's risk appetite.

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

The Bank's liquidity position was strong as of 31 December 2023, both LCR and NSFR ratios above the NBG minimum requirements of 100%.

Maturity analysis. The table below summarizes the maturity analysis of the Group's financial liabilities, based on remaining undiscounted contractual obligations as of 31 December 2023 subject-to-notice repayments are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay and the table does not reflect the expected cash flows indicated by the Group's deposit retention history.

The maturity analysis of undiscounted financial liabilities as of 31 December 2023 is as follows:

in thousands of GEL	Less than 3 months	From 3 to 12 months	From 1 to 5 Years	Over 5 years	Total
Due to credit institutions	2,021,851	614,741	2,167,397	158,151	4,962,140
Customer accounts – individuals	6,969,422	2,527,577	1,096,138	94,785	10,687,922
Customer accounts – other	8,375,473	517,868	1,118,146	190,490	10,201,977
Other financial liabilities	281,778	40,912	35,803	29	358,522
Lease liabilities	11,256	26,711	86,154	22,019	146,140
Subordinated debt	15,219	71,053	618,564	696,276	1,401,112
Debt securities in issue	14,378	1,151,624	389,320	20,147	1,575,469
Redemption liability	-	-	514,704	-	514,704
Gross settled swaps and forwards:					
– Inflows	(2,636,719)	(165,372)	(213,640)	-	(3,015,731)
– Outflows	2,681,271	167,573	229,544	-	3,078,388
Performance guarantees	1,692,526	-	-	-	1,692,526
Financial guarantees	516,119	-	-	-	516,119
Letters of credit	135,347	164,018	11,118	-	310,483
Undrawn credit lines	1,049,015	-	-	-	1,049,015
Total potential future payments for financial obligations	**21,126,936**	**5,116,705**	**6,053,248**	**1,181,897**	**33,478,786**

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

The maturity analysis of undiscounted financial liabilities as of 31 December 2022 is as follows:

in thousands of GEL	Less than 3 months	From 3 to 12 months	From 1 to 5 Years	Over 5 years	Total
Due to credit institutions	1,814,606	548,864	1,993,334	183,256	4,540,060
Customer accounts – individuals	6,205,804	2,168,817	1,152,390	67,368	9,594,379
Customer accounts – other	6,797,694	679,374	984,629	446,341	8,908,038
Other financial liabilities*	210,867	82,038	14,453	35	307,393
Lease liabilities	9,182	18,481	68,877	18,526	115,066
Subordinated debt	18,824	111,605	421,704	286,247	838,380
Debt securities in issue	76,967	86,259	1,414,813	-	1,578,039
Redemption liability	-	130,018	551,983	-	682,001
Gross settled swaps and forwards:					
– Inflows	(2,595,229)	(272,970)	(58,148)	-	(2,926,347)
– Outflows	2,610,358	320,929	67,248	-	2,998,535
Performance guarantees	1,552,134	-	-	-	1,552,134
Financial guarantees	406,456	-	-	-	406,456
Letters of credit	53,555	112,017	90,158	-	255,730
Undrawn credit lines	1,051,216	-	-	-	1,051,216
Total potential future payments for financial obligations	**18,212,434**	**3,985,432**	**6,701,441**	**1,001,773**	**29,901,080**

*Certain amounts do not correspond to the 2022 and 2021 consolidated financial statements as they reflect the certain restatements as described in Note 4

The maturity analysis of undiscounted financial liabilities as of 1 January 2022 is as follows:

in thousands of GEL	Less than 3 months	From 3 to 12 months	From 1 to 5 Years	Over 5 years	Total
Due to credit institutions	1,439,008	569,613	1,162,095	7,407	3,178,123
Customer accounts – individuals	5,444,135	1,714,309	1,265,259	85,094	8,508,797
Customer accounts – other	5,467,638	330,231	850,626	439,336	7,087,831
Other financial liabilities*	141,390	17,856	1,958	-	161,204
Lease liabilities	3,995	11,836	50,322	5,705	71,858
Subordinated debt	5,331	60,491	338,052	478,851	882,725
Debt securities in issue	6,593	109,343	1,735,965	242,651	2,094,552
Redemption liability	-	-	93,636	277,102	370,738
Gross settled swaps and forwards:					
– Inflows	(603,531)	(19,722)	(401,231)	-	(1,024,484)
– Outflows	606,432	19,967	407,812	-	1,034,211
Performance guarantees	1,596,244	-	-	-	1,596,244
Financial guarantees	357,896	-	-	-	357,896
Letters of credit	20,619	96,112	64,687	-	181,418
Undrawn credit lines	1,672,854	-	-	-	1,672,854
Total potential future payments for financial obligations	**16,158,604**	**2,910,036**	**5,569,181**	**1,536,146**	**26,173,967**

*Certain amounts do not correspond to the 2022 and 2021 consolidated financial statements as they reflect the certain restatements as described in Note 4

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

The undiscounted financial liability analysis gap does not reflect the historical stability of the current accounts. Their liquidation has historically taken place over a longer period than the one indicated in the tables above. These balances are included in amounts due in less than three months in the tables above.

Term deposits included in the customer accounts are classified based on remaining contractual maturities, however, according to the Georgian Civil Code, individuals have the right to withdraw their deposits prior to maturity, if they partially or fully forfeit their right to accrued interest and the Group is obliged to repay such deposits upon the depositor's demand. Based on the Bank's deposit retention history, the Management does not expect that many customers will require repayment on the earliest possible date. Accordingly, the table does not reflect the Management's expectations as to actual cash outflows.

The Group does not use the above undiscounted maturity analysis to manage liquidity as it shows contractual terms purely and disregard the actual expected behaviour of the instruments. Instead, the Group monitors the liquidity gap analysis based on the expected maturities. In particular, expected maturities disclosure include customers' deposits and contingent liabilities according to their behavioral analysis, while for undiscounted cash flow disclosure purposes, demand deposits are put in on demand bucket.

As at 31 December 2023 the analysis by expected maturities of financial assets is as follows:

in thousands of GEL	Less than 3 months	From 3 to 12 months	From 1 to 5 Years	Over 5 years	Total
Cash and cash equivalents	3,764,087	-	-	-	3,764,087
Due from other banks	17,850	24,853	4,578	660	47,941
Mandatory cash balances with NBG and CBU	1,577,074	-	-	-	1,577,074
Loans and advances to customers	2,007,944	4,308,316	9,024,981	6,380,866	21,722,107
Investment securities measures at fair value through OCI	3,475,461	-	-	-	3,475,461
Bonds carried at amortised cost	61,718	8,501	3,744	-	73,963
Finance lease receivables	57,743	93,525	195,081	54,062	400,411
Other financial assets	207,141	70,815	2,312	-	280,268
Total financial assets	**11,169,018**	**4,506,010**	**9,230,696**	**6,435,588**	**31,341,312**

As at 31 December 2022 the analysis by expected maturities of financial assets is as follows:

in thousands of GEL	Less than 3 months	From 3 to 12 months	From 1 to 5 Years	Over 5 years	Total
Cash and cash equivalents	3,860,813	-	-	-	3,860,813
Due from other banks	5,885	12,367	22,957	645	41,854
Mandatory Cash Balances with NBG and CBU	2,049,985	-	-	-	2,049,985
Loans and advances to customers	1,679,754	3,218,244	7,372,628	5,561,980	17,832,606
Investment securities measures at fair value through OCI	2,885,088	-	-	-	2,885,088
Bonds carried at amortised cost	33,674	500	3,218	-	37,392
Repurchase receivables	267,495	-	-	-	267,495
Finance lease receivables	37,862	90,213	155,794	28,465	312,334
Other financial assets	158,927	75,229	1,807	-	235,963
Total financial assets	**10,979,483**	**3,396,553**	**7,556,404**	**5,591,090**	**27,523,530**

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

As at 1 January 2022 the analysis by expected maturities of financial assets is as follows:

in thousands of GEL	Less than 3 months	From 3 to 12 months	From 1 to 5 Years	Over 5 years	Total
Cash and cash equivalents	1,722,137	-	-	-	1,722,137
Due from other banks	32,075	17,983	14,305	14,779	79,142
Mandatory cash balances with National Bank of Georgia	2,087,141	-	-	-	2,087,141
Loans and advances to customers	1,421,375	3,348,606	6,696,990	5,170,174	16,637,145
Investment securities measures at fair value through OCI	1,938,196	-	-	-	1,938,196
Bonds carried at amortised cost	48,082	1,000	500	-	49,582
Finance lease receivables	30,810	66,683	158,573	5,980	262,046
Other financial assets	417,028	4,593	2,379	-	424,000
Total financial assets	**7,696,844**	**3,438,865**	**6,872,747**	**5,190,933**	**23,199,389**

In alignment with internal liquidity management principles, the Group changed the presentation of expected maturities for financial assets and liabilities, consolidating them into a single category spanning over 1 year.

As at 31 December 2023 the analysis by expected maturities is as follows:

in thousands of GEL	Less than 3 months	From 3 to 12 months	Over 1 years	Total
Cash and cash equivalents	3,764,087	-	-	3,764,087
Due from other banks	17,850	24,853	5,238	47,941
Mandatory cash balances with NBG and CBU	1,577,074	-	-	1,577,074
Loans and advances to customers	2,007,944	4,308,316	15,405,847	21,722,107
Investment securities measures at fair value through OCI	3,475,461	-	-	3,475,461
Bonds carried at amortised cost	61,718	8,501	3,744	73,963
Finance lease receivables	57,743	93,525	249,143	400,411
Other financial assets	207,141	70,815	2,312	280,268
Total financial assets	**11,169,018**	**4,506,010**	**15,666,284**	**31,341,312**
Due to credit institutions	1,999,369	512,542	1,883,271	4,395,182
Customer accounts	1,687,091	262,845	18,425,562	20,375,498
Debt securities in issue	14,202	1,099,408	312,564	1,426,174
Other financial liabilities	281,778	40,912	35,832	358,522
Lease liabilities	7,938	16,789	67,152	91,879
Subordinated debt	7,164	8,298	853,268	868,730
Redemption liability	-	-	365,480	365,480
Total financial liabilities	**3,997,542**	**1,940,794**	**21,943,129**	**27,881,465**
Net liquidity gap as of 31 December 2023	**7,171,476**	**2,565,216**	**(6,276,845)**	**3,459,847**
Cumulative gap as of 31 December 2023	**7,171,476**	**9,736,692**	**3,459,847**	

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

As at 31 December 2022 the analysis by expected maturities is as follows:

in thousands of GEL	Less than 3 months	From 3 to 12 months	Over 1 years	Total
Cash and cash equivalents	3,860,813	-	-	3,860,813
Due from other banks	5,885	12,367	23,602	41,854
Mandatory Cash Balances with the NBG and the CBU	2,049,985	-	-	2,049,985
Loans and advances to customers	1,679,754	3,218,244	12,934,608	17,832,606
Investment securities measures at fair value through OCI	2,885,088	-	-	2,885,088
Bonds carried at amortised cost	33,674	500	3,218	37,392
Repurchase receivables	267,495	-	-	267,495
Finance lease receivables	37,862	90,213	184,259	312,334
Other financial assets	158,927	75,229	1,807	235,963
Total financial assets	**10,979,483**	**3,396,553**	**13,147,494**	**27,523,530**
Due to credit institutions	1,785,023	438,183	1,717,454	3,940,660
Customer accounts	1,421,279	178,561	16,436,693	18,036,533
Debt securities in issue	74,738	81,779	1,205,056	1,361,573
Other financial liabilities	208,917	71,142	14,487	294,546
Lease liabilities	6,550	13,993	64,227	84,770
Subordinated debt	16,171	70,244	503,733	590,148
Redemption liability	-	121,905	355,424	477,329
Total financial liabilities	**3,512,678**	**975,807**	**20,297,074**	**24,785,559**
Net liquidity gap as of 31 December 2022	**7,466,805**	**2,420,746**	**(7,149,580)**	**2,737,971**
Cumulative gap as of 31 December 2022	**7,466,805**	**9,887,551**	**2,737,971**	

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

As at 1 January 2022 the analysis by expected maturities is as follows:

in thousands of GEL	Less than 3 months	From 3 to 12 months	Over 1 years	Total
Cash and cash equivalents	1,722,137	-	-	1,722,137
Due from other banks	32,075	17,983	29,084	79,142
Mandatory cash balances with National Bank of Georgia	2,087,141	-	-	2,087,141
Loans and advances to customers	1,421,375	3,348,606	11,867,164	16,637,145
Investment securities measures at fair value through OCI	1,938,196	-	-	1,938,196
Bonds carried at amortised cost	48,082	1,000	500	49,582
Finance lease receivables	30,810	66,683	164,553	262,046
Other financial assets	417,028	4,593	2,379	424,000
Total financial assets	**7,696,844**	**3,438,865**	**12,063,680**	**23,199,389**
Due to credit institutions	1,418,250	509,471	1,056,455	2,984,176
Customer accounts	1,178,993	105,267	13,753,912	15,038,172
Debt securities in issue	5,261	100,349	1,604,678	1,710,288
Other financial liabilities	139,440	11,981	1,958	153,379
Lease liabilities	4,045	10,703	51,419	66,167
Subordinated debt	2,357	19,067	602,223	623,647
Redemption liability	-	-	238,455	238,455
Total financial liabilities	**2,748,346**	**756,838**	**17,309,100**	**20,814,284**
Net liquidity gap as of 1 January 2022	**4,948,498**	**2,682,027**	**(5,245,420)**	**2,385,105**
Cumulative gap as of 1 January 2022	**4,948,498**	**7,630,525**	**2,385,105**	

The Management believes that the Group has sufficient liquidity to meet its current on- and off-balance sheet obligations.

39. CONTINGENCIES AND COMMITMENTS

Legal and regulatory matters. When determining the level of provision to be set up with regards to such matters, or the amount (not subject to provisioning) to be disclosed in the financial statements, the management seeks both internal and external professional advice. The management believes that the provision recorded in these consolidated financial statements is adequate and the amount (not subject to provisioning) need not be disclosed as it will not have a material adverse effect on the financial condition or the results of future operations of the Group.

Tax legislation. Georgian, Azerbaijanian and Uzbekistan tax and customs legislation is subject to varying interpretations, ad changes, which can occur frequently. The management's interpretation of the legislation as applied to the Group's transactions and activity may be challenged by the relevant authorities. In Uzbekistan and Azerbaijan, the tax review periods for the five preceding calendar years remain open to review by authorities. In Georgia, the period of limitation for tax review is three years. To respond to the risks, the Group has engaged external tax specialists to carry out periodic reviews of Group's taxation policies and tax filings. The Group's management believes that its interpretation of the relevant legislation is appropriate, and the Group's tax and customs positions will be substantially sustained.

Compliance with covenants. The Group is subject to certain financial and non-financial covenants primarily related to its debt. Non-compliance with such covenants may result in negative consequences for the Group including mandatory prepayment and declaration of default. The Group was in compliance with all covenants as of 31 December 2023 and 31 December 2022.

Group's financial covenants mainly consist of three major sub-categories. Key covenants within each category and their compliance status is disclosed below:

Covenant Description	Status
Liquidity	
Net Stable Funding Ratio (NSFR)	Complied
Liquidity Coverage Ratio (LCR)	Complied
Net loan to deposit and funding ratio	Complied
Capital Adequacy	
Tier 1 capital ratio	Complied
Total capital ratio	Complied
Asset Quality	
Net problem loans to total capital	Complied

For all financial covenants the Group has sufficient headroom for any potential violation risks to materialise.

Management of Capital. The Bank manages capital requirements under regulatory rules. The Bank complied with all its imposed capital requirements for the year 2023 and 2022. Based on information provided internally to key management personnel, the amount of capital that the Bank managed was GEL 4,235,033 thousand as of 31 December 2023 (2022: GEL 3,333,039 thousand), regulatory Tier 1 capital amounts to GEL 4,772,913 thousand (2022: GEL 3,873,439 thousand), total regulatory capital amounts to GEL 5,374,301 thousand (2022: GEL 4,561,525 thousand).

In the management of capital, TBC Bank Uz (TBC Uz) has the following objectives: compliance with capital requirements established by the Central Bank of Uzbekistan (CBU) and, in particular, the requirements of the deposit insurance system; ensuring the TBC Bank Uz's ability to function as a going concern and maintaining the capital base at the level necessary to ensure the compliance of the capital adequacy ratio with the requirements of the CBU. The compliance with the capital adequacy ratio established by the CBU is monitored monthly according to the forecast and actual data containing the relevant calculations, which are verified and vetted by the TBC Uz's Management.

According to the Uzbekistan Regulation on the Requirements for the Adequacy of the Capital of Commercial Banks No. 2693 registered by the Ministry of Justice on 6 July 2015 and its supplement, the following requirements are set for banks:
- The minimum level of K1 is set at 13%;
- Banks are required to ensure a minimum level of K2 of 10%, taking into account the capital conservation buffer of 3% of risk-weighted assets.

39. CONTINGENCIES AND COMMITMENTS CONTINUED

According to the supplement dated 5 April 2023 No. 2693-10 of Uzbekistan regulation, the requirement is set for existing banks to increase the minimum share capital to UZS 200 billion by September 1, 2023, to UZS 350 billion by April 1, 2024, and to UZS 500 billion by January 1, 2025.

As at 31 December 2023, the Group met the requirements to regulatory capital set by the Regulation of the CBU On the Requirements for the Adequacy of the Capital of Commercial Banks No. 2693 dated July 6, 2015.

On 16 September 2016, ISSSG (Insurance State Supervision Service of Georgia) issued directives N°15 and N°16 on the determination of the Regulatory Solvency Margin (“RSM”) and Regulatory Capital, respectively. The laws also impose the requirements on maintaining minimum Regulatory Capital benchmarking against RSM. JSC TBC Insurance was in compliance with capital requirements set by ISSSG during 2023 and 2022.

Credit related commitments and financial guarantees. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Financial guarantees and standby letters of credit, which represent the irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, that are underwritten by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to prolong credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss is lower than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term ones.

As of 31 December 2023, outstanding credit related commitments presented by stages are as follows:

in thousands of GEL	Stage 1	Stage 2	Stage 3
Undrawn credit lines	1,031,588	13,388	4,039
Letters of credit issued	283,671	-	-
Financial guarantees issued	509,835	1,139	723
Total credit related commitments (before provision)	**1,825,094**	**14,527**	**4,762**
Credit loss allowance for credit related commitments			
Undrawn credit lines	(1,268)	(219)	-
Letters of credit issued	(428)	-	-
Financial guarantees issued	(783)	-	-
Credit loss allowance for credit related commitments	**(2,479)**	**(219)**	**-**
Total credit related commitments	**1,822,615**	**14,308**	**4,762**

As of 31 December 2022, outstanding credit related commitments presented by stages are as follows:

in thousands of GEL	Stage 1	Stage 2	Stage 3
Undrawn credit lines	1,008,262	40,296	2,667
Letters of credit issued	232,066	-	-
Financial guarantees issued	399,820	1,044	50
Total credit related commitments (before provision)	**1,640,148**	**41,340**	**2,717**

39. CONTINGENCIES AND COMMITMENTS CONTINUED

Credit loss allowance for credit related commitments			
Undrawn credit lines	(1,531)	(364)	(47)
Letters of credit issued	(436)	-	-
Financial guarantees issued	(799)	-	-
Credit loss allowance for credit related commitments	**(2,766)**	**(364)**	**(47)**
Total credit related commitments	**1,637,382**	**40,976**	**2,670**

The credit quality of contingencies and commitments is as follows at 31 December 2023:

	31 December 2023			
in thousands of GEL	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
Undrawn credit lines risk category				
– Very low	978,851	3,999	-	982,850
– Low	48,596	4,454	-	53,050
– Moderate	4,140	3,895	-	8,035
– High	1	1,040	-	1,041
– Default	-	-	4,039	4,039
Gross carrying amount	**1,031,588**	**13,388**	**4,039**	**1,049,015**
Credit loss allowance	(1,268)	(219)	-	(1,487)
Carrying amount	**1,030,320**	**13,169**	**4,039**	**1,047,528**
Letters of credit issued risk category				
– Very low	283,671	-	-	283,671
– Low	-	-	-	-
– Moderate	-	-	-	-
– High	-	-	-	-
– Default	-	-	-	-
Gross carrying amount	**283,671**	**-**	**-**	**283,671**
Credit loss allowance	(428)	-	-	(428)
Carrying amount	**283,243**	**-**	**-**	**283,243**
Financial guarantees issued risk category				
– Very low	508,916	-	-	508,916
– Low	891	1,139	-	2,030
– Moderate	28	-	-	28
– High	-	-	-	-
– Default	-	-	723	723
Gross carrying amount	**509,835**	**1,139**	**723**	**511,697**
Credit loss allowance	(783)	-	-	(783)
Carrying amount	**509,052**	**1,139**	**723**	**510,914**

39. CONTINGENCIES AND COMMITMENTS CONTINUED

The credit quality of contingencies and commitments is as follows at 31 December 2022:

	31 December 2022			
in thousands of GEL	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
Undrawn credit lines risk category				
– Very low	935,349	870	-	936,219
– Low	68,729	32,329	-	101,058
– Moderate	4,181	6,104	-	10,285
– High	3	993	-	996
– Default	-	-	2,667	2,667
Gross carrying amount	**1,008,262**	**40,296**	**2,667**	**1,051,225**
Credit loss allowance	(1,531)	(364)	(47)	(1,942)
Carrying amount	**1,006,731**	**39,932**	**2,620**	**1,049,283**
Letters of credit issued risk category				
– Very low	232,066	-	-	232,066
– Low	-	-	-	-
– Moderate	-	-	-	-
– High	-	-	-	-
– Default	-	-	-	-
Gross carrying amount	**232,066**	**-**	**-**	**232,066**
Credit loss allowance	(436)	-	-	(436)
Carrying amount	**231,630**	**-**	**-**	**231,630**
Financial guarantees issued risk category				
– Very low	397,358	-	-	397,358
– Low	2,462	1,044	-	3,506
– Moderate	-	-	-	-
– High	-	-	-	-
– Default	-	-	50	50
Gross carrying amount	**399,820**	**1,044**	**50**	**400,914**
Credit loss allowance	(799)	-	-	(799)
Carrying amount	**399,021**	**1,044**	**50**	**400,115**

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. Non-cancellable commitments as of 31 December 2023 were 293,278 GEL thousand (2022: 313,199 GEL thousand).

Performance guarantees. Performance guarantees are contracts that provide compensation in case of another party fails to perform a contractual obligation.

39. CONTINGENCIES AND COMMITMENTS CONTINUED

As of 31 December 2023, outstanding performance guarantees presented by stages are as follows:

in thousands of GEL	Stage 1	Stage 2	Stage 3
Outstanding amount	1,602,672	2,804	29,230
Credit loss allowance	(2,462)	(7)	(6,126)
Total performance guarantees	**1,600,210**	**2,797**	**23,104**

As of 31 December 2022, outstanding performance guarantees presented by stages are as follows:

in thousands of GEL	Stage 1	Stage 2	Stage 3
Outstanding amount	1,494,985	12,704	15,831
Credit loss allowance	(2,997)	(4)	(4,204)
Total performance guarantees	**1,491,988**	**12,700**	**11,627**

The credit quality of performance guarantees is as follows at 31 December 2023:

in thousands of GEL	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
Performance guarantees risk category				
– Very low	1,584,444	-	-	1,584,444
– Low	18,152	1,411	-	19,563
– Moderate	76	1,393	-	1,469
– High	-	-	-	-
– Default	-	-	29,230	29,230
Gross carrying amount	**1,602,672**	**2,804**	**29,230**	**1,634,706**
Credit loss allowance	(2,462)	(7)	(6,126)	(8,595)
Carrying amount	**1,600,210**	**2,797**	**23,104**	**1,626,111**

The credit quality of performance guarantees is as follows at 31 December 2022:

in thousands of GEL	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	Total
Performance guarantees risk category				
– Very low	1,466,326	-	-	1,466,326
– Low	21,143	2,749	-	23,892
– Moderate	7,495	9,955	-	17,450
– High	21	-	-	21
– Default	-	-	15,831	15,831
Gross carrying amount	**1,494,985**	**12,704**	**15,831**	**1,523,520**
Credit loss allowance	(2,997)	(4)	(4,204)	(7,205)
Carrying amount	**1,491,988**	**12,700**	**11,627**	**1,516,315**

39. CONTINGENCIES AND COMMITMENTS CONTINUED

Fair value of credit related commitments was GEL 2,698 thousand as of 31 December 2023 (2022: GEL 3,177 thousand).

Total credit related commitments and performance guarantees are denominated in currencies as follows:

in thousands of GEL	2023	2022
Georgian Lari	1,681,375	1,457,283
US Dollar	1,138,414	1,195,206
Euro	569,022	484,040
Other	90,278	71,196
Total	**3,479,088**	**3,207,725**

Capital expenditure commitments. As of 31 December 2023, the Group has contractual capital expenditure commitments amounting to GEL 100,995 thousand (2022: GEL 134,674 thousand). Out of total amount as at 31 December 2023, contractual commitments related to the head office construction amounted GEL 54,348 thousand (2022: GEL 105,623 thousand).

40. NON-CONTROLLING INTEREST

Acquisition of remaining interest in Inspired LLC

In May 2023 TBC Bank Group PLC finalized acquisition process of remaining interest in Inspired LLC. The acquired interest amounted to 49% of total shareholding. The consideration amounted to GEL 141,234 thousand.

The acquisition-date fair value of the total purchase consideration is the following:

in thousands of GEL	
Cash consideration paid	141,234
Total purchase consideration	**141,234**

The carrying value of the net assets of Inspired LLC was GEL 7,110 thousand, out of which NCI amounted to GEL 3,484 thousand. Considering, that the Group has already owned 51% of stake in Inspired LLC, the acquisition of remaining 49% has been treated as acquisition of NCI of controlled subsidiary. The consideration paid for acquiring 49% of stake, has exceeded the NCI amount by GEL 137,750 thousand which has been recorded as equity transaction.

The following table discloses the calculation of excess consideration paid for acquiring non-controlling interest in Inspired LLC:

in thousands of GEL	
Cash consideration paid	141,234
Carrying value of purchased interest (NCI)	(3,484)
Difference recognised in retained earnings	**137,750**

Acquisition of remaining interest in Online Tickets LLC

In May 2022 TBC Bank Group PLC finalized acquisition process of remaining interest in Online Tickets LLC. The acquired interest amounted 45% of total shareholding. The consideration amounted to GEL 1,826 thousand.

The acquisition-date fair value of the total purchase consideration is following:

in thousands of GEL	
Cash consideration paid	1,826
Total purchase consideration	**1,826**

40. NON-CONTROLLING INTEREST CONTINUED

The carrying value of the net assets of Online Tickets LLC was GEL 1,502 thousand, out of which NCI amounted to GEL 676 thousand. Considering, that the Group has already owned 55% of stake in Online Tickets LLC, the acquisition of remaining 45% has been treated as acquisition of NCI of controlled subsidiary. The consideration paid for acquiring 45% of stake, has exceeded the net assets acquired by GEL 1,150 thousand which has been recorded as equity transaction.

The following table discloses the calculation of excess consideration paid for acquiring non-controlling interest in Online Tickets LLC:

in thousands of GEL	
Cash consideration paid	1,826
Carrying value of purchased interest (NCI)	(676)
Difference recognised in retained earnings	**1,150**

Sale of ownership in TBC Fin service LLC

On April 22, 2022, TBC Bank Group PLC sold 100% shareholding of TBC Fin service LLC to TBC Bank Uzbekistan JSC (subsidiary of TBC Bank Group PLC) for the cash consideration of USD 240 thousand. Considering that the transaction has occurred between the parent Entity and its subsidiary it has been qualified as business combination under common control. As a result, loss generated from the disposal of the original investment has directly been accounted in separate statement of changes in equity of TBC Bank Group PLC.

in thousands of GEL	
Cash received	775
Investment in subsidiary	(3,420)
Loss from BCUCC (RE)	**(2,645)**

Additionally, as far as, the sale occurred to subsidiary where TBC Bank Group PLC owns 60.24% and TBC Fin service LLC had debit balance net assets at the date of the transaction, the portion acquired by non-controlling has effected the Groups consolidated NCI by decreasing it with GEL 379 thousand and having opposite effect on Groups retained earnings.

in thousands of GEL	
Net assets	953
NCI portion (39.76%)	379
Difference recognized in Retained earnings	**432**
Difference recognized in Currency translation reserve	**(53)**

The following table provides information for each subsidiary with a non-controlling interest as of 31 December 2023:

in thousands of GEL	Proportion of non-controlling interest's voting rights held	(Loss)/ profit attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary
TBC Bank Uzbekistan JSC	39.76%	5,799	129,760
Inspired LLC (accumulated before disposal)	-	8,592	-
TBC Bank JSC including:	0.12%	1,404	6,689
United Financial Corporation JSC	0.47%	45	232
Total Non-Controlling		**15,795**	**136,449**

40. NON-CONTROLLING INTEREST CONTINUED

The summarised financial information of these subsidiaries for the year ended 31 December 2023 was:

in thousands of GEL	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/(loss)	Total comprehensive (expense)/ income	Net cash flows
TBC Bank Uzbekistan JSC	557,877	481,125	477,560	274,389	138,664	14,539	3,010	26,040
TBC Bank JSC including:	15,541,526	16,229,610	5,835,804	21,187,665	2,132,057	1,121,094	1,128,517	(94,866)
United Financial Corporation JSC	2,972	31,507	3,736	1,155	21,653	9,549	9,549	106

The following table provides information for each subsidiary with a non-controlling interest as of 31 December 2022:

in thousands of GEL	Proportion of non-controlling interest's voting rights held	(Loss)/ profit attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary
TBC Bank Uzbekistan JSC	39.8%	(9,418)	70,957
Inspired LLC	49%	16,326	10,549
Accumulated net income of NCI before disposal	-	(34)	-
TBC Bank JSC including:	0.12%	1,259	5,307
United Financial Corporation JSC	0.47%	25	164
Total Non-Controlling		**8,133**	**86,813**

The summarised financial information of these subsidiaries for the year ended 31 December 2022 was:

in thousands of GEL	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/(loss)	Total comprehensive (expense)/ income	Net cash flows
TBC Bank Uzbekistan JSC	263,251	244,206	207,001	154,281	45,636	(24,970)	(42,620)	(64,552)
Inspired LLC	22,498	4,334	3,980	-	51,096	33,246	31,288	7,345
TBC Bank JSC including:	14,088,786	14,240,224	4,325,998	19,737,210	1,946,389	1,023,075	1,037,685	2,190,638
United Financial Corporation JSC	2,284	22,314	3,429	1,178	14,886	3,400	3,400	(457)

41. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As of 31 December 2023, financial instruments subject to offsetting, enforceable master netting and similar arrangements were as follows:

				Amounts subject to master netting and similar arrangements not set off in the statement of financial position		
in thousands of GEL	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amount after offsetting in the statement of financial position (c)=(a)-(b)	Financial instruments (d)	Cash collateral received (e)	Net amount of exposure (c)-(d)-(e)
Assets						
Other financial assets:						
– Receivables on credit card services and money transfers*	73,056	-	73,056	34,628	-	38,428
Assets subject to offsetting, master netting and similar arrangement	**73,056**	**-**	**73,056**	**34,628**	**-**	**38,428**
Other financial liabilities:						
– Payables on credit card services and money transfers*	34,628	-	34,628	34,628	-	-
Liabilities subject to offsetting, master netting and similar arrangement	**34,628**	**-**	**34,628**	**34,628**	**-**	**-**

STRATEGIC REPORT
GOVERNANCE
FINANCIAL STATEMENTS
ADDITIONAL INFORMATION

41. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTINUED

As of 31 December 2022, financial instruments subject to offsetting, enforceable master netting and similar arrangements were as follows:

in thousands of GEL	Gross amounts before offsetting in the statement of financial position (a)	Gross amounts set off in the statement of financial position (b)	Net amount after offsetting in the statement of financial position (c)=(a)-(b)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Financial instruments (d)	Amounts subject to master netting and similar arrangements not set off in the statement of financial position: Cash collateral received (e)	Net amount of exposure (c)-(d)-(e)
Assets						
Investment securities measured at FVOCI sold under sale and repurchase agreements	267,495	-	267,495	262,415	-	5,080
Reverse sale and repurchase agreements with other banks with original maturities of less than three months	370,022	-	370,022	370,022	-	-
Other financial assets:						
– Receivables on credit card services and money transfers	46,724	-	46,724	22,785*	-	23,939 *
Assets subject to offsetting, master netting and similar arrangement	**684,241**	**-**	**684,241**	**632,437 ***	**-**	**51,804***
Liabilities						
Sales and repurchase agreements	262,415	-	262,415	262,415	-	-
Other financial liabilities:						
– Payables on credit card services and money transfers	22,785	-	22,785	22,785*	-	-*
Liabilities subject to offsetting, master netting and similar arrangement	**285,200**	**-**	**285,200**	**285,200***	**-**	**-***

*Starting from 2023 the management decided to change the presentation of financial instruments subject to offsetting for receivables and payables on credit card services and money transfers and showed net amount of exposure. As the Group currently does not have a legally enforceable right to set off the recognised amounts, however amounts are settled on a net basis in practice.

The amount set off in the statement of financial position reported in column (b) is the lower of (i) the gross amount before offsetting reported in column (a) and (ii) the amount of the related instrument that is eligible for offsetting. Similarly, the amounts in columns (d) and (e) are limited to the exposure reported in column (c) for each individual instrument in order not to understate the ultimate net exposure.

Deposits placed with other banks and deposits received from other banks as part of gross settled currency swap arrangements have been netted-off in these financial statements and the instrument has been presented as either asset or liability at a fair value.

The disclosure does not apply to loans and advances to customers and related customer deposits unless they are netted-off in the statement of financial position.

42. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Group enters into various derivative financial instruments, to manage currency, liquidity and interest rate risks and for trading purposes.

in thousands of GEL	2023	2022
Fair value of foreign exchange forwards and gross settled currency swaps, included in other financial assets or due from other banks	17,464	57,887
Fair value of foreign exchange forwards and gross settled currency swaps, included in other financial liabilities	(62,124)	(72,188)
Total	**(44,660)**	**(14,301)**

Foreign Exchange Forwards and gross settled currency swaps. Foreign exchange derivative financial instruments the Group entered are generally traded in an over-the-counter market with professional counterparties on standardised contractual terms and conditions. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The table below sets out fair values, at the balance sheet date, of currencies receivable or payable under foreign exchange forwards contracts and gross settled currency swaps the Group entered. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the respective balance sheet date.

	2023		2022	
in thousands of GEL	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
Foreign exchange forwards and gross settled currency swaps: fair values, at the balance sheet date, of				
– USD payable on settlement (-)	(1,034,563)	(559,424)	(899,550)	(111,350)
– USD receivable on settlement (+)	68,788	2,345,437	69,042	2,756,345
– GEL payable on settlement (-)	(47,973)	(181,665)	(52,430)	(396,583)
– GEL receivable on settlement (+)	918,082	549,659	846,710	130,514
– EUR payable on settlement (-)	(33,344)	(2,309,183)	(16,534)	(2,489,689)
– EUR receivable on settlement (+)	132,593	93,920	142,169	39,055
– Other payable on settlement (-)	(45,828)	(40,093)	(35,729)	(913)
– Other receivable on settlement (+)	59,709	39,225	4,209	433
Fair value of foreign exchange forwards and gross settled currency swaps	**17,464**	**(62,124)**	**57,887**	**(72,188)**
Net fair value of foreign exchange forwards and gross settled currency swaps		**(44,660)**		**(14,301)**

43. FAIR VALUE DISCLOSURES

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised as follows:

	31-Dec-23					31-Dec-22				
in thousands of GEL	Level 1	Level 2	Level 3	Total fair Value	Carrying value	Level 1	Level 2	Level 3	Total fair value	Carrying value
Assets carried at fair value										
Financial assets										
Investment securities measured at fair value through other comprehensive income										
– Corporate Bonds	40,466	1,184,535	-	**1,225,001**	**1,225,001**	36,630	1,254,755	-	**1,291,385**	**1,291,385**
– Foreign government treasury bills	303,850	-	-	**303,850**	**303,850**	35,583	-	-	**35,583**	**35,583**
– Ministry of Finance of Georgia Treasury Bills	1,944,132	-	-	**1,944,132**	**1,944,132**	4,420	1,552,675	-	**1,557,095**	**1,557,095**
– Repurchase receivables	-	-	-	**-**	**-**	267,495	-	-	**267,495**	**267,495**
– Corporate shares	-	-	2,478	**2,478**	**2,478**	-	-	1,025	**1,025**	**1,025**
Investment securities measured at fair value through profit and loss										
– Foreign exchange forwards and gross settled currency swaps, included in other financial assets or due from banks	-	17,464	-	**17,464**	**17,464**	-	57,887	-	**57,887**	**57,887**
– Investment held at fair value through profit or loss	-	-	8,062	**8,062**	**8,062**	-	-	9,704	**9,704**	**9,704**
Total assets recurring fair value measurements	**2,288,448**	**1,201,999**	**10,540**	**3,500,987**	**3,500,987**	**344,128**	**2,865,317**	**10,729**	**3,220,174**	**3,220,174**
Liabilities carried at fair value										
Financial liabilities										
Foreign exchange forwards and gross settled currency swaps, included in other financial liabilities	-	62,124	-	**62,124**	**62,124**	-	72,188	-	**72,188**	**72,188**
Total liabilities recurring fair value measurements	**-**	**62,124**	**-**	**62,124**	**62,124**	**-**	**72,188**	**-**	**72,188**	**72,188**

43. FAIR VALUE DISCLOSURES CONTINUED

There were no transfers between levels 1, 2 and 3 during the year ended 31 December 2023 (2022 none).

The description of the valuation technique and the description of inputs used in the fair value measurement for level 2 measurements:

	Fair value at 31 December			
in thousands of GEL	2023	2022	Valuation technique	Inputs used
Assets carried at fair value				
– Ministry of Finance of Georgia Treasury Bills, foreign government treasury bills, corporate bonds	1,184,535	2,807,430	Discounted cash flows ("DCF")	Government bonds yield curve
– Foreign exchange forwards and gross settled currency swaps, included in due from banks	17,464	57,887	Forward pricing using present value calculations	Official exchange rate, risk-free rate
Total assets recurring fair value measurements at level 2	**1,201,999**	**2,865,317**		
Liabilities carried at fair value				
– Foreign exchange forwards included in other financial liabilities	62,124	72,188	Forward pricing using present value calculations	Official exchange rate, risk-free rate
Total liabilities recurring fair value measurements at level 2	**62,124**	**72,188**		

The description of the valuation technique and the description of inputs used in the fair value measurement for level 3 measurements:

	Fair value at 31 December				
in thousands of GEL	2023	2022	Valuation technique	Inputs used	Unobservable inputs
Assets carried at fair value					
– Investment held at fair value through profit or loss	8,062	9,704	Discounted cash flows ("DCF")	Weighted average borrowing interest rate	Cash flow
– Corporate shares	2,478	1,025	Discounted cash flows ("DCF")	Government bonds yield curve	Cash flow
Total assets recurring fair value measurements at level 3	**10,540**	**10,729**			

There were no changes in the valuation technique for the level 2 and level 3 recurring fair value measurements during the year ended 31 December 2023 (2022: none).

Sensitivity of the input to fair value – increase/(decrease) in projected cash flows by 10% would result in increase/(decrease) in fair value by GEL 292 thousand/ (GEL 292 thousand).

Fair value measurement analysis by level in the fair value hierarchy is disclosed in Note 2.

43. FAIR VALUE DISCLOSURES CONTINUED

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	31 December 2023				
in thousands of GEL	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value
Financial assets					
Cash and cash equivalents	940,140	2,823,947	-	**3,764,087**	**3,764,087**
Due from other banks	-	47,941	-	**47,941**	**47,941**
Mandatory cash balances with NBG and CBU	-	1,577,074	-	**1,577,074**	**1,577,074**
Loans and advances to customers:					
– Corporate loans	-	-	8,312,499	**8,312,499**	**8,210,100**
– Consumer loans	-	-	3,688,782	**3,688,782**	**3,431,482**
– Mortgage loans	-	-	5,156,836	**5,156,836**	**4,702,477**
– Loans to micro, small and medium enterprises	-	-	5,489,839	**5,489,839**	**5,378,048**
Bonds carried at amortised cost	-	73,963	-	**73,963**	**73,963**
Finance lease receivables	-	-	384,500	**384,500**	**400,411**
Other financial assets	-	-	254,742	**254,742**	**254,742**
Non-financial assets					
Investment properties, at cost	-	-	21,903	**21,903**	**15,235**
Total assets (excluding assets with no fair value hierarchy)	**940,140**	**4,522,925**	**23,309,101**	**28,772,166**	**27,855,560**
Financial liabilities					
Customer accounts	-	13,567,384	6,806,495	**20,373,879**	**20,375,498**
Debt securities in issue	1,413,069	-	-	**1,413,069**	**1,426,174**
Due to credit institutions	-	-	4,393,715	**4,393,715**	**4,395,182**
Other financial liabilities	-	-	388,277	**388,277**	**388,277**
Subordinated debt	-	-	860,433	**860,433**	**868,730**
Total liabilities (excluding liability with no fair value hierarchy)	**1,413,069**	**13,567,384**	**12,448,920**	**27,429,373**	**27,453,861**
Performance guarantees	**-**	**-**	**8,595**	**8,595**	**8,595**
Financial guarantees	**-**	**-**	**783**	**783**	**783**
Credit related commitments	**-**	**-**	**1,915**	**1,915**	**1,915**
Total credit related commitments and performance guarantees	**-**	**-**	**11,293**	**11,293**	**11,293**

43. FAIR VALUE DISCLOSURES CONTINUED

	31 December 2022 (restated)				
in thousands of GEL	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value
Financial assets					
Cash and cash equivalents	1,243,238	2,617,575	-	**3,860,813**	**3,860,813**
Due from other banks	-	41,854	-	**41,854**	**41,854**
Mandatory cash balances with NBG and CBU	-	2,049,985	-	**2,049,985**	**2,049,985**
Loans and advances to customers:					
– Corporate loans	-	-	6,336,111	**6,336,111**	**6,236,011**
– Consumer loans	-	-	2,997,498	**2,997,498**	**2,664,032**
– Mortgage loans	-	-	4,863,317	**4,863,317**	**4,219,260**
– Loans to micro, small and medium enterprises	-	-	4,708,953	**4,708,953**	**4,713,303**
Bonds carried at amortised cost	-	37,392	-	**37,392**	**37,392**
Finance lease receivables			312,300	**312,300**	**312,334**
Other financial assets*	-	-	168,372	**168,372**	**168,372**
Non-financial assets					
Investment properties, at cost	-	-	25,683	**25,683**	**22,154**
Total assets* (excluding assets with no fair value hierarchy)	**1,243,238**	**4,746,806**	**19,412,234**	**25,402,278**	**24,325,510**
Financial liabilities					
Customer accounts	-	12,181,397	5,841,319	**18,022,716**	**18,036,533**
Debt securities in issue	1,340,444	-	-	**1,340,444**	**1,361,573**
Due to credit institutions	-	-	3,936,243	**3,936,243**	**3,940,660**
Other financial liabilities*	-	-	307,128	**307,128**	**307,128**
Subordinated debt	-	-	587,218	**587,218**	**590,148**
Total liabilities* (excluding liability with no fair value hierarchy)	**1,340,444**	**12,181,397**	**10,671,908**	**24,193,749**	**24,236,042**
Performance guarantees	**-**	**-**	**7,205**	**7,205**	**7,205**
Financial guarantees	**-**	**-**	**799**	**799**	**799**
Credit related commitments	**-**	**-**	**2,378**	**2,378**	**2,378**
Total credit related commitments and performance guarantees	**-**	**-**	**10,382**	**10,382**	**10,382**

*Certain amounts do not correspond to the 2022 and 2021 consolidated financial statements as they reflect the certain restatements due to IFRS 17 adoption as described in Note 4.

43. FAIR VALUE DISCLOSURES CONTINUED

	1 January 2022 (restated)				
in thousands of GEL	Level 1	Level 2	Level 3	Total Fair Value	Carrying Value
Financial assets					
Cash and cash equivalents	839,821	882,316	–	**1,722,137**	**1,722,137**
Due from other banks	–	79,142	–	**79,142**	**79,142**
Mandatory cash balances with NBG and CBU	–	2,087,141	–	**2,087,141**	**2,087,141**
Loans and advances to customers:					
– Corporate loans	–	–	6,492,668	**6,492,668**	**6,497,010**
– Consumer loans	–	–	2,394,481	**2,394,481**	**2,062,976**
– Mortgage loans	–	–	4,522,528	**4,522,528**	**4,048,955**
– Loans to micro, small and medium enterprises	–	–	4,126,318	**4,126,318**	**4,028,204**
Bonds carried at amortised cost	–	49,582	–	**49,582**	**49,582**
Finance lease receivables	–	–	261,561	**261,561**	**262,046**
Other financial assets*	–	–	227,165	**227,165**	**227,165**
Non-financial assets					
Investment properties, at cost	–	–	29,493	**29,493**	**22,892**
Total assets* (excluding assets with no fair value hierarchy)	**839,821**	**3,098,181**	**18,054,214**	**21,992,216**	**21,087,250**
Financial liabilities					
Customer accounts	–	9,982,595	5,026,676	**15,009,271**	**15,038,172**
Debt securities in issue	1,798,023	–	–	**1,798,023**	**1,710,288**
Due to credit institutions	–	–	2,986,731	**2,986,731**	**2,984,176**
Other financial liabilities*	–	–	209,817	**209,817**	**209,817**
Subordinated debt	–	–	626,503	**626,503**	**623,647**
Total liabilities* (excluding liability with no fair value hierarchy)	**1,798,023**	**9,982,595**	**8,849,727**	**20,630,345**	**20,566,100**
Performance guarantees	**-**	**-**	**4,620**	4,620	4,620
Financial guarantees	**-**	**-**	**743**	743	743
Credit related commitments	**-**	**-**	**2,881**	2,881	2,881
Total credit related commitments and performance guarantees	**-**	**-**	**8,244**	**8,244**	**8,244**

*Certain amounts do not correspond to the 2022 and 2021 consolidated financial statements as they reflect the certain restatements due to IFRS 17 adoption as described in Note 4.

The fair values in the level 2 and the level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of unquoted fixed interest rate instruments was calculated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. The fair value of investment properties was estimated using market comparatives.

Amounts due to credit institutions were discounted at the Group's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the Group could be required to pay the amount. Amounts due to credit institutions, subordinated debt and other financial liabilities were moved from level 2 to level 3. There were no changes in the valuation technique for the level 2 and level 3 measurements of assets and liabilities not measured at fair values in the year ended 31 December 2023 (2022: none)

44. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2023:

in thousands of GEL	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Total
Assets				
Cash and cash equivalents	3,764,087	-	-	**3,764,087**
Due from other banks	47,941	-	-	**47,941**
Mandatory cash balances with NBG and CBU	1,577,074	-	-	**1,577,074**
Loans and advances to customers	21,722,107	-	-	**21,722,107**
Investment securities measured at FVOCI	-	3,475,461	-	**3,475,461**
Bonds carried at amortised cost	73,963	-	-	**73,963**
Other financial assets	254,742	-	25,526	**280,268**
Total financial assets subject to IFRS 9 measurement categories	**27,439,914**	**3,475,461**	**25,526**	**30,940,901**
Finance lease receivables	-	-	-	**400,411**
Non-financial assets	**-**	**-**	**-**	**1,623,515**
Total assets	**27,439,914**	**3,475,461**	**25,526**	**32,964,827**

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2022:

in thousands of GEL	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Total
Assets				
Cash and cash equivalents	3,860,813	-	-	**3,860,813**
Due from other banks	41,854	-	-	**41,854**
Mandatory cash balances with NBG and CBU	2,049,985	-	-	**2,049,985**
Loans and advances to customers	17,832,606	-	-	**17,832,606**
Investment securities measured at FVOCI	-	2,885,088	-	**2,885,088**
Repurchase receivable	-	267,495	-	**267,495**
Bonds carried at amortised cost	37,392	-	-	**37,392**
Other financial assets*	168,372	-	67,591	**235,963**
Total financial assets subject to IFRS 9 measurement categories*	**23,991,022**	**3,152,583**	**67,591**	**27,211,196**
Finance lease receivables	-	-	-	**312,334**
Non-financial assets*	**-**	**-**	**-**	**1,464,611**
Total assets*	**23,991,022**	**3,152,583**	**67,591**	**28,988,141**

*Certain amounts do not correspond to the 2022 and 2021 consolidated financial statements as they reflect the certain restatements due to IFRS 17 adoption as described in Note 4.

44. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY CONTINUED

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 1 January 2022:

in thousands of GEL	Amortised cost	Fair value through other comprehensive income	Fair value through profit or loss	Total
Assets				
Cash and cash equivalents	1,722,137	-	-	**1,722,137**
Due from other banks	79,142	-	-	**79,142**
Mandatory cash balances with NBG and CBU	2,087,141	-	-	**2,087,141**
Loans and advances to customers	16,637,145	-	-	**16,637,145**
Investment securities measured at FVOCI	-	1,938,196	-	**1,938,196**
Bonds carried at amortised cost*	49,582	-	-	**49,582**
Other financial assets*	227,165	-	196,835	**424,000**
Total financial assets subject to IFRS 9 measurement categories*	**20,802,312**	**1,938,196**	**196,835**	**22,937,343**
Finance lease receivables	-	-	-	**262,046**
Non-financial assets*	**-**	**-**	**-**	**1,276,087**
Total assets*	**20,802,312**	**1,938,196**	**196,835**	**24,475,476**

*Certain amounts do not correspond to the 2022 and 2021 consolidated financial statements as they reflect the certain restatements due to IFRS 17 adoption as described in Note 4.

For the measurement purposes, IFRS 9, classifies financial assets into the categories discussed in Note 2.

As of 31 December 2023 and 2022 all of the Group's financial liabilities except for derivatives are carried at amortised cost. Derivatives belong to the assets fair value through profit or loss measurement category under IFRS 9.

45. RELATED PARTY TRANSACTIONS

Pursuant to IAS 24 "Related Party Disclosures", parties are generally considered to be related if the parties are under common control or one party has the ability to control the other or it can exercise significant influence over the other party in taking financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form:

- Parties with material ownership stake (more than 5% beneficial ownership stake for 2023 and 2022) in the TBCG or with representatives in the Board of Directors are considered as Significant Shareholders.
- The key management personnel include members of TBCG's Board of Directors and the Management Board of the Bank.
- Related parties not included in significant shareholders and key management personnel are presented in other related parties.

Transactions between TBC Bank Group PLC and its subsidiaries also meet the definition of related party transactions.

As at 31 December 2023 and 2022 the Group's outstanding balances with related parties were as follows:

in thousands of GEL	Contractual interest rate	Significant shareholders	Key management personnel	Other related parties	Associates
2023					
Gross amount of loans and advances to customers	3.9%-36.0%	-	5,655	1,461	-
Credit loss allowance for loans and advances to customers	–	-	-	1	-
Customer accounts	0%-12.4%	169	7,272	25,846	4,386
2022					
Gross amount of loans and advances to customers	4.4%-36.0%	-	6,097	1,135	-
Credit loss allowance for loans and advances to customers	–	-	3	-	-
Customer accounts	0%-12.5%	1,248	25,557	51,039	4,341

The Group's income and expense items with related parties except from key management compensation for the year 2023 and 2022 were as follows:

in thousands of GEL	Significant shareholders	Key management personnel	Other related parties	Associates
2023				
Interest income - loans and advances to customers	-	248	109	-
Interest expense	24	355	604	183
Fee and commission income	8	19	147	2
Administrative and other operating expenses (excluding staff costs)	-	1,522	-	-
2022				
Interest income - loans and advances to customers	-	287	93	-
Interest expense	10	366	941	140
Fee and commission income	6	21	134	2
Administrative and other operating expenses (excluding staff costs)	-	843	–	-

45. RELATED PARTY TRANSACTIONS CONTINUED

The aggregate loan amounts disbursed to and repaid by related parties during 2023 and 2022 were as follows:

in thousands of GEL	Significant shareholders	Key management personnel	Other related parties
2023			
Amounts disbursed to related parties during the year	218	2,146	2,478
Amounts repaid by related parties during the year	(218)	(2,947)	(2,272)
2022			
Amounts disbursed to related parties during the year	43	2,030	911
Amounts repaid by related parties during the year	(59)	(2,256)	(1,174)

As of 31 December 2023 and 2022 transactions and balances of TBC Bank Group PLC with subsidiaries were as follows:

in thousands of GEL	Contractual interest rate	Total
2023		
Cash and cash equivalents	–	99,075
Loans issued*	9.0%	40,526
Investment in subsidiaries	–	2,103,028
Other financial assets	–	791
Foreign exchange forward contracts	–	22,928
2022		
Cash and cash equivalents	–	90,358
Investment in subsidiary	–	1,758,748
Other financial assets	–	78,277
Foreign exchange forward contracts	–	12,124

*Loans issued represent short term intragroup obligation in USD, all of which is classified at stage 1 with no ECL for the separate statement of financial position.

The income and expense items for TBC Bank Group PLC with subsidiaries except from key management compensation for the year 2023 and 2022 were as follows:

in thousands of GEL	2023	2022
Interest income	9,667	2,922
Interest expense	627	541
Fee and commission expense	8	4
Other operating income	10,059	78,078
Dividend income	658,990	378,017
Professional Expenses	2,592	16
Net losses from currency derivatives, foreign currency operations and translation	17,816	28,187

45. RELATED PARTY TRANSACTIONS CONTINUED

The movement of investment in subsidiary for separate TBC Bank Group PLC for the year 2023 was as follow:

in thousands of GEL	2022	Capital injections	Purchase of additional interest from minority shareholders	Exercising the option to acquire NCI	2023
TBC Bank JSC	1,452,451	-	-	-	1,452,451
Inspired LLC	14,981	-	141,234	84,149	240,360
TBC Bank Uzbekistan JSC	137,506	80,239	-	-	217,749
Space International JSC	51,303	33,200	-	-	84,503
T Net LLC	62,742	12,400	-	-	75,142
TBC Group Support LLC	2,270	5,930	-	-	8,200
TBC Insurance JSC	7,823	-	-	-	7,823
TBC International Holdings Limited	-	1,629	-	-	1,629
Marjanishvili 7 LLC	244	-	-	-	244
Investment in subsidiaries	**1,729,320**	**133,398**	**141,234**	**84,149**	**2,088,101**

The movement of investments in subsidiary for separate TBC Bank Group PLC for the year 2022 was as follow:

in thousands of GEL	2021	Capital injections	Disposal of subsidiary	2022
TBC Bank JSC	1,452,451	-	-	1,452,451
Inspired LLC	14,981	-	-	14,981
TBC Bank Uzbekistan JSC	78,752	58,754	-	137,506
Space International JSC	32,603	18,700	-	51,303
T Net LLC	60,916	1,826	-	62,742
TBC Group Support LLC	115	2,155	-	2,270
TBC Insurance JSC	7,823	-	-	7,823
Marjanishvili 7 LLC	244	-	-	244
TBC Fin Service LLC	3,420	-	(3,420)	-
Investment in subsidiaries	**1,651,305**	**81,435**	**(3,420)**	**1,729,320**

The compensation of the TBCG Board of Directors and the Bank's Management Board is presented below:

	2023		2022	
in thousands of GEL	Expense	Accrued liability	Expense	Accrued liability
Salaries and short-term bonuses	15,672	–	14,778	–
Equity-settled share-based compensation	16,618	–	19,682	–
Total	**32,290**	**–**	**34,460**	**–**

Included In salaries and bonuses for 2023, GEL 3,713 thousand (2022: GEL 4,028 thousand) relates to compensation for TBC Bank Group PLC's non-executive directors (2023: 8 persons, 2022: 8 persons). For 2023, GEL 2,078 thousand (2022: GEL 2,439 thousand) relates to salary expense of non-executive directors for standalone TBC Bank Group PLC.

Details of director's compensation is discussed in the remuneration committee report.

46. EVENTS AFTER REPORTING PERIOD

On 15 February 2024 TBC Bank Group PLC has declared a final dividend for the year 2023 of GEL 4.67 per TBC PLC share.

A FULL LIST OF RELATED UNDERTAKINGS AND THE COUNTRY OF INCORPORATION IS SET OUT BELOW.

Company Name	Country of incorporation
TBC Bank JSC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
United Financial Corporation JSC	154 Agmashenebeli Avenue, 0112, Tbilisi, Georgia
TBC Capital LLC	11 Chavchavadze Avenue, 0179, Tbilisi, Georgia
TBC Leasing JSC	76 Chavchavadze Avenue, 0162,, Tbilisi, Georgia
TBC Kredit LLC	71-77, 28 May Street, AZ1010, Baku, Azerbaijan
TBC Pay LLC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
TBC Invest-Georgia LLC	7 Jabonitsky street, , 52520, Tel Aviv, Israel
Index LLC	8 Tetelashvili,0102,, Tbilisi, Georgia
TBC Insurance JSC	24B, Al. Kazbegi Avenue, 0160, Tbilisi, Georgia
TBC Invest International LLC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
University Development Fund	1 Chavchavadze Avenue, 0128 , Tbilisi, Georgia
CreditInfo Georgia JSC	2 Tarkhnishvili street, 0179, Tbilisi, Georgia
Online Tickets LLC	3 Irakli Abashidze street, 0179, Tbilisi, Georgia
VENDOO LLC (Geo)	44 Petre Kavtaradze street, 0128, Tbilisi, Georgia
Natural Products of Georgia LLC	1 Chavchavadze Avenue, 0128 , Tbilisi, Georgia
Mobi Plus JSC	45 Vajha Pshavela Street, 0177, Tbilisi, Georgia
Mineral Oil Distribution Corporation JSC	11 Tskalsadeni Street, 0153, Tbilisi, Georgia
Georgian Card JSC	106 Beliashvili Street, 0159, Tbilisi Georgia
Georgian Central Securities Depositor JSC	74 Chavchavadze Avenue, 0162, Tbilisi, Georgia
Givi Zaldastanishvili American Academy In Georgia JSC	37 Chavchavadze Avenue, 0162, Tbilisi Georgia
United Clearing Centre	5 Sulkhan Saba Street, 0105, Tbilisi, Georgia
Banking and Finance Academy of Georgia	123, Agmashenebeli Avenue, 0112, Tbilisi, Georgia
Tbilisi's City JSC	15 Rustaveli Avenue, 0108, Tbilisi Georgia
TBC Trade LLC	11A Chavchavadze Ave, 0179, Tbilisi, Georgia
Redmed LLC	25 Al. Kazbegi Avenue, 0160, Tbilisi, Georgia
T Net LLC	7 Marjanishvili st. Didube-chugureti District, Tbilisi,Georgia
TKT UZ	12, Shota Rustaveli, Yakkasaray district, Tashkent, Uzbekistan
Mypost LLC	129a Sh. Nutsubidze St. Vake,Tbilisi, Georgia
Billing Solutions LLC	14 Khelovanta St. Isani, Tbilisi, Georgia
F Solutions LLC	36, Kakheti Hwy, Isani-Samgori District, Tbilisi, Georgia
Inspired LLC	1, Chust, Mirzo Ulugbek district, Tashkent, Uzbekistan
TBC Fin Service LLC	10B, Fidokor, Yakkasaray, Tashkent, Uzbekistan
Marjanishvili 7 LLC	7 Marjanishvili st. Didube-chugureti District, Tbilisi,Georgia
TBC Bank Uzbekistan JSC	118/1, Amir Temur avenue, Yunusobod district, Tashkent, Uzbekistan
TBC Group Support LLC	7 Marjanishvili st. Didube-chugureti District, Tbilisi,Georgia
Tbilisi Stock Exchange JSC	floor 2th block 8, 71 Vazha Pshavela Ave, Tbilisi, Georgia
Georgian Stock Exchange JSC	74a chavchavadzis avenue, vake-saburtalo, Tbilisi, Georgia
Kavkasreestri JSC	74a chavchavadzis avenue, vake-saburtalo, Tbilisi, Georgia
Freeshop.ge LLC	74 chavchavadzis avenue, vake-saburtalo, Tbilisi, Georgia
The.ge LLC	20 amaglebis st. old Tbilisi, Georgia
SABA LLC	5, Gabashvili street, vake-saburtalo Tbilisi, Georgia
Artarea.ge LLC	25 Al. Kazbegi Avenue, 0160, Tbilisi, Georgia
TBC Art Gallery LLC	6, Tsimakuridze str, Tbilisi, Georgia
TBC Asset Management LLC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
Swift	1 Adele Avenue, B-1310, La Hulpe, Belgium
Space International JSC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
Space JSC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
Diversified Credit Portfolio JSC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
TBC International Holdings Limited	100 Bishopsgate, C/O Law Debenture, London, England, EC2N 4AG
Tpay LLC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
Globally Diversified bond fund JSC	7 Marjanishvili Street, 0102, Tbilisi, Georgia

4 Chapter

Additional Information

Bank	Joint Stock Company TBC Bank
Board	Board of Directors of TBC Bank Group PLC
Chairman	Chairman of Board of Directors of TBC Bank Group PLC
Code	The UK Corporate Governance Code
Company	TBC Bank Group PLC
Conversion rate	Number of loans disbursed from generated leads
Corporate and Investment Banking (CIB) segment	A legal entity/group of affiliated entities with an annual revenue exceeding GEL 15.0 million or which has been granted facilities of more than GEL 6.0 million. Some other business customers may also be assigned to the CIB segment or transferred to the micro, small and medium enterprises (MSME) segment on a discretionary basis. In addition, CIB includes wealth management (WM) private banking services to high-net-worth individuals (HNWI) with a threshold of USD 250,000 on assets under management (AUM), as well as on discretionary basis
DAU/MAU	Average daily active digital users divided by monthly active digital users. DAU/MAU is calculated for the Bank internet and mobile banking only
Digital daily active users (DAU)	Monthly average number of individual digital users who logged into our digital channels at least once per day
Digital monthly active users (MAU)	An individual user who logged into the digital application at least once during the month
Director(s)	Members of the Board of TBC Bank Group PLC
ENPS (Employee Net Promoter Score)	The employee net promoter score measures employee loyalty and reflects the likelihood of our colleagues recommending their workplace to their friends and family
ESG and Ethics Committee	Committee at the Board level to support and advise the Board of Directors in its oversight of the ESG and climate-related matters
ESG Committee	Committee at the executive management level to support and advise the management of TBC Bank in its oversight of the ESG and climate-related matters
Executive Management	Executive Management of Joint Stock Company TBC Bank
Gross merchandise value (GMV)	Total sales monetary value for merchandise sold through a particular marketplace over a certain time frame
Group	TBC Bank Group PLC and its subsidiary companies
Growth at constant currency basis	Refers to growth at fixed exchange rate of the starting period
Lead	A potential client who has expressed interest in the product
Monthly active cardholder (MACH)	Number of retail customers who made at least one transaction with a TBC card at least once a month
Micro loans	Includes collateralised business and agri loans up to GEL 1 million, as well as micro businesses with a maximum turnover of GEL 2 million
MSME (Micro, Small and Medium) segment	Business customers (legal entities and private individual customers that generate income from business activities) who are not included in the CIB segment
MSME monthly active customers	MSME legal entity that used Business mBank or iBank at least once, or had at least one active credit product, or performed at least one debit transaction, or had any type of deposit with a balance above a certain threshold
NPS (Net Promoter Score)	Net promoter score measures how willing customers are to recommend our products and services to others
Retail monthly active customers	For Georgian business, an individual user who has at least one active product as of the reporting date or performed at least one transaction during the past month. For Uzbek business, an individual user who logged into the digital application at least once during the month
Retail segment	Non-business individual customers
Space	Space JSC
Supervisory Board	Supervisory Board of Joint Stock Company TBC Bank
TBC Asset Management	TBC Asset Management JSC
TBC Bank	TBC Bank Group PLC and its subsidiary companies
TBC Bank Group PLC	A public limited company registered in England and Wales. It is the parent company of JSC TBC Bank (the Bank) and a group of companies that principally operate in Georgia in the financial sector. It also offers non-financial services via TNET, the largest digital ecosystem in Georgia. Since 2019, It has expanded its operations into Uzbekistan by operating fast growing retail digital financial services in the country. TBC Bank Group PLC is listed on the London Stock Exchange under the symbol TBCG
TBC Bank Uzbekistan	TBC Bank Uzbekistan JSC
TBC Capital	TBC Capital LLC
TBC Insurance	TBC Insurance JSC
TBC Invest	TBC Invest LLC
TBC JSC	TBC Bank JSC
TBC Leasing	TBC Leasing JSC
TBC Pay	TBC Pay LLC
TBC PLC	TBC Bank Group PLC
TBC UZ	TBC Bank Uzbekistan JSC
TBCG	TBC Bank Group PLC
TNET	TNET LLC

The Group utilises a wide range of alternative performance measures (APMs) to assess the Group's performance. These measures can be grouped under the following headings:

- Profitability
- Asset quality & portfolio concentration
- Capital & liquidity positions

Certain performance measures are calculated on standalone basis for the Bank only in order to highlight the performance of the Bank, which is the major subsidiary of the Group, as well as facilitate peer comparison.

The regulatory performance measures are calculated in accordance with NBG's requirements for the Bank only based on local accounting standards.

Term	#	Type	Definition
Profitability			
ROE	1	IFRS based	Return on average total equity (ROE) equals profit attributable to owners divided by the monthly average of total shareholders' equity attributable to the equity holders for the same period; annualised where applicable.
ROA	2	IFRS based	Return on average total assets (ROA) equals profit of the period divided by monthly average total assets for the same period; annualised where applicable.
Cost to income	3	IFRS based	Cost to income ratio equals total operating expenses for the period divided by the total revenue for the same period. (Revenue represents the sum of net interest income, net fee and commission income and other non-interest income).
NIM	4	IFRS based	Net interest margin (NIM) is net interest income divided by monthly average interest-earning assets; annualised where applicable. Interest-earning assets include investment securities (excluding CIB shares), net investment in finance lease, net loans, and amounts due from credit institutions.
Loan yields	5	IFRS based	Loan yields equal interest income on loans and advances to customers divided by monthly average gross loans and advances to customers; annualised where applicable.
Deposit rates	6	IFRS based	Deposit rates equal interest expense on customer accounts divided by monthly average total customer deposits; annualised where applicable.
Cost of funding	7	IFRS based	Cost of funding equals sum of the total interest expense and net interest gains on currency swaps (entered for funding management purposes), divided by monthly average interest bearing liabilities; annualised where applicable.
Asset quality & portfolio concentration			
Cost of risk	8	IFRS based	Cost of risk equals credit loss allowance for loans to customers divided by monthly average gross loans and advances to customers; annualised where applicable.
PAR 90 to gross loans	9	IFRS based	PAR 90 to gross loans ratio equals loans for which principal or interest repayment is overdue for more than 90 days divided by the gross loan portfolio for the same period.
NPLs to gross loans	10	IFRS based	NPLs to gross loans equals loans with 90 days past due on principal or interest payments, and loans with a well-defined weakness, regardless of the existence of any past-due amount or of the number of days past due divided by the gross loan portfolio for the same period.
NPL provision coverage	11	IFRS based	NPL provision coverage equals total credit loss allowance for loans to customers divided by the NPL loans.
Total NPL coverage	12	IFRS based	Total NPL coverage equals total credit loss allowance plus the minimum of collateral amount of the respective NPL loan (after applying haircuts in the range of 0%-50% for cash, gold, real estate and PPE) and its gross loan exposure divided by the gross exposure of total NPL loans.
Credit loss level to gross loans	13	IFRS based	Credit loss level to gross loans equals credit loss allowance for loans to customers divided by the gross loan portfolio for the same period.
Related party loans to gross loans	14	IFRS based	Related party loans to total loans equals related party loans divided by the gross loan portfolio.
Top 10 Borrowers to total portfolio	15	IFRS based	Top 10 borrowers to total portfolio equals the total loan amount of the top 10 borrowers divided by the gross loan portfolio.
Top 20 Borrowers to total portfolio	16	IFRS based	Top 20 borrowers to total portfolio equals the total loan amount of the top 20 borrowers divided by the gross loan portfolio.
Capital & liquidity positions			
Net loans to deposits plus IFI funding	17	IFRS based	Net loans to deposits plus IFI funding ratio equals net loans divided by total deposits plus borrowings received from international financial institutions.
Net stable funding ratio (NSFR)		Regulatory based	Net stable funding ratio equals the available amount of stable funding divided by the required amount of stable funding as defined by NBG in line with Basel III guidelines. Calculations are made for the Bank only.
Liquidity coverage ratio (LCR)		Regulatory based	Liquidity coverage ratio equals high-quality liquid assets divided by the total net cash outflow amount as defined by the NBG. Calculations are made for the Bank only.
Leverage	18	IFRS based	Leverage equals total assets to total equity.
CET 1 CAR (Basel III)		Regulatory based	CET 1 CAR equals CET 1 capital divided by total risk weighted assets, both calculated in accordance with requirements of the NBG Basel III standards. Calculations are made for the Bank only.
Tier 1 CAR (Basel III)		Regulatory based	Tier 1 CAR equals tier I capital divided by total risk weighted assets, both calculated in accordance with the requirements of the NBG Basel III standards. Calculations are made for the Bank only.
Total CAR (Basel III)		Regulatory based	Total CAR equals total capital divided by total risk weighted assets, both calculated in accordance with the requirements of the NBG Basel III standards. Calculations are made for the Bank only.

These tables provide the reconciliation of the Group's IFRS based alternative performance measures with Financial Statements. Numbers in the following tables are presented in thousands of GEL unless otherwise stated.

1	Reference to financial statements	2023	2022
Profit attributable to owners	Consolidated statement of profit and loss and other comprehensive income	1,124,180	995,206
Total shareholders' equity attributable to owners	Consolidated statement of financial position	4,683,729	3,879,601
Adjusted to arrive at monthly balances		*-443,870*	*-187,222*
Monthly averages of total shareholders' equity attributable to owners		4,239,859	3,692,379
Return on average total equity (ROE)		**26.5%**	**27.0%**

2	Reference to financial statements	2023	2022
Profit attributable to owners	Consolidated statement of profit and loss and other comprehensive income	1,124,180	995,206
Total assets	Consolidated statement of financial position	32,964,827	28,988,141
Adjusted to arrive at monthly balances		*-3,932,770*	*-3,037,659*
Monthly averages of total assets		29,032,057	25,950,482
Return on average total assets (ROA)		**3.9%**	**3.8%**

3	Reference to financial statements	2023	2022
Total operating expenses	Consolidated statement of profit and loss and other comprehensive income	858,927	691,320
Total revenue	Consolidated statement of profit and loss and other comprehensive income	2,373,500	2,070,764
Cost to income		**36.2%**	**33.4%**

4	Reference to financial statements	2023	2022
Net interest income	Consolidated statement of profit and loss and other comprehensive income	1,635,798	1,290,052
Total interest earning assets	Consolidated statement of financial position	27,296,083	23,158,566
– *Investment securities measured at fair value through other comprehensive income*		*3,475,461*	*2,885,088*
– *Bonds carried at amortised cost*		*73,963*	*37,392*
– *Net investment in finance lease*		*400,411*	*312,334*
– *Net loans*		*21,722,107*	*17,832,606*
– *Mandatory cash balances with National Bank of Georgia*		*1,577,074*	*2,050,004*
– *Due from other banks*		*47,067*	*41,142*
Adjusted to arrive at monthly balances		*-2,894,684*	*-1,600,094*
Monthly average interest earning assets		24,401,399	21,558,472
Net interest margin (NIM)		**6.7%**	**6.0%**

5	Reference to financial statements	2023	2022
Interest income from loans	Note 30. Interest income and expense	2,450,306	1,997,732
Total loan portfolio	Note 9. Loans and advances to customers	22,073,679	18,204,971
Adjusted to arrive at monthly balances		*(2,680,188)*	*(917,947)*
Total monthly average loan portfolio		19,393,491	17,287,024
Loan yields		**12.6%**	**11.6%**

6 Returns	Reference to financial statements	2023	2022
Interest expense from customer accounts	Note 30. Interest income and expense	(912,137)	(625,664)
Total deposits portfolio	Note 20. Customer accounts	20,375,498	18,036,533
Adjusted to arrive at monthly balances		*(1,975,302)*	*(2,125,214)*
Total monthly average deposits portfolio		18,400,196	15,911,319
Deposit rates		**5.0%**	**3.9%**

7	Reference to financial statements	2023	2022
Total Interest expense	Consolidated statement of profit and loss and other comprehensive income	(1,312,258)	(1,040,786)
Total interest bearing liabilities	Consolidated statement of financial position	27,157,463	24,013,684
– *Customer accounts*		*20,375,498*	*18,036,533*
– *Due to credit institutions*		*4,395,182*	*3,940,660*
– *Subordinated debt*		*868,730*	*590,148*
– *Debt securities in issue*		*1,426,174*	*1,361,573*
– *Lease Liabilities*		*91,879*	*84,770*
Adjusted to arrive at monthly balances		*(3,552,304)*	*(2,556,287)*
Monthly average interest bearing liabilities		23,605,159	21,457,397
Cost of fund		**5.6%**	**4.9%**

8	Reference to financial statements	2023	2022
Credit loss allowance for loans	Consolidated statement of profit and loss and other comprehensive income	(162,659)	(118,943)
Total loan portfolio	Note 9. Loans and advances to customers	22,073,679	18,204,971
Adjusted to arrive at monthly balances		*(2,680,188)*	*(917,947)*
Total monthly average loan portfolio		19,393,491	17,287,024
Cost of risks		**0.8%**	**0.7%**

9	Reference to financial statements	2023	2022
Total principal or interest repayment is overdue for more than 90 days	Not available	251,058	224,391
Total gross loan portfolio	Note 9. Loans and advances to customers	22,073,679	18,204,971
Par 90 to gross loans		**1.1%**	**1.2%**

10	Reference to financial statements	2023	2022
NPLs to gross loans equals loans with 90 days past due on principal	Not available	440,750	397,444
Total gross loan portfolio	Note 9. Loans and advances to customers	22,073,679	18,204,971
NPLs to gross loans		**2.0%**	**2.2%**

11	Reference to financial statements	2023	2022
Total credit loss allowance for loans to customers	Note 9. Loans and advances to customers	351,572	372,366
NPL provision coverage	Not available	440,750	397,444
NPL provision coverage		**79.8%**	**93.7%**

12	Reference to financial statements	2023	2022
NPL collateral	*Not available*	*293,239*	*246,242*
NPL provision coverage	*Note 9. Loans and advances to customers*	*351,572*	*372,366*
Total		644,811	618,608
Total NPL exposure	Not available	440,750	397,444
Total NPL coverage		**146.3%**	**155.6%**

13	Reference to financial statements	2023	2022
Total credit loss allowance for loans to customers	Note 9. Loans and advances to customers	351,572	372,366
Total gross loan portfolio	Note 9. Loans and advances to customers	22,073,679	18,204,971
Credit loss level to gross loans		**1.6%**	**2.0%**

14	Reference to financial statements	2023	2022
Related party loans	Note 45. Related party transactions	27,198	26,717
Total gross loan portfolio	Note 9. Loans and advances to customers	22,073,679	18,204,971
Related party loans to gross loans		**0.1%**	**0.1%**

15	Reference to financial statements	2023	2022
Top 10 borrowers	Not available	1,359,734	967,960
Total gross loan portfolio	Note 9. Loans and advances to customers	22,073,679	18,204,971
Top 10 borrowers		**6.2%**	**5.3%**

16	Reference to financial statements	2023	2022
Top 20 borrowers	Not available	2,013,974	1,511,447
Total gross loan portfolio	Note 9. Loans and advances to customers	22,073,679	18,204,971
Top 20 borrowers		**9.1%**	**8.3%**

17	Reference to financial statements	2023	2022
Net loans	Consolidated statement of financial position	21,722,107	17,832,606
Total Deposits portfolio	*Note 20. Customer accounts*	*20,375,498*	*18,036,533*
IFI funding	*Not available*	*2,222,611*	*2,115,335*
Deposits + IFI funding		22,598,109	20,151,868
Net loans to deposits + IFI funding		**96.1%**	**88.5%**

18	Reference to financial statements	2023	2022
Total assets	Consolidated statement of financial position	32,964,827	28,988,141
Total equity	Consolidated statement of financial position	4,820,182	3,966,414
Leverage		**6.8x**	**7.3x**

ABBREVIATIONS

ACCA	Association of chartered certified accountants
AGM	Annual general meeting
ALCO	Asset-liability management committee
API	Application Programming Interface
APM	Alternative performance measure
ATM	Automated teller machine
BVPS	Book value per share
CAGR	Compounded annual growth rate
CAR	Capital adequacy ratio
CBU	Central Bank of Uzbekistan
CEE	Central and Eastern Europe
CEO	Chief executive officer
CFA	Chartered financial analyst
CFO	Chief financial officer
CGU	Cash generating unit
CIB	Corporate investment banking
CIS	The Commonwealth of Independent States
COR	Cost of risk
CRO	Chief risk officer
CSR	Corporate social responsibility
DCF	Discounted cash flows
EBRD	European Bank for Reconstruction and Development
ECL	Expected credit losses
EMEA	Europe, Middle East and Africa
EMS	Environmental management system
ENPS	Employee Net Promoter Score
EPS	Earnings per share
ERM	Enterprise risk management
ESG	Environmental, social and governance
ESRM	Environmental and social risk management
EU	European Union
EUR	Euro
FC	Foreign currency
FDI	Foreign direct investment
FTSE	Financial Times Stock Exchange
FVOCI	Fair value through other comprehensive income
GBP	Great British pound, national currency of the UK
GDP	Gross domestic product
GEL	Georgian lari, national currency of Georgia
GHG	Greenhouse gas
GMV	Gross merchandise value
GWP	Gross written premium
NMF	Not meaningful figure
HNWI	High-net-worth individuals
HR	Human resources
IAS	International Accounting Standards
ICAAP	Internal capital adequacy assessment process
IDR	Issuer default rating
ILAAP	Internal liquidity adequacy assessment process
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
LTIP	Long-term incentive plan
LTV	Loan to value
MBA	Master of business administration
MSME	Micro, small and medium-sized enterprises
NBG	National Bank of Georgia
NCI	Non-controlling interest
NIM	Net interest margin
NPL	Non-performing loans
NPS	Net promoter score
OCI	Other comprehensive income
OECD	Organisation for Economic Cooperation and Development
PLC	Public limited company
POS	Point of sale
P2P	Peer-to-peer
PWC	PricewaterhouseCoopers
ROA	Return on average assets
ROE	Return on average equity
SME	Small and medium-sized enterprises
SPPI	Solely payments of principal and interest
STEM	Science, technology, engineering and mathematics
TCFD	Force on climate-related financial disclosures
TOM	Top of mind score
UK	United Kingdom of Great Britain and Northern Ireland
USD	The US dollar, national currency of the United States
UZS	Uzbekistani Som, national currency of Uzbekistan
VAR	Value-at-risk
WM	Wealth management

REPORTS AND COMMUNICATIONS

We issue regulatory announcements through the Regulatory News Service ("RNS"). Our regulatory announcements are also available at our website www.tbcbankgroup.com in the "regulatory news" section.

SHARE PRICE INFORMATION

Our latest and historical share prices are available through our website www.tbcbankgroup.com.

SHAREHOLDER INQUIRES

TBC Bank Group's share register is maintained by Equiniti.
If you have any questions about your TBC Bank Group's shares, please contact Equiniti

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Our annual report, financial results and investor presentations, as well as other significant information are available through our website: www.tbcbankgroup.com.

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