ANNUAL REPORT 2022

TBC BANK Group PLC

30 years of growth and innovation

2022

TBC BANK
Group PLC

TBC Bank Group PLC

TBC Bank Group 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 group in Georgia accounting for 97% of Group's assets

TNET

The largest digital ecosystem in Georgia

TBC UZ and Payme

The fast-growing fintech businesses in Uzbekistan

Contents

Strategic Report

TBC at a glance

1. Who we are

1. The leading financial group in Georgia with a full suite of financial products and services across all client segments.

39.5% as of 31 Dec 2022
Market share[1] of total loans
38.8% as of 31 Dec 2021

40.3% as of 31 Dec 2022
Market share[1] of total deposits
40.4% as of 31 Dec 2021

Powered by **TBC Bank**

- Leading retail bank in Georgia
- Number one banking choice for MSMEs
- Number one trusted partner for corporate and investment banking (CIB) clients

Additional financial services provided:

- **TBC Insurance**
- **TBC Pay**
- **TBC Leasing**

2. The largest digital ecosystem in Georgia backed by a powerful data hub.

40% in 2022
of total Georgian internet traffic[2]

1.9 mln unique annual visitors in 2022

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

3. Fully-digital consumer banking and payments market disruptor in Uzbekistan.

10.6 mln number of registered users as of 31 Dec 2022
6.3 million as of 31 Dec 2021

2.9 mln monthly active users as of 31 Dec 2022
1.9 million as of 31 Dec 2021

Powered by
TBC UZ
A fully digital consumer bank in Uzbekistan

Payme
A leading payments provider in Uzbekistan

2. Our mission

To make people's lives easier

Customers page 32
Investors page 78
Colleagues page 66
Community page 74

3. How we are different

Best-in-class digital solutions	Advanced data analytics capabilities	Excellent corporate governance and risk management	Motivated employees
3.8 mln digital monthly active users across the Group as of 31 Dec 2022	GEL 81 mln additional income generated in 2022	1 ISS Governance quality score as of 31 Dec 2022 indicating the lowest governance risk	59% Employee Net Promoter Score (ENPS)[3] - well above industry average of 47%

4. Our strategic priorities

- Build on our leading position in Georgian Banking
- Maximise the high potential of our digital ecosystem
- Harness the large growth potential of the Uzbek market
- Strengthen our advanced digitalisation levels
- Take our customer experience to the next level

1 Based on data published by the National Bank of Georgia.
2 Based on internal estimates.
3 The Employee Net Promoter Score (ENPS) was measured in October 2022 by an independent consultant for the Bank's employees.

ESTABLISHMENT OF THE LEADING FINANCIAL BANKING INSTITUTION IN GEORGIA

1992

TBC Bank is established with founding capital of just US$500 to focus on the corporate segment.

2000

International financial institutions IFC and DEG become shareholders in TBC Bank, which also becomes the first Georgian company to obtain an international credit rating.

2001

TBC Bank launches its first internet banking services.

2006

TBC Bank develops a retail banking offering.

2009

The shareholder base expands, as the EBRD, FMO, JP Morgan and Ashmore acquire stakes in TBC Bank and the IFC and DEG contribute additional capital.

2013

TBC Bank launches the SME Business Support Programme, with support from the IFC and ADB.

START OF THE NEW ERA - BECOMING A PUBLIC COMPANY

2014

TBC Bank successfully completes IPO, listing GDRs on the main market of the LSE.

2015

TBC Bank completes the merger with Bank Constanta, giving TBC Bank clear leadership in the rapidly growing microfinance segment.

2016

TBC Bank moves to the LSE's premium segment via the listing of TBC PLC shares and announces acquisition of 100% of Bank Republic, making it Georgia's number one banking group based on most key metrics.

2017

TBC Bank successfully completes the merger with Bank Republic on May 8, well ahead of schedule.

2018

TBC Bank launches a fully-digital bank "Space".

EXPANSION - INTERNATIONAL AND ECOSYSTEM

2019

TBC Bank acquires a 51% stake in Inspired LLC, a leading payment platform in Uzbekistan trading under the Payme brand.

2020

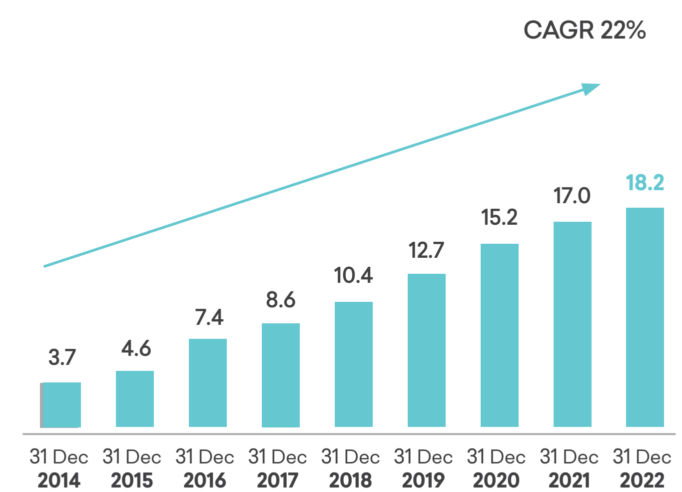
TBC Bank launches banking operations in Uzbekistan.

2022

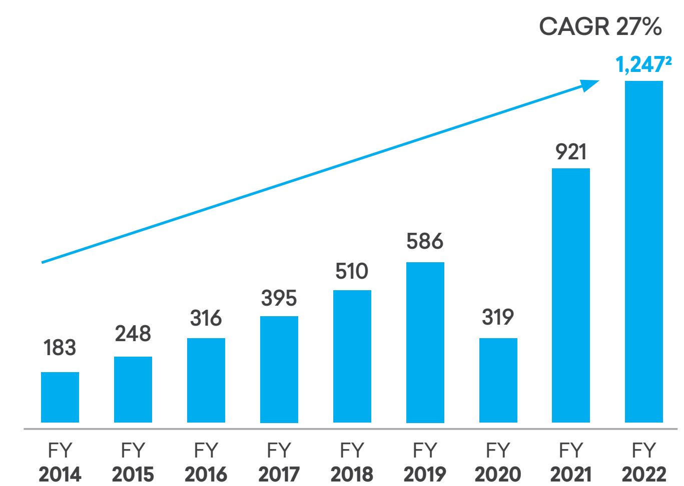
TBC Bank establishes the largest digital ecosystem in Georgia – TNET.

A proven track record of growth and profitability since IPO in June 2014[1]

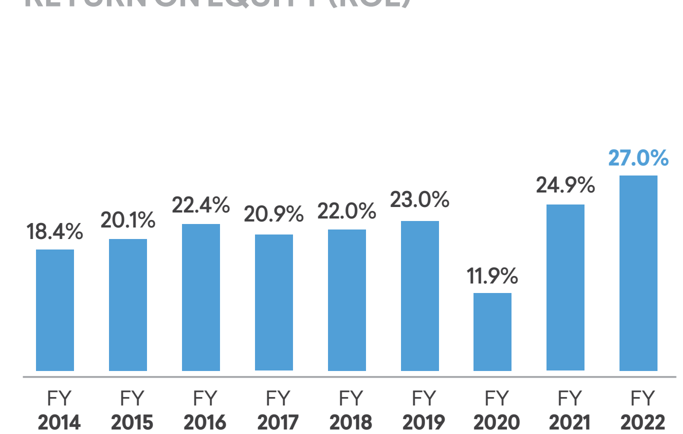
LOAN PORTFOLIO (GEL bln)



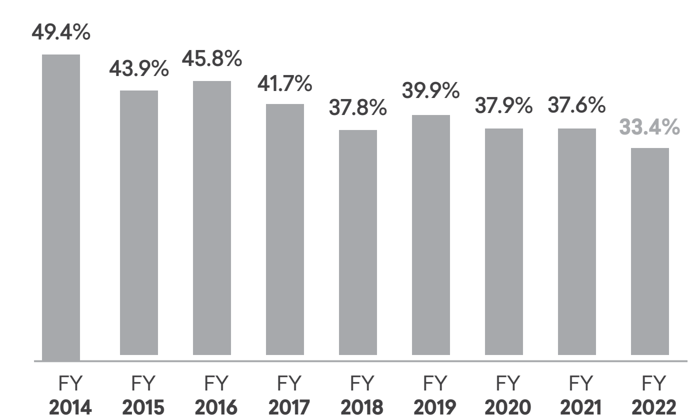
NET PROFIT BEFORE TAX (GEL mln)



RETURN ON EQUITY (ROE)[3]



COST TO INCOME



1 Definitions and detailed calculation of the APMs are given on pages 376-380.
2 For the full year 2022, the average exchange rates for GEL/US$ was 2.92, while GEL/GBP stood at 3.62.
3 Return on equity (ROE) ratios for 2019, 2020 and 2021 do not correspond to the ratios disclosed in 2021. For detailed information, please refer to Note 2 on page 250.

Executive management team of TBC Bank JSC

VAKHTANG BUTSKHRIKIDZE
Chief Executive Officer

TORNIKE GOGICHAISHVILI
Deputy CEO, Retail and MSME Banking, Payments

NINO MASURASHVILI
Deputy CEO, Chief Risk Officer

GIORGI MEGRELISHVILI
Deputy CEO, Chief Financial Officer

NIKOLOZ KURDIANI
Deputy CEO, Brand Experience, Marketing and Head of International Business

GEORGE TKHELIDZE
Deputy CEO, CIB & Wealth Management

The Executive Management team of the TBC Bank JSC also sits on the Executive Committee of TBC Bank Group PLC, along with the Head of HR, Gvantsa Murghvliani, and Chief Information Officer, Bidzina Matsaberidze. The Executive Committee assists the CEO in the development and implementation of strategy and associated operational plans, development of Company policies, monitoring of operating and financial performance, and assessment and control of risk. The Executive Committee meets regularly and provides an opportunity for the Group CEO to discuss strategic, financial, and commercial matters related to the Group companies.

For full biographies please refer to our website: www.tbcbankgroup.com

Chairman's statement

"TBC success is measured not only through financial metrics, but also through its contribution towards the common good."

DEAR STAKEHOLDERS,

Our 30-year anniversary has been marked by an outstanding financial performance in 2022. This has enabled the Board to propose a final dividend of GEL 2.95 per share, in addition to the interim dividend of GEL 2.50 per share paid in October 2022. We also completed a share buyback in the amount of c. GEL 50 million. This represents 30% dividend payout ratio, supplemented by a buyback equivalent of 5%, bringing total distribution to 35% for 2022. Our shareholders should also be pleased to see that the progress made has been reflected in our share price, which increased by 38% in 2022 despite challenging market conditions.

ENACTING OUR MISSION

TBC is strongly committed to its mission: "to make people's lives easier" by prioritising superior customer experience and digitalisation in all its undertakings.

Our customers are our highest priority. They are the force that keeps driving us forward and inspires us to be more innovative, efficient and relevant. By choosing TBC in growing numbers, our customers are the most important evidence that we are moving in the right direction. We are dedicated towards creating world class personalised customer experiences, through both tailored financial and non-financial services, driven by improving digitalisation levels across all channels.

Modern banking is unimaginable without digitalisation. Mobile and internet banking have become an essential part of the daily lives of our customers, enabling them to satisfy most of their banking needs remotely in just a few moments. By focusing on expanding our digital user base and offering, we are ensuring that more and more customers have access to a more convenient and smarter way of banking. Their bank is with them wherever they are and available at any time, freeing them up to focus on other things that matter in their lives. Digital banking will remain a core feature of our business and leveraging it will provide competitive advantages in the coming years.

COHERENT STRATEGY REFLECTED IN ROBUST GROWTH AND PROFITABILITY

TBC strategy is to continue to build on its leading position in the Georgian banking sector that generates steady growth and solid profitability, as well as harness the growth potential of the targeted international markets via the introduction of asset-light, fully digital consumer banking operations. We believe that our strong expertise in financial services, coupled with advanced digital and analytics capabilities, prudent risk management and excellent corporate governance, provides a solid foundation for success in other geographies. Over time, we expect international operations to become an increasingly important driver of the Group's growth and income generation.

Build on our leading position in Georgian Banking

While net interest income remains the core revenue driver, we have actively diversified our income streams, particularly through the development of our payments business. The success in Georgia has been and continues to be fuelled by technology and people:

- Technology: we constantly strive to increase efficiency across the Group by deploying data analytics and cutting-edge IT solutions.
- People: our team of highly motivated and dedicated professionals drives innovation.

TBC has also been actively developing its digital ecosystem, TNET, serving around 67%[1] of the Georgian adult population. Via TNET we offer our customers a seamless digital experience, be it booking a ticket, finding a new home or car, or shopping online. With its large user base and strong data analytics capabilities, TNET is able to offer its users highly personalised offerings as well as generating leads for our various financial products. Therefore, it will help us to strengthen customer loyalty and exploit synergies with our core financial operations.

Harness the large growth potential of the Uzbek market

TBC continues to harness the great potential of the Uzbek market of 35 million people through its two fintechs - Payme and TBC UZ – both of which are demonstrating dynamic growth. The fast-growing customer base proves that Uzbekistan's young population has taken a liking to the modern and efficient banking and payments services offered by our fintechs. We will continue to innovate and expand our offerings within Uzbekistan, while utilising the substantial synergy potential of our fintech businesses. We expect Uzbek operations to contribute meaningfully to the Group's profits already within a few years, as it has been communicated in the mid-term targets.

CORPORATE GOVERNANCE - CHANGES IN THE BOARD COMPOSITION

There have been some changes to the composition of the Board in 2022, which consists of eight Independent Non-Executive Directors and the CEO of the Group. One of our Non-Executive Directors, Maria Luisa Cicognani, stepped down to pursue other professional opportunities. Ms. Cicognani has been a valuable member of the Board and I would like to thank her for her contribution and dedication towards TBC and, in particular, for her important role as Chair of the Remuneration Committee.

I would also like to welcome a new member to the Board, Ms. Janet Heckman. Further details on her appointment, and our appointment processes, can be found in the Corporate Governance and Nomination Committee Report on pages 172-175.

On behalf of the Board of Directors, I want to stress that TBC attaches great importance to having high standards of corporate governance, compliance and risk management. This includes continuing 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.

OUR PROGRESS REGARDING ESG MATTERS

TBC success is measured not only through financial metrics, but also through its contribution towards the common good. Every year, we strive to further increase our focus on ESG matters and 2022 was no exception. We made significant advancements in terms of implementing the disclosure recommendations of TCFD (The Task Force on Climate-related Financial Disclosures). We have also taken steps to increase the awareness of ESG issues across the Group by establishing a comprehensive ESG training programme for our employees. In 2023, we are bringing this to the next level by taking a more structured approach and launching an ESG Academy with an extended scope for both our employees and customers. The topics to be covered include but are not limited to: green and social financing, financial inclusion, climate change, regulatory requirements, diversity and affirmative approaches and sustainable business models and practices.

In 2022, TBC renewed the ISO 14001:2015 certificate of its Environmental Management System (EMS) and passed the surveillance (re-certification) audit. This certificate serves as testament to our EMS's full compliance with international standards. In addition to being a great achievement, it also confers the responsibility to maintain and further develop our Environmental Management System.

THE FUTURE

I am certain that our strategy, centred around the mission to make peoples' lives easier, is moving the Group in the right direction. This is supported by excellent profitability and strong customer growth, the leading position in our home Georgian market and the exciting progress in our Uzbek ventures. Furthermore, I am confident that our strategy will continue to deliver and bring more success in the years to come. Together with the focus on risk management and ESG matters, we will ensure that the growth and achievements are sustainable and that our businesses act in a responsible way for all of the stakeholders.

Arne Berggren
Chairman

17 April 2023

1 Source: Geostat.

CEO letter

"While we have achieved a lot over the past 30 years, I am extremely excited about the journey that lies ahead."

DEAR STAKEHOLDERS,

2022 was a year of major instability across the region following the outbreak of the devastating war in Ukraine, which took the lives of so many innocent people, led to the humanitarian crisis due to the forcible displacement of millions of people and negatively affected the global geopolitical and economic landscape. I strongly believe that Ukraine will prevail in its fight for freedom. In the meantime, we will 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.

The war has had an adverse impact on the global economy, leading to an energy crisis and rising inflation. Even in these difficult times, the Georgian economy has proved its resilience, recording continued strong growth. We remain mindful, however, of the challenging geopolitical situation and continue to monitor and analyse the war's effects closely.

30 YEARS OF INNOVATION AND GROWTH

2022 marked TBC's 30th anniversary. Over the course of these past 30 years, TBC has not only grown to be the leading financial institution in Georgia, but it has expanded its operations beyond banking and beyond its home market. Everything we have done has been, and continues to be, centred around our mission: "to make people's lives easier". This progress would not have been possible without the efforts of our outstanding team. The enthusiasm and dedication of our people have brought us to where we are today and I would like to thank every current and former colleague for contributing to TBC's success over the past 30 years.

DELIVERING ON OUR STRATEGY

For TBC, 2022 was another highly successful year with its core banking business in Georgia generating outstanding results and Uzbek operations maintaining the strong momentum that has been driving the business forward. In terms of headline numbers:

- **Financials** - the net profit reached a record GEL 1,003 million, up by 24% year-on-year, while the return on equity was 27.0%, despite one-off tax charges in the amount of GEL 113 million, based on the strong growth backed by solid capital position. Without the one-off tax charges, the net profit would have been GEL 1,116 million, while ROE would have reached 29.9%.
- **User base** - by the end of 2022, the number of registered users of our services in Georgia and Uzbekistan reached 13.6 million, out of which 4.4 million were monthly active users (MAU). This compares to a total addressable market of around 39 million in both Georgia and Uzbekistan, providing further significant growth potential.
- **Digital engagement across the Group** - digital MAU saw a major acceleration during the year, reaching 3.8 million in December 2022, up by almost 50% year-on-year, while the average digital daily active users (DAU) amounted to 1.4 million, an increase of more than 60% over the same period.

Reinforcing our leadership position in Georgia

This year, TBC once again reinforced its leadership position in Georgia with strong growth achieved in both loans and deposits and maintained its market shares of around 40%. Loan growth was largely due to consumer and micro loans in line with our strategy to refocus growth towards higher-yielding loans in local currency. In the Corporate and Investment Banking (CIB) segment, we focused on increasing the share of large and mid-corporate clients and lowering concentration levels. At the same time, the asset quality remained high thanks to prudent credit risk management. In terms of deposits, growth was primarily driven by local currency deposit inflows. As a result, the larisation levels of our loan and deposit portfolios increased throughout the year in line with our strategy.

Furthermore, we are proud to have maintained our position as the leading business supporter in Georgia. We support businesses during every stage of their development by providing financial expertise, as well as a vast array of non-financial services, including our start-up programme, workshops and seminars. In line with this, our annual TBC Business Awards, which recognises the best companies and services in the country, is one of the most anticipated events among the Georgian business community.

Our Uzbek operations generated positive returns

I am delighted with the performance of our Uzbek operations. TBC UZ, our fully digital consumer bank, maintained its steady growth as it continued to attract more customers. By the end of 2022, the number of registered users reached 2.4 million, while digital monthly active users amounted to 0.4 million. In terms of balance sheet growth, the retail loan book amounted to GEL 348 million and the retail deposits portfolio reached GEL 331 million with respective retail market shares standing at 1.4% and 2.2%. As for the Group's contribution, Uzbek loans accounted for around 12% of the retail non-mortgage loan book, while Uzbek deposits represented about 5% of retail deposits. Meanwhile, Payme, our leading payments provider in Uzbekistan, also significantly grew its operations across the country with the number of both registered and monthly active users increasing 1.6 times year-on-year to 8.2 million and 2.5 million respectively in 2022. Going forward, we plan to increase operational coordination between TBC UZ and Payme to utilise synergies, which will allow us to unlock even more potential at the two businesses.

The Uzbek operations reached breakeven on a quarterly basis in the third quarter of 2022 and recorded a net profit of GEL 8 million for the full year 2022. Coming just three years after entering the Uzbek market through Payme and two years since the launch of our fully digital bank, TBC UZ, this represents a great achievement by our dedicated team in the country.

RECORD PROFITABILITY AND PRUDENT CAPITAL LEVELS

In 2022, the operating income amounted to GEL 2,071 million and grew by 43% year-on-year. This growth was driven by a strong increase in the net interest income, on the back of a combination of robust loan book growth and a higher net interest margin, as well as a substantial contribution from FX operations, related to strong business volumes and increased margins. The net fee and commission income also generated solid results, driven by our payment operations both in Georgia and Uzbekistan.

On the asset quality side, our cost of risk continued to normalise and amounted to 0.7% for the year. Strong focus on digitalisation and data analytics capabilities allows us to manage our business efficiently. As a result, cost to income ratio decreased by 4.2 pp year-on-year to 33.4%, even though we continued to invest in the expansion of our Uzbek operations. Our capital position has remained strong, supported by robust income generation and the positive effect of a strengthening local currency. At the end of 2022, our CET1 ratio stood at 15.5%, comfortably above the minimum regulatory requirement of 11.6%.

ATTRACTING AND RETAINING TALENT

All the achievements I have mentioned above are attributable to our multinational team of 10,000 dedicated colleagues. TBC pays great attention to attracting and retaining the best talent by offering opportunities for growth and development, thorough career planning, a competitive compensation package, as well as a flexible working environment. We offer education opportunities through TBC Academy, as well as provide financial support to attend various external courses and gain international certifications. As a result of these initiatives and more, it is a source of much pride that our colleagues feel valued and professionally fulfilled, as reflected in high employee net promoter score (ENPS) of 59%[1].

MUCH ACHIEVED OVER 30 YEARS, MUCH TO LOOK FORWARD TO

While we have achieved a lot over the past 30 years, I am extremely excited about the journey that lies ahead. As we continue to focus on maintaining our leadership position in banking in Georgia, we will also strive to support the daily non-financial needs of our customers by further developing our digital ecosystem TNET. We are also actively pursuing international ambitions through our Uzbek subsidiaries, TBC UZ and Payme. I firmly believe that all these initiatives will result in strong balance sheet growth, as well as generating both interest and non-interest income streams that will in turn support the Group's robust profitability in the coming years. At the same time, continued technological advancements will help us increase efficiency further.

With the above in mind, I would like to reiterate our medium-term targets: ROE of above 20%, a cost to income ratio below 35%, a dividend pay-out ratio of 25-35% and annual loan growth of around 10-15%. Furthermore, we have added two new mid-term targets since last year: our Uzbek operations to contribute 10-15% of the Group's net profit and to achieve 7 million active monthly customers at the Group level.

The Strategic Report, as detailed on pages 4 to 149, was approved by the Board and signed on behalf of the Board by:

Vakhtang Butskhrikidze
CEO

17 April 2023

1 The Employee Net Promoter Score (ENPS) was measured in October 2022 by an independent consultant for the Bank's employees.

Note: For better presentation purposes, certain financial numbers are rounded to the nearest whole number.

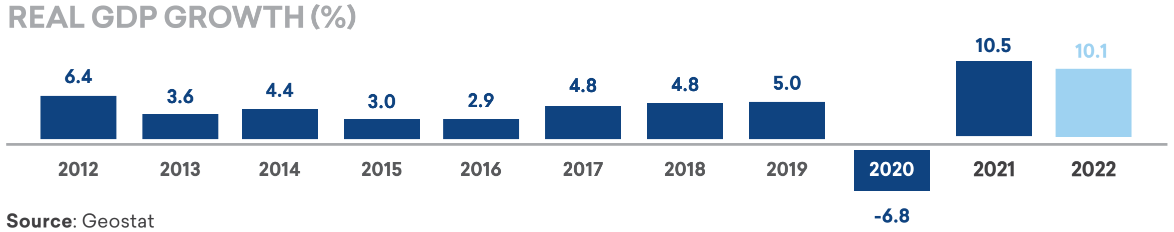
Our operating environment

GEORGIA

ECONOMIC GROWTH

After rebounding from the pandemic, the Georgian economy maintained its strong growth momentum in 2022, with real GDP growing by 10.1% year-on-year, according to Geostat's preliminary estimates.

REAL GDP GROWTH (%)



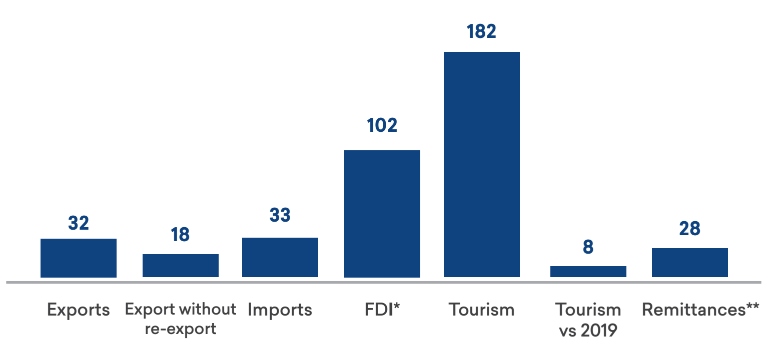
Source: Geostat

EXTERNAL SECTOR

Georgia's external sector performed significantly better throughout the year. Specifically, exports and imports of goods grew by 32% and 33% YoY, respectively. Even though surging international prices were the major driver of the increase in trade, some growth in real terms was also recorded. Notably, investment goods constituted a high proportion of imports, indicating positive sentiments, while the terms of trade remained broadly stable, supporting economic growth and the GEL.

As the initial adverse spillover effects of the Russian invasion of Ukraine was eventually compensated by the impact of migration, the recovery of tourism and remittance inflows reached record highs. Including the migration effect, tourism inflows for the full year 2022 surpassed the 2019 level by 8%. Remittance inflows grew further as well, increasing by 28%[1] year-on-year. Foreign Direct Investment (FDI) also experienced strong growth with a 99% YoY increase in the third quarter and 102% growth in the first nine months of the year. Importantly, higher levels of FDI were primarily due to much stronger additional equity investments rather than reinvested earnings.

YOY GROWTH OF INFLOWS AND IMPORTS (%)



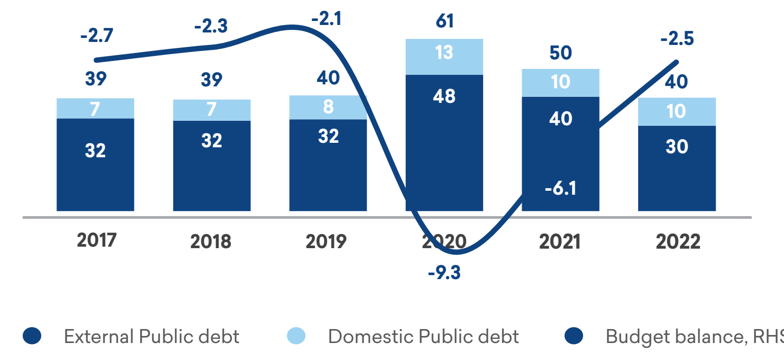
*sum of the first three quarters of the year
**Remittances from Russia are adjusted for double counting with tourism inflows and other similar effects, based on TBC Capital estimates.

Source: NBG, Geostat

FISCAL STIMULUS

The fiscal stimulus, although still sizeable, negatively affected growth in 2021 as the deficit amounted to around 6.1% of GDP, after an expansionary 9.3% of GDP in 2020. In 2022, the deficit was even lower, at 2.5%. According to the Ministry of Finance, fiscal consolidation is expected to take place in the coming years with deficit-to-GDP ratios of 2.8% and 2.3% in 2023 and 2024, respectively.

GOVERNMENT DEBT AND BUDGET BALANCE (% OF GDP)

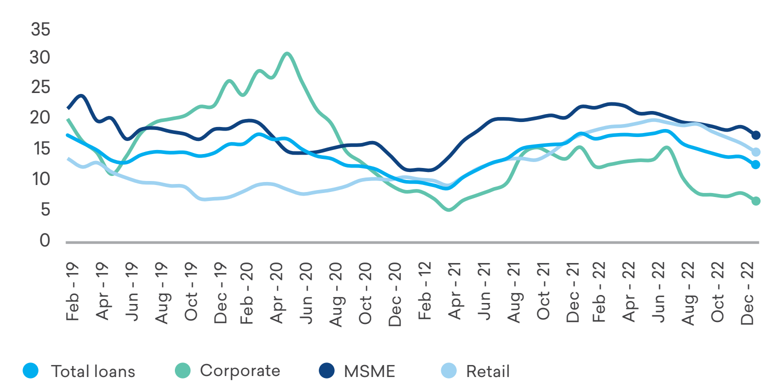


Source: Geostat, MOF

CREDIT GROWTH ON A CONSTANT CURRENCY BASIS

As of December 2022, bank credit increased by 12% year-on-year, compared to 18% growth by the end of 2021, at constant exchange rates. All segments experienced a moderation in growth. Corporate lending activity growth decreased to 6% by the end of December, largely on the back of sizeable prepayments in the second half of the year, compared to 18% in 2021. YoY growth in MSME and retail lending also cooled, although it maintained a relatively strong momentum, with growth going down from 19% at the end of 2021 to 16% at the end of 2022, and from 18% to 15%, respectively.

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 Remittances from Russia are adjusted for double counting with tourism inflows and other similar effects, based on TBC Capital estimates.

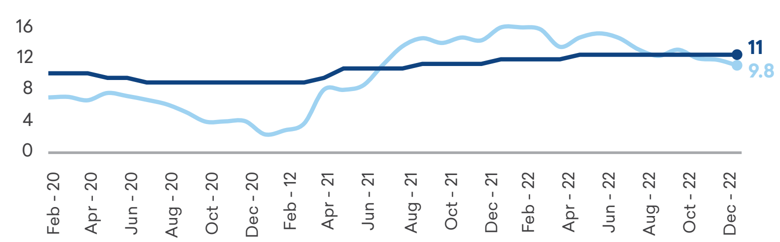
INFLATION, MONETARY POLICY, AND THE EXCHANGE RATE

The initial economic effects of Russian aggression against Ukraine, which led to further depreciation of the GEL and surging commodity prices and was later exacerbated by migration-driven rent increases, resulted in additional upward pressure on inflation, which was already elevated.

Later on, the GEL started to regain its value against US$, supported by strong inflows and tight monetary policy, appreciating to 2.69 at the end of December 2022 from 3.10 at the end of 2021. Over the same period, GEL appreciated to 2.84 and 3.27 from 3.50 and 4.12 against EUR and GBP, respectively.

Initially, after cooling off before the invasion, inflation started to rise again. Thereafter, CPI inflation moderated to 9.8% by the end of 2022 from double-digit levels throughout the year as a result of a stronger GEL and disinflationary pass-through from international markets. Notably, monthly inflation rates have retreated to a larger extent, with a 0.3% deflation in December. Nevertheless, awaiting for the more pronounced evidence for the easing of the still elevated inflation pressures, the NBG, after tightening in April, kept its monetary policy rate (MPR) at 11% until the end of the year.

CPI INFLATION AND MPR(%)



Monetary policy rate (MPR) CPI inflation

Source: NBG, Geostat

UZBEKISTAN

Uzbekistan's economy also demonstrated resilience in the last year. After a 7.4% expansion in 2021, real GDP growth reached 5.7% in 2022. Exports of goods increased by 9% year-on-year, although they were negatively impacted by gold prices, while imports increased by 19%. At the same time, despite a recent easing of the monetary policy rate (MPR), elevated inflation of around 12.3% caused the central bank of Uzbekistan to maintain its rate at 15%. Similar to the GEL, the UZS lost its value against the US$ during the initial phase of invasion, but subsequently appreciated before weakening gradually. In terms of credit, Uzbekistan remains an underpenetrated market, especially on the retail side, with 11% retail credit to GDP ratio and 45% YoY retail credit growth in 2022.

GOING FORWARD

After double-digit growth for two years in a row, the consensus projection appears to be that growth will normalise in 2023 with the IMF, the World Bank and the NBG projecting 4% and the Georgian government, 5%. According to TBC Capital's projections, the economy is expected to grow by around 6.4% in 2023. As for Uzbekistan, after 5.7% growth in 2022, the outlook points to further moderation, with the IMF, World Bank and TBC Capital projecting 4.7%, 4.9%, and 5.1% growth in 2023, respectively.

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

Our business model

We have a customer-centric business model focused on providing the best experience for clients.

HOW WE CREATE VALUE

What we deliver

Georgian operations

- **Retail banking:** a wide range of convenient digital products.
- **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**: a customer-centric digital ecosystem, covering lifestyle, housing, auto and e-commerce verticals, to increase daily touchpoints with our customers.

Uzbek operations

Two fintechs, covering multiple financial service verticals

- **TBC UZ:** innovative digital banking services for individuals.
- **Payme:** high-quality payment solutions.

How we deliver

Cutting edge technology
Innovate through technological advancement.

+

Large data hub
Utilise our advanced data analytics capabilities to maximise customer value via personalised offerings.

Implement AI and automation in relevant business processes.

+

Prudent risk management
Apply risk-adjusted profitability approach in decision-making.

Ensure the resilience of the Group is maintained.

+

Outstanding team
Attract and retain the best talent.

How we share value with our Stakeholders

Customers
Provide tailored solutions and a superior customer experience to our clients.

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

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

Investors
Generate sustainable returns for our shareholders and continue to be a reliable partner for our debt holders.

Our mid-term targets

10-15%
Annual loan book growth (gross)

20%+
ROE

<35%
Cost to income ratio

25-35%
Dividend payout ratio

7 million
Monthly active users (MAU)

10-15%
Share of Uzbek business in Group's net profit

Our strategic priorities

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

By delivering superior financial services to both individuals and companies in Georgia, as well as expanding our offerings beyond banking and beyond Georgia, we can achieve our mission.

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

Build on our leading position in Georgian Banking

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

Maximise the high potential of our digital ecosystem

TNET

- Boost customer loyalty and engagement by creating a full customer journey.
- Diversify our non-interest income streams.
- Generate leads to fuel the sale of different financial products.

Harness the large growth potential of the Uzbek market

TBC UZ and Payme

- Expand our fast growing consumer banking and payments business offerings.
- Utilise the synergies between the two companies.
- Contribute meaningfully towards the Group.

Strengthen our advanced digitalisation levels

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

- Grow the number of digital monthly and daily active users.
- Maintain retail transactions offloading ratio[1] at high levels.
- Increase sales offloading for major products.
- Increase productivity through fully digital processes.

Take our customer experience to the next level

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

1 The retail offloading ratios measures the share of transactions conducted in our remote channels, that is outside the branches.

Our key performance indicators

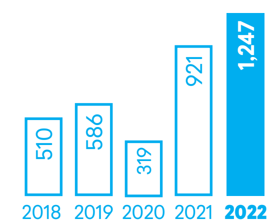
We use a broad range of financial and non-financial measures in order to assess our performance and provide a balanced view that takes into account the interests of all our stakeholders. The Board regularly reviews the key performance indicators (KPIs) in order to ensure that they continue to show whether our strategy is working and ensures 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. In 2022, we reviewed our KPIs to reflect each of our strategic priorities. The summary of changes is given in the table below:

	Added KPIs	Removed KPIs
Group-wide financial KPIs:		
Growth and profitability	– Net profit before tax	– Return on assets – Net interest margin – Growth of net F&C income
Balance sheet	– Loan book larisation level	– Liquidity Coverage Ratio
Operational KPIs:		
Digital ecosystem	– Gross merchandise volume – Number of leads generation	
Uzbek operations	– Volume of Payme's transactions	– Number of registered users of TBC UZ – Number of registered users of Payme – Deposit portfolio
Customer base	– Total registered users – Monthly active customers	
Digitalisation	– Digital monthly active users	– Retail offloading ratio

GROUP-WIDE FINANCIAL KPIS

STRONG GROWTH AND PROFITABILITY

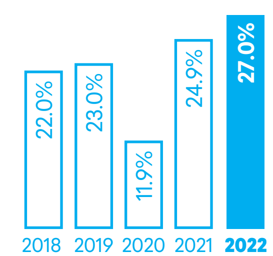
NET PROFIT BEFORE TAX (GEL mln)



In 2022, we generated record high net profit before tax, which was supported by strong revenue generation across the board.

Our goal is to increase the share of non-interest income in our total revenue and improve our efficiency levels.

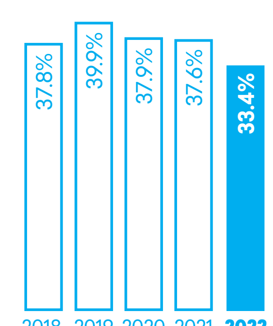
RETURN ON EQUITY (ROE)[1]



The robust profitability we delivered during the year was also reflected in a high return on equity ratio. Without the one-off tax charges, our ROE would have been 29.9%.

Our medium-term target is to achieve ROE of above 20%.

COST TO INCOME RATIO[1]

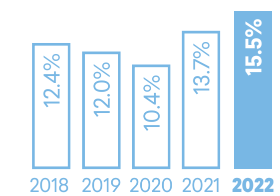


In 2022, we managed to improve our cost to income ratio further, due to strong income generation and efficient management of costs.

Our medium-term target is to maintain a cost to income ratio of below 35%.

SOLID BALANCE SHEET

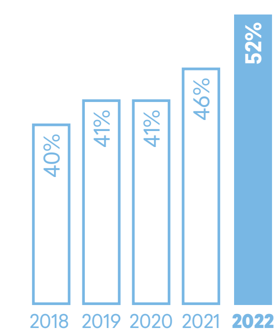
CET 1 CAPITAL RATIO



Our CET 1 capital ratio increased in 2022, mainly due to net profit generation and local currency appreciation, and remained comfortably above the minimum requirements by 3.9%.

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

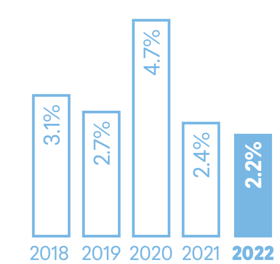
LOAN BOOK LARISATION[2] LEVEL



The larisation level of our loan portfolio went up in 2022 across all segments supported by GEL appreciation.

We aim to further gradually increase our larisation levels.

NON-PERFORMING LOANS (NPL)[1]



In 2022, NPLs improved across all segments.

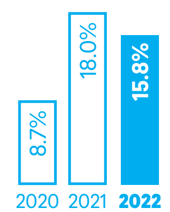
Our aim is to remain in the green zone of our risk appetite.

1 Definitions and detailed calculation of the APMs are given on pages 376-380. Return on equity (ROE) ratios for 2019, 2020 and 2021 do not correspond to the ratios disclosed in 2021. For detailed information, please refer to note 2 on page 250.
2 Share of GEL denominated loans in total loan portfolio.

OPERATIONAL KPIS

STEADY GROWTH IN GEORGIA

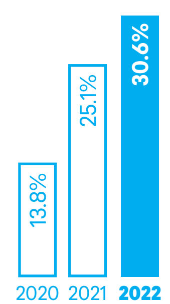
LOAN BOOK GROWTH AT CONSTANT CURRENCY



In 2022, our loan book outpaced the market and increased its market share in total loans by 0.7 pp to 39.5%

Our medium-term target is to increase loans by around 10-15% annually at the Group level, with significant contribution from the Georgian banking business.

DEPOSIT GROWTH AT CONSTANT CURRENCY

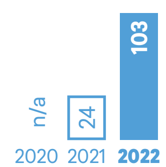


In 2022, our deposits grew broadly in line with the market, maintaining our total deposit share at 40.3%

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

STRONG GROWTH IN OUR DIGITAL ECOSYSTEM[1]

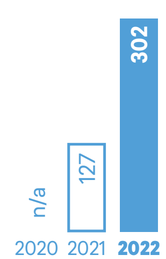
GROSS MERCHANDISE VOLUME (GEL mln)



Our gross merchandise volume ("GMV") increased significantly in 2022 driven by strong growth in lifestyle offerings, as well as migration to a marketplace model.

The growth in GMV is expected to contribute meaningfully towards our net fee and commission income in the years to come.

NUMBER OF LEADS GENERATED ('000)

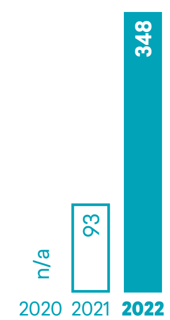


In 2022, the number of leads generated increased significantly, driven by our targeted campaigns.

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

STRONG GROWTH IN UZBEKISTAN

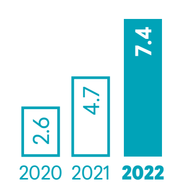
CONSUMER LOAN PORTFOLIO (GEL '000)



The growth in our loan book was driven by strong customer acquisition.

Our Uzbek lending operations are expected to contribute meaningfully towards our total loan book growth over the coming years.

VOLUME OF PAYME'S TRANSACTIONS (GEL bln)

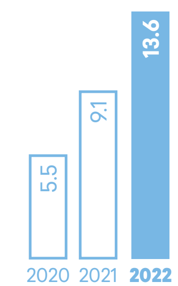


Payme achieved strong transaction volume growth on the back of an increase in the user base.

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

GROWING CUSTOMER BASE AND ENGAGEMENT ACROSS THE GROUP

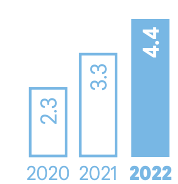
TOTAL REGISTERED USERS (mln)



The increase in the number of registered users was mainly attributable to our Uzbek business, which accounted for 78% by the end of 2022.

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

MONTHLY ACTIVE CUSTOMERS (mln)

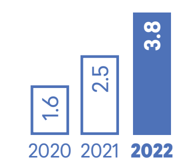


The growth in monthly active customers was mainly driven by our Uzbek operations, which accounted for 66% by the end of 2022.

Our goal is to reach 7 million monthly active users in the medium term.

INCREASED DIGITAL FOOTPRINT ACROSS THE GROUP[1]

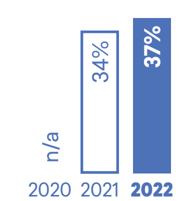
DIGITAL MONTHLY ACTIVE USERS (mln)



Our digital monthly active users (MAU) experienced significant growth. This was mainly driven by our Uzbek operations, which are purely digital.

In line with our digitalisation strategy, our goal is to increase our digital customer base.

DIGITAL DAILY ACTIVE USERS / MONTHLY ACTIVE USERS (DAU/MAU)

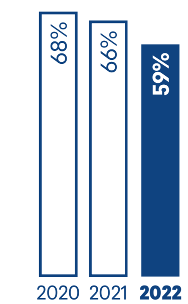


The daily engagement of our digital users went up as the growth in the number of digital daily users surpassed the growth of digital monthly active users.

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

EMPLOYEE NET PROMOTER SCORE[2]



The employee net promoter score (ENPS) measures employee loyalty and reflects the likelihood of our colleagues recommending their workplace to their friends and family. In 2022, our employee satisfaction levels decreased but still remained strong, well above the industry average of 47%.

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

CUSTOMER NET PROMOTER SCORE[3]

The customer net promoter score (NPS) measures how willing customers are to recommend our products and services to others. In 2022, our NPS among retail clients continued to increase, rising to 61%.

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

1 These terms are defined in Glossary on pages 374-375.
2 The Employee Net Promoter Score (ENPS) was measured in October 2022 by an independent consultant for the Bank's employees.
3 The Net Promoter Score (NPS) was measured based on survey conducted by the independent research company IPM in December 2022.

Our ESG strategy

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

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

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

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

Key achievements in 2022:

- GEL 750 million sustainable loan portfolio target for 2022 met. Furthermore, the total volume of the sustainable portfolio reached GEL 782 million, which constitutes a growth of 15.6% in comparison with the end of 2021 (GEL 676 million).
- Climate-related framework in line with the TCFD requirements established.
- Comprehensive ESG training framework covering all employees and different responsibility levels established.
- Diversity, Equality and Inclusion (DEI) Policy, targets and action plan defined.
- ESG strategies in all significant subsidiaries developed.

In 2023, we continue to follow our strategic plan and will focus on the following topics:

Competence enhancement in ESG matters at Board and executive management level Capacity building in green financing at Bank level	GEL 1 billion target for the sustainable loan portfolio Establishment of the ESG Academy - green financing training courses for employees and customers	TCFD implementation – completion of the second stage and action plan Regular reporting on climate-related risks, scenario analysis, stress testing, ESG risk appetite	Measure ESG awareness among employees and customers Implementation of the affirmative recruitment approach Mentorship programmes	Measure the Group's direct performance in relation to the Paris Agreement targets for GHG emissions reduction Increase granularity and automation of ESG reporting

VARIOUS INITIATIVES AND PROGRAMMES TO SUPPORT THE TARGETS SET BY THE ESG STRATEGY

Sustainable loan portfolio growth KPIs

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

The ESG Academy

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

Science-based targets

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

Measure ESG awareness among employees and customers

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

Talent programmes for Information and communication technologies (ICT)

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

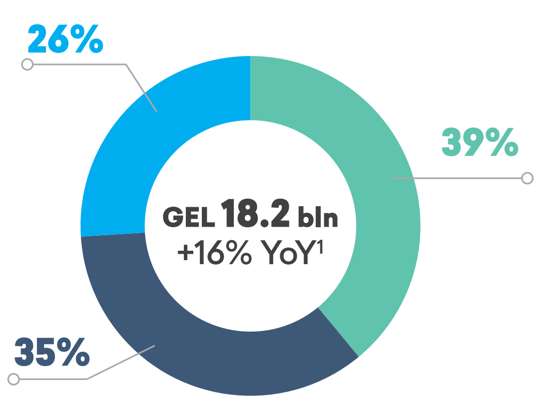
Financial services in Georgia

OVERVIEW

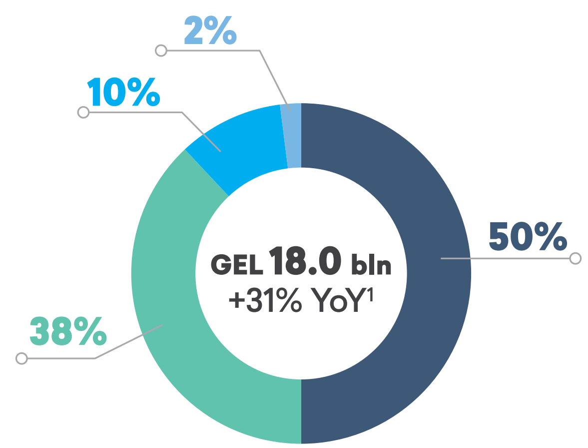
Banking business

- **Leading Retail Banking Franchise**
- **Top Choice Bank for MSMEs**
- **Leading CIB and WM Franchise**

LOAN PORTFOLIO
AS OF 31 DEC 2022



DEPOSIT PORTFOLIO
AS OF 31 DEC 2022



Retail CIB MSME Other[2]

Supplementary financial services

TBC Insurance
Leading provider of retail non-health insurance

TBC Pay
Leading payments provider

TBC Leasing
Leading leasing services provider

GEL 147 mln
(2021: GEL 114 mln)
GROSS WRITTEN PREMIUM in 2022

GEL 8.1 bln
(2021: GEL 6.2 bln)
PAYMENTS TRANSACTION VOLUME in 2022

GEL 290 mln
(2021: GEL 254 mln)
LEASING PORTFOLIO as of 31 Dec 2022

1 Growth in constant currency.
2 Other includes Ministry of Finance (MOF) deposits.

RETAIL BANKING

Our retail loan book increased 19% year-on-year in constant currency terms, driven largely by strong growth in higher yield, non-mortgage loans.

LEADING RETAIL BANKING FRANCHISE IN GEORGIA

38.4%
(2021: 38.6%)
RETAIL LOAN MARKET SHARE[1]

38.1%
(2021: 40.3%)
RETAIL DEPOSITS MARKET SHARE[1]

We differentiate ourselves through the superior customer experience we deliver, the best-in-class digital channels we provide and the advanced data analytics tools and fully-fledged payments solutions we have developed.

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-generation branches.

Affluent Retail

- Number one choice for affluent customers;
- Innovative, flexible subscription model offering tailored products and services;
- Strong positioning in lifestyle offerings.

MEASURING SUCCEESS IN 2022

GEL 7.1 bln
(2021: GEL 6.4 bln)
RETAIL LOANS

GEL 6.9 bln
(2021: GEL 5.8 bln)
RETAIL DEPOSITS

GEL 747 mln
(2021: GEL 582 mln)
RETAIL OPERATING INCOME

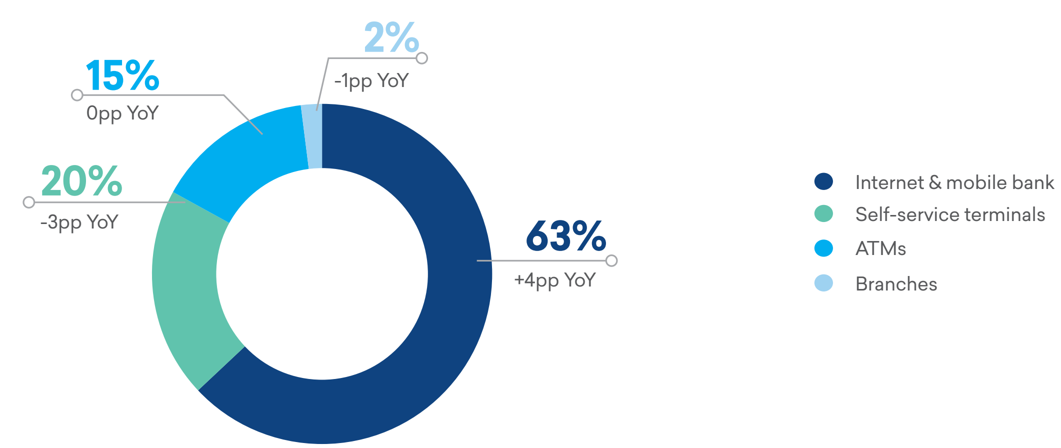
1.5 mln
(2021: 1.4 mln)
MONTHLY ACTIVE CUSTOMERS

801 K
(2021: 644 K)
DIGITAL MONTHLY ACTIVE USERS

WIDE DISTRIBUTION NETWORK IN GEORGIA WITH STRONG FOCUS ON DIGITAL CHANNELS

Our digital channels are an important part of our distribution network and comprise best-in-class mobile and internet banking applications that offer a fast and convenient banking experience. The vast majority of all banking transactions are conducted through these digital channels, which also serve as selling platforms for our core products. In addition, we operate a wide network of self-service terminals, which enable our customers to conduct most of their daily banking operations without the need to enter a branch. At the same time, our newly redesigned, next-generation branches are more focused on consulting and proactive sales. Currently, we have 129 branches covering all major regions of Georgia, compared to 147 by the end of 2021.

98% OF ALL OUR RETAIL TRANSACTIONS WERE CONDUCTED REMOTELY IN 2022



YEAR IN REVIEW

EXPANDING OUR CUSTOMER BASE AND PENETRATION

During 2022, we focused our efforts on expanding our active customer base both by gaining new customers and by increasing engagement with our existing clients. In addition, we increased our penetration levels among payroll clients, who provide a good source of fee and commission income. We also grew our youth customer base as part of our strategy to foster relationships with clients from a young age.

Overall, the number of our monthly active customers increased by 7% year-on-year to 1.5 million, accounting for 66% of total bankable population in Georgia[2].

We also launched a data analytics project aimed at increasing the lifetime value of the customer. Within the scope of the project, we created an AI model, which not only helps us to better understand the expected value of clients, but also enables us to deliver a more tailored offering to our customers. It also provides an estimate for the probability of churn and therefore allows us to take a more proactive approach towards client retention.

1 Based on data published by the National Bank of Georgia as of 31 December 2022; In this context retail refers to individual customers.
2 Bankable population includes population of Georgia, aged 18-65.

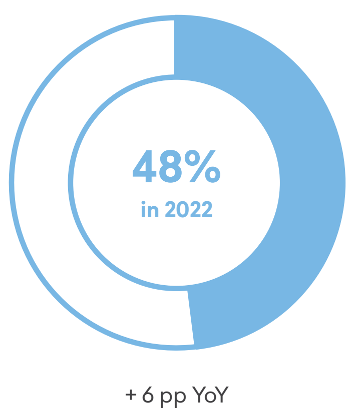
INCREASING DIGITAL ENGAGEMENT

In 2022, we enriched our mobile banking offerings by adding new features and functionalities. The most notable were:

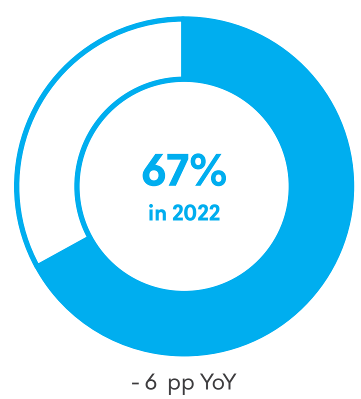
- A refinancing functionality for our end-to-end (E2E) lending process, which gives our customers the opportunity to transfer loans from other banks to TBC.
- Introduction of Buy Now, Pay Later (BNPL), an easy to use new product for our retail clients. The user just has to scan a QR code on a POS terminal and activate the BNPL limit. The repayment, which is interest free for customers, is settled in four instalments.
- Purchase of a public transportation pass and integrating this into our mobile banking app.

In terms of operating metrics, in December 2022, the number of digital monthly active users (MAU) increased by 24% year-on-year and reached 801,000 representing 54% of total monthly active individual customers. Over the same period, the average number of daily digital active users (DAU) grew 35% year-on-year to 384,000. As a result, our digital DAU/MAU ratio stood at 48%, up by 4 pp year-on-year. We also achieved strong results in the number of consumer loans and retail deposits sold via our digital channels.

CONSUMER LOANS OFFLOADING IN DIGITAL CHANNELS



DEPOSITS OFFLOADING IN DIGITAL CHANNELS



AWARD-WINNING DIGITAL BANKING

We are proud that our digital banking offering once more earned international recognition and received multiple awards from Global Finance.

CONSUMER DIGITAL BANK AWARDS IN CENTRAL AND EASTERN EUROPE 2022 FROM GLOBAL FINANCE

- The Best Bill Payment and Presentment
- The Best User Experience (UX) Design
- The Best in Social Media Marketing and Services
- The Best Open Banking APIs

GROWING OUR PAYMENTS BUSINESS

After introducing Apple Pay in 2019, we launched Google Pay for Android users in 2022. The year under review also saw us focus on digital card issuance. As a result, the share of mobile wallet payments as a proportion of total contactless payments increased from 22% to 30% by the end of 2022, while 99% of all transactions conducted domestically by TBC cards were contactless in 2022. According to the latest update from VisaNet on 1 February 2023, Georgia ranks 1st in contactless payments penetration globally and we are proud of our substantial contribution to this outstanding achievement.

We also signed a long-term partnership agreement with leading delivery business Glovo to provide exclusive offerings to our customers for cashbacks and prime membership.

Furthermore, we extended our transportation payments network, which already covered Tbilisi, Kutaisi, Gori and Poti. By adding two more cities - Telavi and Bakuriani - we now provide a full-scale transport solution to our customers.

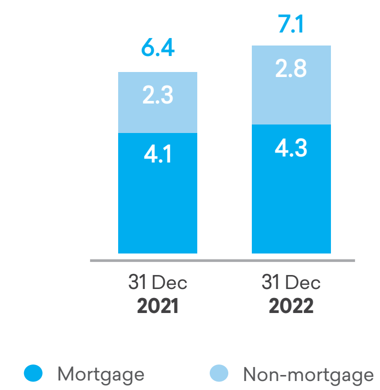
DELIVERING STRONG BALANCE SHEET GROWTH WITH AN INCREASED FOCUS ON FAST CONSUMER LOANS

In 2022, our loan book grew by 19% year-on-year on a constant currency basis. This was largely driven by an increase in higher yield, non-mortgage loans, while growth in the mortgage portfolio was moderate.

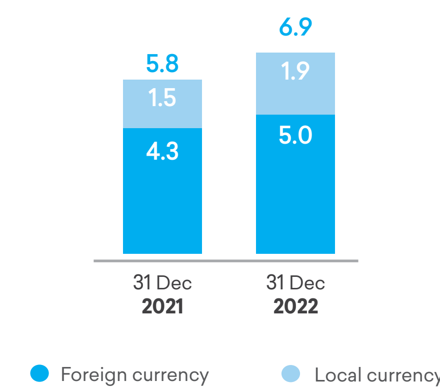
The growth in the non-mortgage portfolio was largely supported by fast consumer (cash) loans. To speed up and optimise the disbursement of fast consumer loans, we set up efficient processes for lead generation and implemented a close to real-time follow-up procedure. In addition, we developed a propensity model for fast consumer loans, which enabled us to target customers more efficiently. As a result, the conversion rate of the loans campaigns reached 10%. We have also upgraded risk tools to maintain the cost of risks within acceptable limits.

Our deposits also demonstrated strong growth, increasing by 31% year-on-year on a constant currency basis.

RETAIL GROSS LOANS PORTFOLIO (GEL BLN)



RETAIL DEPOSIT PORTFOLIO (GEL BLN)



TBC CONCEPT

TBC Concept is a significant part of our retail business. It accounts for around 60% of our retail loans and 50% of our retail deposits. It is also a big contributor to our fee and commission income.

MEASURING SUCCEESS IN 2022

GEL 4.2 bln
(2021: GEL 4.1 bln)
LOAN PORTFOLIO

GEL 3.5 bln
(2021: GEL 3.1 bln)
DEPOSIT PORTFOLIO

106 K
(2021: 101 K)
MONTHLY ACTIVE CUSTOMERS

Serving around 106,000 customers, TBC Concept is the leading private banking service provider in Georgia. We distinguish ourselves by providing convenient and seamless digital services, offering special benefits on banking products and delivering exclusive life-style offerings.

In 2022, TBC Concept generated strong results. By the end of the year, the affluent retail loan and deposit portfolio increased 13% and 26% year-on-year, respectively on a constant currency basis. Revenue per affluent customer also went up by 31% year-on-year.

TBC Concept offers clients various subscription packages, which are tailored to the needs of specific customer groups. For example, our "digital package" is best suited for digital savvy customers, who prefer to do their daily banking operations online without the support of a personal banker. Meanwhile, our "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. During the year, we offered our clients a number of options to invest in bonds issued by Georgian companies as well as US Treasury Bills.

In addition, our 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, cafe, co-working areas, self-service and personal banking zones. During the year, TBC Concept Flagship Space hosted many different events for business, art and culture with renowned speakers. Also, in 2022, in collaboration with Primeclass, we opened a new Concept Space in Tbilisi International Airport creating a pleasant area for relaxation and working before departure.

In 2022, affluent customers had exclusive access to over 300 special offers and promotions revolving around music festivals, travel, shopping and other recreational activities. We also continued to offer our Concept clients concierge services, which include trip planning, studying abroad, restaurant reservations, flower delivery, dry cleaning, laundry, car service.

TBC Concept

In collaboration with Primeclass, we opened a new Concept Space in Tbilisi International Airport creating a pleasant area for relaxation and working before departure.

MSME BANKING

Our MSME loan book increased 25% year-on-year in constant currency terms, on the back of strong growth in the micro sub-segment.

TOP CHOICE BANK FOR MSMEs IN GEORGIA

We differentiate ourselves through the extensive business support programme we offer, the superior customer experience we deliver and the advanced data analytics capabilities we have. This year, we were named the Best SME Bank 2023 in Georgia as well as in Central and Eastern Europe by Global Finance.

MSME

Micro[1] | **SME**

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

MEASURING SUCCEESS IN 2022

GEL 4.8 bln
(2021: GEL 4.1 bln)
MSME LOANS

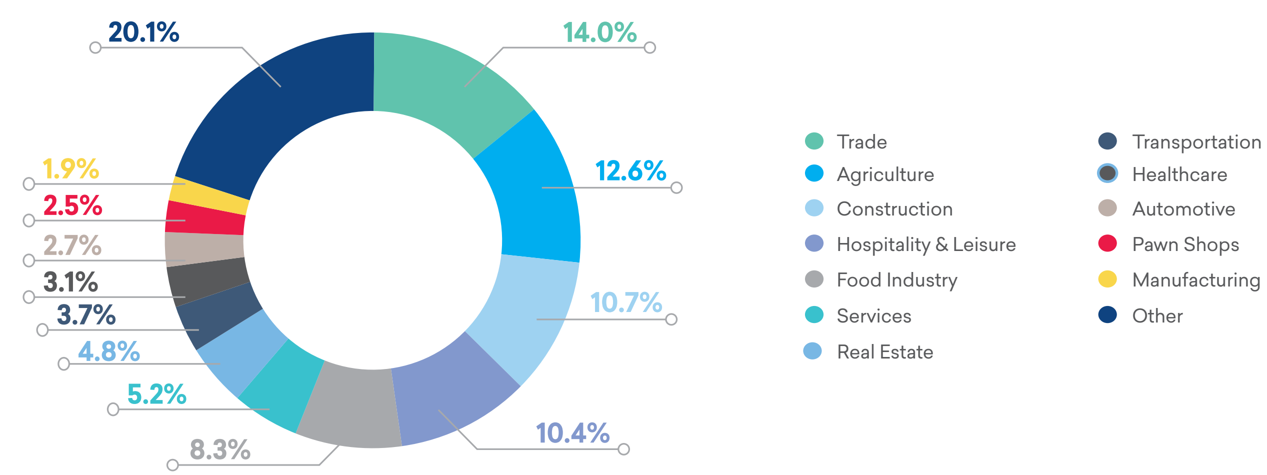
GEL 1.8 bln
(2021: GEL 1.6 bln)
MSME DEPOSITS

GEL 319 mln
(2021: GEL 263 mln)
MSME OPERATING INCOME

77 %
(2021: 63%)
OF NEWLY REGISTERED BUSINESSES CHOOSE TBC[2]

58 K
(2021: 54 K)
MSME MONTHLY ACTIVE CUSTOMERS[3]

WELL-DIVERSIFIED MSME LOAN PORTFOLIO WITH A STRONG PRESENCE IN THE TRADE, AGRICULTURE AND CONSTRUCTION SECTORS AS OF 31 DEC 2022



YEAR IN REVIEW

GROWING OUR CUSTOMER BASE AND INCREASING CUSTOMER DIGITAL ENGAGEMENT

During 2022, the number of our monthly active MSME customers[3] increased 7% year-on-year to 58,000. In addition, usage of our business internet and mobile banking platforms continued to grow with digital monthly active users reaching 34,000 by the end of 2022, up 8% year-on-year. This represents around 60% of our total active business customers. We pride ourselves on having the highest top of mind (TOM) score of 47% among MSME customers in the Georgian banking sector[4].

We are always looking to provide more convenient and efficient services to our customers and in line with this, the year under review saw us upgrade our existing subscription plan with new products better tailored to their needs. The upgraded subscription plan offers several packages and combines financial products with an extensive range of non-financial services, such as exclusive face-to-face and group meetings, seminars and workshops with leading specialists in various areas, as well as special offers from our partners. By the end of the year, around 40% of our MSME clients had subscribed to this service compared to 25% a year ago.

We also started working on the development of a new user-friendly IT tool. This will provide a 360-degree view of our clients and will help us analyse their needs more comprehensively and more efficiently. In addition, we are developing a Machine learning (ML) model, which will be able to estimate the probability of churn for each MSME client and will enable us to take proactive measures in a timely manner.

1 Includes collateralised business and agri loans up to GEL 1 million, as well as micro businesses with a maximum turnover of GEL 2 million.
2 Based on internal estimates as of 31 December 2022.
3 Includes monthly active MSME legal entities.
4 Based on external survey conducted by an independent research company, ACT in January 2023.

EARNING INTERNATIONAL RECOGNITION

We are proud that our digital banking offering once more earned international recognition and received multiple awards from Global Finance.

CORPORATE/INSTITUTIONAL DIGITAL BANK AWARDS IN CENTRAL AND EASTERN EUROPE 2022 FROM GLOBAL FINANCE

- Best Corporate/ Institutional Digital Bank
- Best Online Treasury Services
- Best in Social Media Marketing and Services
- Best Online Portal/User Experience (UX) Design
- Most Innovative Digital Bank

COUNTRY AND GLOBAL AWARDS 2022 FROM GLOBAL FINANCE

- Best Corporate/ Institutional Digital Bank in Georgia
- Best Online Portal/User Experience (UX) Design of Corporate/Institutional Digital Bank in the Global sub-category

EXPANDING OUR MERCHANT BASE

We continue to support businesses by introducing different payment solutions that are tailored to their specific requirements.

In December 2022, we launched the Tap2Phone solution for small and micro merchants allowing them to use android-based mobile devices for card acceptance though NFC technology, a cheaper alternative of a POS terminal. In 2023, we plan a full scale roll out of this product to penetrate the small and micro segment and increase the number of merchant terminals.

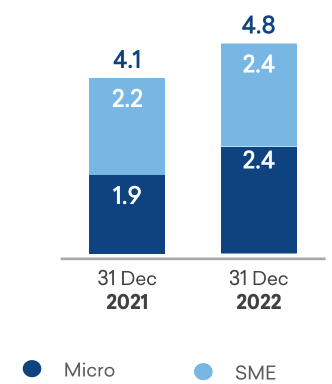
In addition, we have introduced a dynamic currency conversion service for POS terminals. This enables cardholders from different countries to make payments in the original currency, making the payment process more comfortable and transparent for international visitors.

We also opened a dedicated support centre for our merchant acquiring business, which provides full support to our clients with regards to POS terminals and e-commerce. In addition, we enriched our online payment platform (available at www.tbcpayments.ge) with new features allowing our merchants to monitor their transactions online and generate advanced analytical reports.

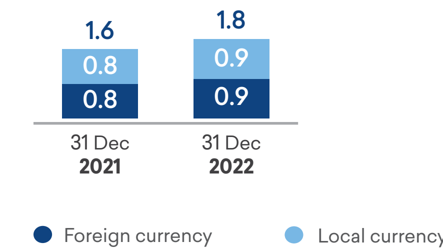
DRIVING LOAN BOOK GROWTH VIA THE MICRO SUB-SEGMENT

In 2022, our loan book grew 25% year-on-year on a constant currency basis to GEL 4.8 billion. Growth was mainly driven by micro loans and was supported by a more streamlined business process, including confirmation of loan agreement via SMS, and a high automation level for loans below GEL 100,000. During the year, around 77% of such loans were processed automatically, using pre-determined rules and a scoring model, which significantly decreased the time-to-yes period. As a result, the share of micro loans in our total MSME portfolio increased by 4 pp year-on-year and reached 50%, making us the largest provider of micro business financing in the country. Over the same period, our deposits went up by 22% year-on-year at constant currency basis.

MSME GROSS LOANS PORTFOLIO (GEL BLN)



MSME DEPOSIT PORTFOLIO (GEL BLN)



ENHANCING OUR BUSINESS SUPPORT PROGRAMME

PROVIDING EDUCATIONAL RESOURCES FOR BUSINESSES

In 2022, we continued to run our successful full-scale business support programme. We also enhanced it further by adding extensive educational resources, which are accessible from a single platform www.tbcbusiness.ge. During the year, we conducted 100 trainings for 3,800 business representatives in the following subjects: marketing, finance, management and taxation.

The programme has been developed in partnership with the Asian Development Bank and provides free access to live lectures on various relevant topics, such as technology, digital marketing and human resources. Our educational programme is the largest in Georgia and has attracted over 30,000 attendees to around 1,000 lectures over the past six years.

SUPPORTING STARTUPS

Since 2017, we have run our renowned programme Startuperi, which is designed to provide financial and non-financial support for companies at an early stage of development. 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. In 2022, we disbursed around 90 loans totalling GEL 42 million through this programme - the total outstanding loan portfolio within this programme amounted to GEL 131 million as of 31 December 2022.

During 2022, in partnership with Impact Hub Georgia, we launched a pre-acceleration programme for 40 selected technology start-ups in order to increase their ability to attract investment by helping them to develop a business plan, communication strategy and technical plan. The pre-accelerator programme lasted for 12 weeks and consisted of individual mentoring, networking events, and lectures.

COLLABORATING WITH GOVERNMENTAL AND INTERNATIONAL PROJECTS TO SUPPORT LOCAL ENTREPRENEURSHIP

In order to foster business development in rural areas and help create new job opportunities, we actively support local businesses through the provision of affordable finance.

We work in partnership with several state programmes, "Produce in 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 2022, we disbursed around 3,800 loans totalling GEL 240 million. The total outstanding portfolio of these loans amounted to GEL 475 million as of 31 December 2022, making us the biggest partner bank for these programmes.

In addition, in cooperation with the European Bank for Reconstruction and Development ("EBRD"), we run two programmes:

- "Business loan for women entrepreneurs"- offering special loan terms and conditions for women entrepreneurs to support gender equality.
- "Business Loan with 15% Cash Back"- a project that aims to promote EU trade standards in the following areas: agriculture, food production and laboratories.

The outstanding MSME loan book under these programmes amounted GEL 28 million, which was comprised of around 100 loans as of the year end.

Detailed information about these programmes is available at www.tbcbusiness.ge.

CONTINUING OUR ANNUAL BUSINESS AWARDS

Established in 2015, our renowned Annual Business Awards event aims to promote and support business activities in Georgia. Over the past seven years, it has become the most anticipated business event of the year, attracting more than 3,500 businesses from various fields, who have shared their success stories with the public at large and have inspired others to turn their ideas into reality.

This year, we added a new "outstanding customer experience" category to the four existing ones, which are:

- The best product
- The best innovative start-up
- Outstanding social responsibility
- Outstanding role in the development of the region

In addition, two special awards have been also included: "gender equality" and "green initiatives", which have been sponsored by our partners UN Women and Global Climate Partnership Fund (GCPF) respectively.

This year we had an unprecedently high number of around 410 applicants compared to 360 last year. The event was organised in partnership with VISA and attracted 60 million views, while top of mind awareness reached 68%[1].

1 Based on survey conducted by an independent research company, ACT.

CORPORATE AND INVESTMENT BANKING

"Our CIB deposits increased by 32% year-on-year in constant currency terms led by local currency deposits, translating into improved larisation levels and strong income generation in transactional business."

LEADING CIB AND WEALTH MANAGEMENT FRANCHISE IN GEORGIA

40.8%
(2021: 39.1%)
CIB LOAN MARKET SHARE[1]

42.9%
(2021: 40.5%)
CIB DEPOSIT MARKET SHARE[1]

Our success is driven by our client-centric business model, our investment in talent and our focus on advancing data analytics and digital capabilities.

CIB

Corporate
- The largest and most trusted partner for corporates with leading position both in loans and deposits.

Wealth management
- TBC WM – an established wealth management business with growing financial advisory and brokerage franchise.

Investment banking
- TBC Capital - the leading investment bank with 80%+ market share[2] in Debt Capital Markets (DCM) transactions and 230+ research reports annually.

MEASURING SUCCESS IN 2022

GEL 6.3 bln
(2021: GEL 6.5 bln)
CIB LOANS

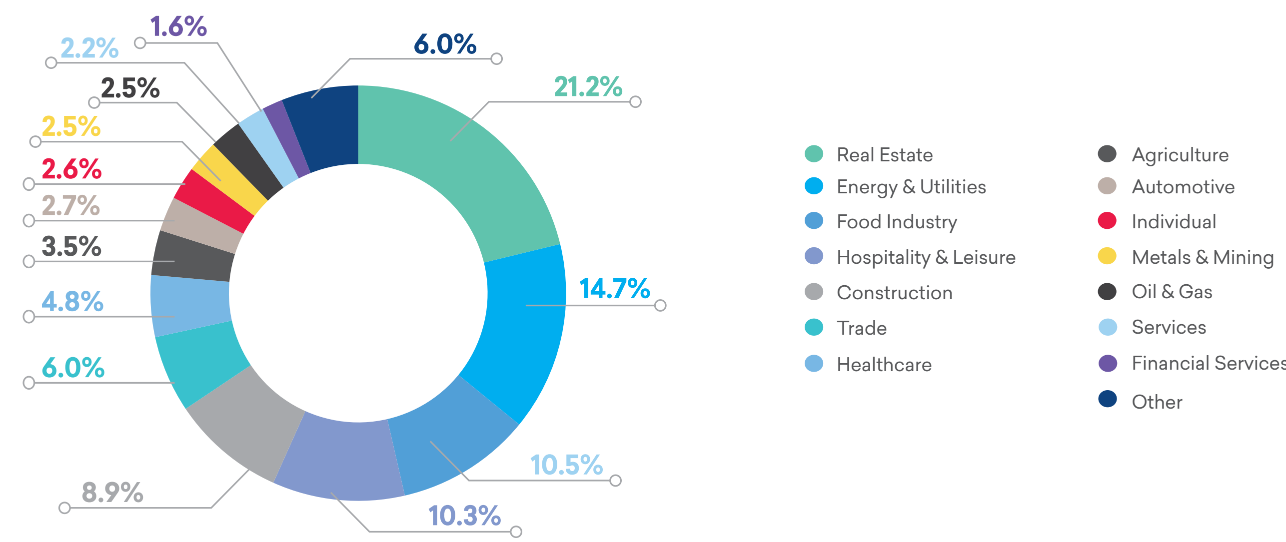
GEL 9.0 bln
(2021: GEL 7.3 bln)
CIB DEPOSITS

GEL 612 mln
(2021: GEL 486 mln)
CIB OPERATING INCOME

GEL 1.4 bln
(2021: GEL 0.5 bln)
TOTAL ASSETS UNDER MANAGEMENT

7.7 K
(2021: 7.0 K)
NUMBER OF CIB CUSTOMERS

WELL-DIVERSIFIED LOAN PORTFOLIO WITH STRONG PRESENCE IN EVERY SECTOR OF THE GEORGIAN ECONOMY AS OF 31 DEC 2022



YEAR IN REVIEW

CORPORATE BANKING

STRENGTHENING OUR PRESENCE AMONG LARGE AND MID-CORPORATE CLIENTS

In 2022, our CIB loan book grew by 6% year-on-year in constant currency terms. This was mainly driven by large and mid-sized corporate clients which together accounted for 53% of the CIB loan book, a 6 pp year-on-year increase. At the same time, our top 10 loans accounted for a smaller proportion of the total loan book - down 2 pp year-on-year to 5%.

Our loan book remains well-diversified with a strong presence in all the major sectors of the Georgian economy - no single industry accounts for more than 22% of the total CIB book. In addition, our established syndication desk further enhanced the diversification of our portfolio as well as generated additional fee and commission income. During the year, we syndicated 40 transactions with a total amount of GEL 248 million.

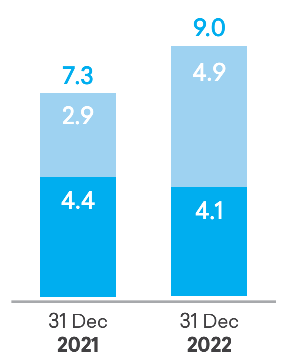
We are always looking to strengthen our leading position in corporate lending and with this in mind the year under review saw us initiate an end-to-end credit process redesign and digitalisation project, the objective of which is to increase efficiency - we are aiming to decrease our "time to yes" and "time to cash" by around 30-40% next year.

1 Based on data published by the National Bank of Georgia as of 31 December 2022; in this context, corporate refers to legal entities.
2 TBC Capital market share in publicly and privately issued bonds in Georgia during 2022.

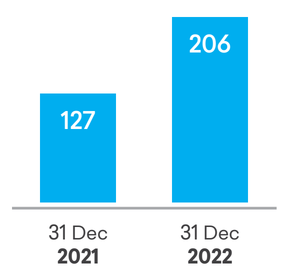
GENERATING A STRONG PERFORMANCE IN TRANSACTIONAL BANKING

In 2022, our CIB deposit book increased by 32% year-on-year in constant currency terms thanks largely to solid growth in local currency deposits in line with our lari ation strategy. As a result, the share of local currency deposits increased by 11 pp year-on-year on a constant currency basis and reached 54%. This has translated into solid non-interest income generation from our transactional business, as shown below:

CIB DEPOSIT PORTFOLIO (GEL BLN)



CIB NON-INTEREST INCOME (GEL MLN)



Foreign currency Local currency

Our focus on digitalisation and new products is also enabling us to enhance the experience our customers have when they transact with us. This year, for example, we redesigned the FX customer journey, which has resulted in faster execution times. In addition, our bulk cash depository machines, which were introduced late last year, collected GEL 1.3 billion cash from our customers during 2022, resulting in considerable time savings for both our clients and our cashiers at our branches. In all, we managed to offload 50% of cash transactions from the branches. Currently, we operate 47 of these machines, which are located in the premises of our large clients and in all our major branches across the country.

In terms of trade finance operations, we continue to lead the market with our GEL 2.2 billion guarantees portfolio and more than 48% market share. In 2022, we also introduced a new factoring platform which has significantly enhanced the customer journey. Not only has this resulted in a threefold increase in the number of factoring transactions, but also a reduction in the time it takes to process the financing to just 30 minutes. Furthermore, all transactions are paperless and require no physical interaction, making the customer journey more seamless and efficient. At the end of the year, our factoring portfolio reached GEL 132 million, up 48% year-on-year.

In 2022, we received the following awards:

TRADE FINANCE AND FACTORING AWARDS

- Market Leader and Best Service Provider in Trade Finance in Georgia 2022 from Euromoney
- Trade Finance and Supply Chain Finance 2022 from Global Finance
- Best Deal of the Year in Trade Finance 2022 from ADB
- Best Deal of the Year in Factoring 2022 from FCI
- Domestic Factoring Provider of the Year 2022 from RFIx

STRIVING TO ENHANCE THE CUSTOMER EXPERIENCE

As part of our commercial excellence transformation project, which was launched in 2020, we continued to advance our corporate client management and analytical tool. This provides a full 360-degree view of each client based on industry benchmarks. The AI tool delivers a number of benefits: firstly, full transparency and instant availability of information enables clients' profitability to be managed efficiently; secondly, relationship managers are able to identify solutions that match clients' needs instantly. As a result, our corporate clients receive a timely and high-quality service, while our employees spend less time on routine tasks and more on value-add ones, thereby increasing their productivity and wellbeing. In terms of financial benefits, this project generated an additional c. GEL 20 million net banking income during 2022.

INVESTMENT BANKING AND WEALTH MANAGEMENT

Established in 1999 as a wholly-owned investment banking subsidiary of TBC Bank and a licensed brokerage firm, TBC Capital is a leading provider of investment, brokerage and corporate finance solutions. TBC Capital offers a full range of financial services from structuring to executing deals or advising on complex corporate transactions. This year, we strengthened our corporate advisory team and secured a solid pipeline of more than 50 high-quality assets, closed one small sell-side M&A transaction and executed two landmark strategic advisory projects for large corporates with international shareholder bases.

DRIVING CAPITAL MARKETS DEVELOPMENT IN GEORGIA

With a more than 80% market share in debt capital market transactions[1], 2022 saw TBC Capital maintain its leadership position in terms of total public and private bonds placed on the Georgian market. We conducted several milestone transactions acting as either sole manager or joint managers alongside other local or international investment banks, including our first-ever US$ 80 million Secured Green Bond placement.

LOCAL MARKET

GEORGIA REAL ESTATE JSC
US$ 35,000,000
2 Year Public Placement - 8.50%
October 2022
Joint Lead Manager

GEORGIAN RENEWABLE POWER OPERATIONS JSC
US$ 80,000,000
5 Year Public Placement - 7.00%
October 2022
Joint Lead Manager

NIKORA JSC
GEL 35,000,000
3 Year Public Placement
TIBR3M+3.50%
November 2022
Joint Lead Manager

TBC LEASING
US$ 6,050,000
6 Year Private Placement - 9.50%
December 2022
Sole Lead Manager

TEGETA HOLDING
GEL 150,000,000
3 Year Public Placement
3M+3.50%
December 2022
Sole Lead Manager

GEOPLANT
US$ 2,560,000
2 Year Private Placement - 9.00%
December 2022
Sole Lead Manager

1 TBC Capital market share in publicly and privately issued bonds in Georgia during 2022.

In terms of Eurobond placements on international markets, TBC Capital was the only local investment bank to act as a Joint Lead Manager on a US$300 million Eurobond placement by Silknet JSC in January 2022. TBC Capital was also active in private bond placements and acted as Sole Lead Manager for TBC Leasing, EBRD, FMO, ADB and AIIB.

SERVING AS A TRUSTED STRATEGIC ENABLER IN BUSINESS AND INVESTMENT DECISIONS THROUGH OUR SOPHISTICATED RESEARCH SERVICES

Our research division equips decision makers with in-depth and timely macroeconomic and sectoral analyses of Georgia and the wider region. During the year, we continued to issue our regular weekly, monthly, and quarterly publications. We also added to our offering new publications and reports, such as Global Industry Overview, Education Market Overview and focused series on Residential Real Estate and Tourism. Overall, TBC Capital issued more than 230 publications in 2022. The full list of publications is available at www.tbccapital.ge. In addition, during the year TBC Capital hosted several large-scale conferences for local and international stakeholders of the Georgian economy.

In 2022, National Bank of Georgia named TBC Capital as The Best Macroeconomic Forecaster of 2021. Furthermore, TBC Capital continued to be a research contributor to Bloomberg and Refinitiv, targeting a wider international audience interested in Georgia.

EXPANDING OUR WEALTH MANAGEMENT VALUE PROPOSITION BASED ON BROKERAGE SERVICES

TBC WM is Georgia's leading wealth management franchise, serving around 2,900 resident and non-resident high net worth clients. We offer a wide range of personalised banking and investment products that are carefully designed to meet the individual needs of our customers and maximise their wealth. In addition, our clients benefit from exclusive lifestyle offerings for major elite events taking place in the country. We also have a representative office in Israel, TBC Invest, which acts as an intermediary with high net worth clients from Israel and offers fast and efficient consulting services on the ground.

During 2022, we continued to broaden our alternative investment offerings in order to help our wealth management clients diversify their funds and earn higher yields. In May 2022, we launched the first credit fund in Georgia managed by our subsidiary company, TBC Asset Management, which allows our clients to invest in a diversified portfolio of Georgian senior secured loans spread across a range of different sectors. We also upgraded our trading platform, operated by our subsidiary, TBC Capital, providing our clients with an easy access to more than 60 stock exchanges across 20 countries. Next year, we are planning to add pre-market and post-market trading capabilities, along with shorting and margin trading solutions.

As a result of the above, the share of capital-light, alternative investment products as a proportion of our total WM's assets under management increased by 8% and reached 19% by the end of 2022.

Over the past 30 years, TBC Bank has been actively supporting companies operating in different sectors, helping them to achieve success and contributing to the entire country's development.

REAL ESTATE

42%
TBC MARKET SHARE IN
REAL ESTATE

HORECA

41%
TBC MARKET SHARE IN
HORECA

ENERGY

54%
TBC MARKET SHARE IN
ENERGY

PRODUCTION

26%
TBC MARKET SHARE IN
PRODUCTION

FMCG & RETAIL

50%
TBC MARKET SHARE IN
FMCG & RETAIL

AUTOMOTIVE

47%
TBC MARKET SHARE IN
AUTOMOTIVE

Note: market shares are calculated based on data published by the National Bank of Georgia as of 31 December 2022.

TBC INSURANCE

TBC insurance is Georgia's leading provider of retail non-health insurance with a 38.4% market share as of 31 December 2022.

MEASURING SUCCESS IN 2022

24.9%
(2021: 22.2%)
TOTAL NON-HEALTH INSURANCE MARKET SHARE[1]

11.8%
(2021: 9.2%)
CORPORATE HEALTH INSURANCE MARKET SHARE[2]

GEL 147 mln
(2021: GEL 114 mln)
GROSS WRITTEN PREMIUM

GEL 18 mln
(2021: GEL 14 mln)
NET PROFIT

74%
NPS[3]

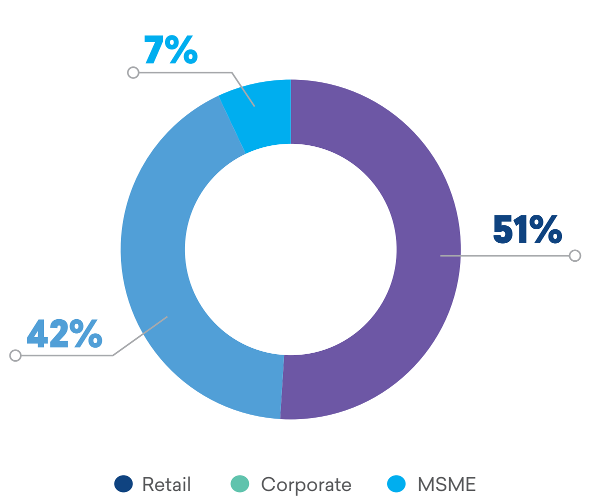
AT A GLANCE

TBC Insurance is a wholly owned subsidiary of TBC Bank and is the main bancassurance partner for the Bank, which accounted for approximately 30% of total gross written premium (GWP) as of 31 December 2022.

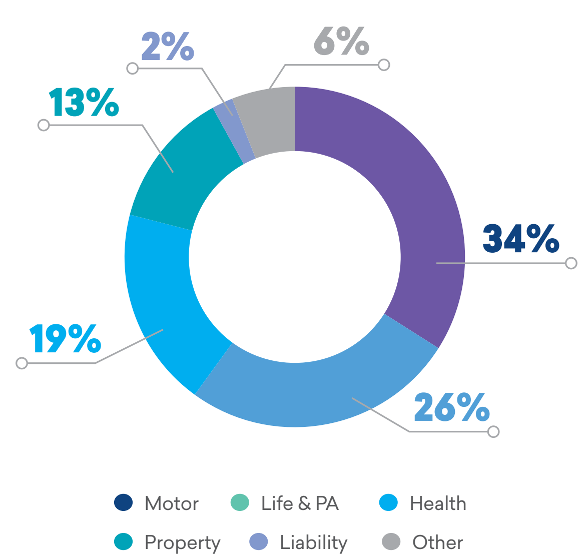
We have a strong presence in the non-health insurance market, serving both individuals and business clients. Our non-health services cover motor, travel, personal accident, life, property, business property, liability, cargo and agro products. We hold the number one position in the retail segment of non-health insurance with a 38.4%[1] market share as of 31 December 2022, a 1.1 pp increase on the last financial year. Over the same period, our corporate non-health insurance market share stood at 14.9%[1], up 2.5 pp on the previous financial year.

In the health insurance market, our convenient offerings, best-in-class customer experience and strong focus on digitalisation saw the number of our clients reach 38,300 in 2022, while our market share in corporate health insurance market increased from 2.6% to 11.8% compared to the previous financial year.

TOTAL GWP IN 2022 BY SEGMENTS



TOTAL GWP IN 2022 BY PRODUCTS



YEAR IN REVIEW

In 2022, we remained committed to expanding our digital offerings. We also strengthened our sales activities by forming special teams dedicated to specific products. The result has been strong growth and profitability. Our non-health insurance business GWP increased by 24% to GEL 119 million, while net earned premium also rose 27% year-on-year to GEL 95 million. Over the same period, our health insurance business GWP increased by 56% and stood at GEL 28 million, while net earned premium grew 96% to GEL 25 million. Overall, our profit increased by 29% in 2022 to GEL 18 million.

During the year, we added new functionality to the TBC insurance app, including registering travel claims, pausing/reinstating auto-insurance policies, booking visits to medical specialists or laboratories as well as contacting the emergency services. As a result, the number of active users of our app reached 26,000, doubling year-on-year.

At the same time, the strong momentum behind our digitalisation metrics was maintained during 2022:

- More than 50% increase in the number of non-health policies sold through digital channels to 120,000, leading to a sales offloading ratio of 71.2%[4], up 0.8 pp from last financial year.
- At 74.2%, the reimbursement offloading ratio[5] for motor insurance claims remained stable.

LOOKING AHEAD

With a total GWP to GDP ratio[6] of around 1% in 2022, the Georgian insurance market is underpenetrated when compared to the wider CEE region. Georgia therefore offers high growth potential.

Non-health insurance represents around 59% of the total insurance market and has grown by 14% over the last financial year. Over the same period, the health insurance market increased by 22%. Over the last six-year period 2017-2022, Georgia's total insurance market has grown at a compound annual growth rate (CAGR)[4] of 15%.

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

1 Market share without mandatory border motor third party liability insurance (MTPL). With mandatory border MTPL, total non-health and retail non-health insurance market shares were 23.3% and 33.0% 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 The number of policies sold via digital channels divided by the total number of voluntary retail policies.
5 The number of motor claims regulated distantly (by web & call centre) divided by the total number of motor claims.
6 Source: Geostat and www.insurance.gov.ge.

TBC PAY

TBC Pay is the leading payments provider in Georgia offerings convenient payments solutions to customers via its wide network of self-service terminals.

MEASURING SUCCESS IN 2022

4.3 K (2021: 4.2 K) NUMBER OF SELF-SERVICE TERMINALS	**+31% YoY** GEL 8.1 bln VOLUME OF PAYMENTS TRANSACTIONS	**622 K** (2021: 582 K) NUMBER OF USERS	**GEL 20 mln** (2021: GEL 10 mln) NET PROFIT

AT A GLANCE

TBC Pay is a leading payments provider in Georgia, offering individuals and businesses convenient payment solutions. TBC Pay is a wholly owned subsidiary of TBC Bank and has been operating since 2008.

We offer a wide range of services, including utility payments, mobile top-ups, payments for public transportation, loan repayments and money transfers through a wide and easily accessible distribution network. We are focused on providing superior customer services and ensuring our services are accessible.

We mainly service our customers via self-service terminals that are conveniently distributed across the country - at the end of 2022, the number of self-service terminals amounted to 4,300. These terminals allow customers to conduct a range of payments instantly on a 24/7 basis, using both cash and cards. In addition, TBC Pay operates a website (www.tbcpay.ge), along with a mobile app, both of which offer user friendly and engaging user interface. By the end of 2022, the number of registered users who use our app reached 396,000, while the number of active users stood at 64,000.

For businesses with large cash operations, TBC Pay offers cash management services in the form of specialised cash boxes. After depositing cash into these boxes, the sum is automatically transferred to the company's bank account. The cash boxes are secured via a strong authorisation process.

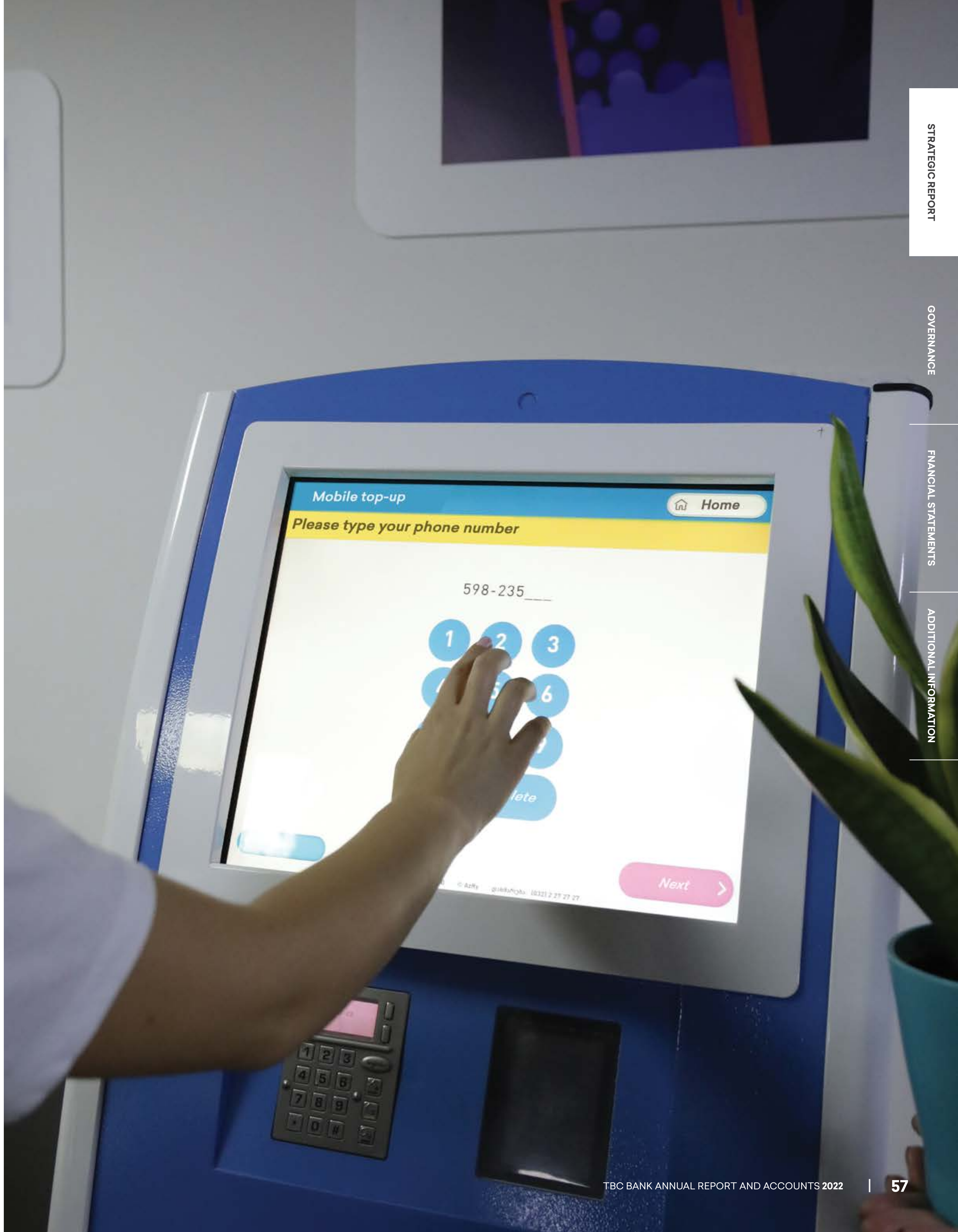
YEAR IN REVIEW

In order to support the increased scale of the business, the company is streamlining its processes and implementing new technologies. During 2022, we continued implementing enterprise resource planning software and BI tools. These programmes will enable us to speed up the decision-making process across the company. In parallel, we have been working on the development of OpenApi products, which will enable us to attach other banks' accounts onto our online platforms.

Over 2022, the volume of transactions conducted through self-service, cash management terminals, digital channels, as well as payment aggregation business grew by 32% to GEL 8.1 billion. Over the same period, net profit amounted to GEL 20.4 million, up 105% year-on-year.

LOOKING AHEAD

Our strategy is to further support the offloading of cash transactions from TBC branches by increasing the accessibility of our services via effective cash collection process and timely technical support.



TBC LEASING

With an 80% market share, TBC Leasing is a leading leasing services provider in Georgia.

MEASURING SUCCESS IN 2022

80%
(2021: 77%)
MARKET SHARE[1]

2,037
(2021: 2,265)
NUMBER OF CUSTOMERS

GEL 290 mln
(2021: GEL 254 mln)
LEASING PORTFOILIO

GEL 14 mln
(2021: GEL 12 mln)
NET PROFIT

AT A GLANCE

Delivering comprehensive solutions, TBC Leasing offers an alternative source of financing to our retail and business clients. A wholly owned subsidiary of TBC Bank, TBC Leasing is a leading leasing services provider in Georgia and as of 31 December 2022 had a market share[1] of 80%.

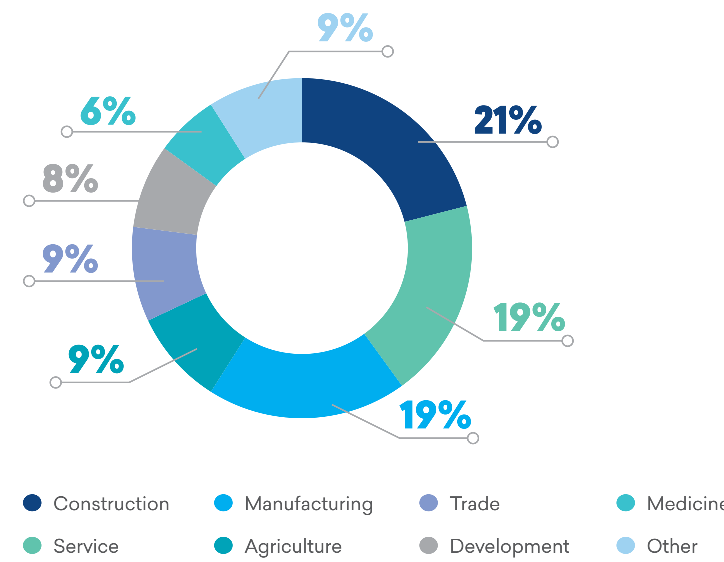
Our technical know-how and specialist knowledge and expertise enable us to offer our clients all-round asset finance solutions and other complementary advisory services, including financial leasing, operating leasing, sale and leasebacks, all of which are tailored to the individual customer's needs. In 2022, to meet our customers' needs, we introduced a new product for the Georgian market, commercial real estate leasing, which accumulated a portfolio of GEL 41 million by the end of the year.

We serve both individuals and business clients and have extensive geographical coverage throughout Georgia via official representative dealerships, vendors, direct sales channels as well as TBC Bank branches. We actively leverage TBC Bank's wide sales network, which further supports our book creation via referral synergies.

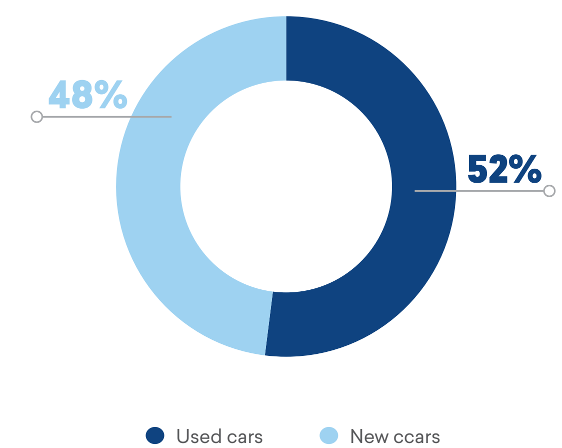
YEAR IN REVIEW

Our leasing portfolio increased by 27% during the year on a constant currency basis and stood at GEL 290 million as of 31 December 2022. 92% of the portfolio related to legal entities, particularly in the construction, service and manufacturing sectors. The remaining 8% of the portfolio related to individual clients. New cars accounted for 48% of the total retail portfolio, used cars the remaining 52%. In 2022, TBC Leasing generated net profits of GEL 13.9 million, up 20% year-on-year.

CORPORATE LEASING PORTFOLIO BREAKDOWN AS OF 31 DEC 2022



RETAIL LEASING PORTFOLIO BREAKDOWN AS OF 31 DEC 2022



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

- TBC Leasing continues to support local businesses, especially small and medium-sized enterprises. For this purpose, TBC Leasing attracted EUR 3 million from its reliable partner - the European Bank for Reconstruction and Development (EBRD). At least 70% of the resource will be directed to finance investments in green technologies, which, in turn, will give us the opportunity to support local enterprises in expanding their green activities and increasing their competitiveness.
- In addition, we commenced a collaboration with 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 – enabling potential clients to estimate the leasing rates from different technology suppliers, including the main impact metrics such as energy and carbon dioxide (CO_2) emission reduction, savings in monetary terms and estimated payback period. The platform is expected to go live in the first quarter of 2023.

As a result, our green leasing portfolio has grown to GEL 25 million from just GEL 3 million last year. We plan to further increase our green leasing portfolio in the coming years.

LOOKING AHEAD

The Georgian leasing market has substantial growth potential given its low penetration level - leasing represents only around 1% of Georgia's GDP, significantly below peer countries where leasing accounts for approximately 5%[2] of GDP.

Importantly, over the past five years, the compound annual growth (CAGR) of the Georgian leasing market was around 22%[1], as awareness of leasing products as an alternative way of financing for SME clients has increased. We expect to see further growth in both the Georgian leasing market and TBC Leasing in the year ahead.

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

Digital ecosystem in Georgia

Accounting for 40% of Georgia's total internet traffic[1], TNET is the largest digital ecosystem in the country. Operating in four verticals and combining nine platforms, it captures most of our clients' daily needs and will help us to reinforce customer loyalty as well as generate leads for our financial products.

TNET was established in early 2022 by merging individual digital ecosystem companies into one entity.

Creating TNET allowed us to set up a centralised data hub with a large customer base and will enable us to:

- Ensure monetisation through net fee and commission income;
- Create leads;
- Strengthen customer loyalty & lock-in and;
- Increase customer engagement.

MARKET LEADER IN ALL FOUR VERTICALS

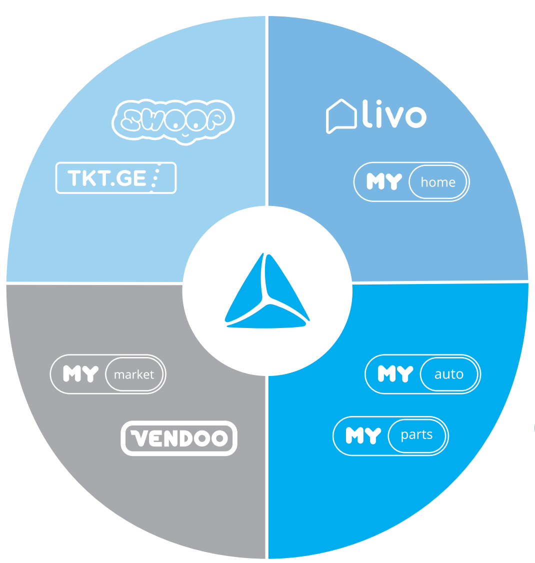
% - MARKET SHARES[2]

LIFESTYLE 78%

- 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 51%

- 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 69%

- 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 82%

- 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

MEASURING SUCCESS IN 2022

GEL 103 mln	GEL 55	302 K	GEL 94 mln
(2021: GEL 24 mln)	(2021: GEL 14)	(2021: 127 K)	(2021: GEL 24 mln)
GROSS MERCHANDISE VOLUME (GMV)	GMV PER USER	NUMBER OF LEADS	LOANS DISBURSED BY TBC FROM LEAD GENERATION

YEAR IN REVIEW

During 2022, we concentrated our efforts on launching and strengthening the centralised data hub. This covers TNET's 1.9 million unique visitors, which amounts to 67% of the country's adult population. Furthermore, around 560,000 customers have given us consent to process their personal data. By implementing advanced data science and AI modelling modules, we are able to generate tailored offers for our customers. During 2022, 160 companies received targeted offers, which generated c. 1.1 billion views. As a result, we generated a total of 302,000 leads, while our conversion rate at TBC reached an impressive 7%. Based on these leads, TBC disbursed GEL 94 million in retail loans during the year, amounting to 5% of our total number of retail disbursements.

MIGRATING TO A MARKETPLACE MODEL

In 2022, we commenced the migration of our platforms away from a classified to a marketplace model by creating a payment gateway and by facilitating transactions as opposed to just focusing on listings.

We also continued enriching our platforms with new features. For example, we added the following services to our MyHome.ge housing platform: photographing, measurements and real estate appraisal. For users of our TKT.ge lifestyle platform, we added functionality that enables tickets for Champions League football matches to be purchased. This resulted in an increase in GMV, which reached GEL 103 million for 2022, up more than four times year-on-year. Our users also became more active in their purchases, as evidenced by GMV per user, which stood at GEL 55 for the same period, compared to GEL 14 a year ago.

In addition, in early 2023, we launched a new platform focusing on apparel and body care – MyShop.ge. As clothing is the second largest growing e-commerce business worldwide, we expect this platform to add significant value to TNET's offerings going forward.

EMBARKING ON OUR MOST AMBITIOUS PROJECT

In 2022, we also started working on our most ambitious project – building a Super App. The Super App will house all our current platforms, as well as financial services such as banking, payments and insurance, under one app. By making it more seamless and user friendly, this should enable us to take our customer journey to another level. Furthermore, the Super App, like the loyalty programme, should ensure customer lock-in and brand embedding for TBC. In terms of profitability, the Super App has the potential to positively impact our bottom line via commissions paid by all parties involved. We plan to roll out our Super App to the public in 2023.

LOOKING AHEAD

In the medium term, we plan to follow our 4x10 strategy: a 10-fold increase across four key metrics: GMV, GMV per user, loan disbursements from leads and net profit. We believe that all our initiatives create a solid foundation for continued strong growth at TNET and its current success drives our optimism for the future.

1 Based on internal estimates.
2 Source: Similarweb, market shares are calculated based on number of unique visitors as of 31 December 2022.

Uzbek operations

In just three years, our operations in Uzbekistan have managed to attract 30% of the country's population, while in 2022 they generated positive returns.

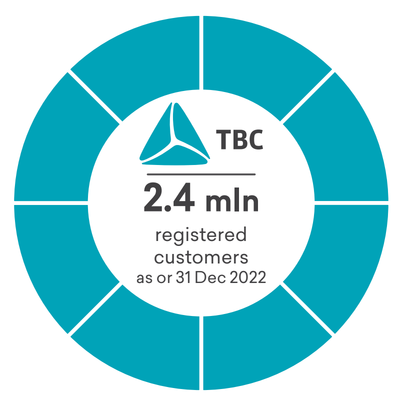
In 2019, we expanded our geographical footprint by entering the Uzbek market. We wanted to capitalise on the high-growth opportunities offered: a large and growing population of 35 million; a low retail loan penetration rate; and high smartphone usage.

Currently, our operations in Uzbekistan are comprised of two fast-growing fintechs which, together, have a large customer base of around 10.6 million registered users:

- **Payme** – one of the country's leading multi-vertical payment services app; and
- **TBC UZ** - the country's first, fully digital mobile-only bank powered by our inhouse digital banking platform Space International.

IN 2019 TBC PLC AQUIRED 51%

ESTABLISHED IN 2020



Starting from the third quarter of 2022, our Uzbek operations (TBC UZ and Payme combined) started to generate positive returns and their net profit amounted to GEL 8.2 million for the full year 2022.

Payme (legal name - Inspired LLC) was acquired by TBC Bank Group PLC in 2019. TBC PLC owns a 51% stake in the company, while the founding shareholders hold the remaining 49%. Back in 2019, TBC PLC also entered into a put/call arrangement for the acquisition of the remaining 49% of Payme, which can be exercised from 2023 onwards.

TBC UZ was established in 2020 and is the subsidiary of TBC Bank Group PLC, which owns 60% of the company. The international financial institutions, EBRD and IFC hold 20% each.

PAYME

AT A GLANCE

Payme is a leading payments provider in Uzbekistan, serving more than 8.2 million users and around 3,600 active merchants across the country. Payme offers high-quality payment solutions via its multi-vertical app. These include: P2P transfers, utility and service payments, QR payments, e-commerce, cross-border money remmitances, loan repayments, personal financial manager (PFM) services and other verticals like GovTech or travel. By the end of 2022, Payme had a market share of around 12% of total payments volume in the country based on internal estimates.

Payme is a well-known and respected brand in Uzbekistan, which has received international recognition and has been named:

The Best Digital Payment Service Provider 2022 in Uzbekistan by Global Economics

Brand of the Year 2021 in IT Technology and Solutions by The Marketing Association of Uzbekistan

MEASURING SUCCESS IN 2022

8.2 mln	**2.5 mln**	**3.6 K**	**GEL 7.4 bln**
(2021: 5.2 mln)	(2021: 1.6 mln)	(2021: 2.9 K)	(2021: GEL 4.7 bln)
NUMBER OF REGISTERED USERS	MONTHLY ACTIVE USERS	NUMBER OF ACTIVE MERCHANTS	VOLUME OF TRANSACTIONS

YEAR IN REVIEW

In 2022, we continued to expand our Uzbek payments business by offering customers new products and services, as well as widening our network. In addition, Payme introduced its own virtual VISA, NFC token and VISA direct, and launched international VISA cards.

As a result of strong brand recognition, superior user experience and multi-vertical strategy, the number of registered users grew 58% year-on-year to 8.2 million by the end of 2022, while the number of monthly active users increased by an impressive 60% to reached 2.5 million. Over the same period, the number of active merchants grew by 24% year-on-year to 3,600.

In terms of payments volumes, these increased 57% on a year-on-year basis to GEL 7.4 billion in 2022. This translated into a strong financial performance: operating income increased by 77% to GEL 51.1 million, while net profit rose 85% to GEL 33.2 million in 2022.

TBC UZ

AT A GLANCE

TBC UZ obtained its banking licence in April 2020 and six months later in October 2020 opened its consumer banking operations to the wider population. Since 2020, our retail customers have been able to access our services via our mobile app TBC UZ that is powered by inhouse digital banking platform Space International ("Space").

TBC UZ is a fully digital bank, which means that all operations are conducted online, including loan disbursement, deposit placement, transfers and other payments transactions. In addition, TBC UZ runs 24/7 call centres, which are called Happiness Centres, to boost customer experience and build loyalty to the bank. Our remote channels are further supported by 10 next-generation showrooms and 42 compact customer acquisition points which are used purely for consulting and customer onboarding purposes. These are located across the country. In recognition of our efforts, TBC UZ has been named the Best Digital Bank in Uzbekistan 2022 by World Economic Magazine.

Operationally, Space is run centrally by a Georgia-based team, which is responsible for the development of the platform, its products, as well as business functions and risk management. Meanwhile a local team in Uzbekistan is responsible for business operations in the country. This approach ensures that new products can be developed, tested, and deployed through the close collaboration of our Georgian and Uzbek teams in minimal time.

In December, Space partnered with Thoughtworks, a global technology consultancy, on its first project in the Caucasus and Central Asia Regions. Thoughtworks will help to further strengthen Space's engineering culture and technical architecture with the introduction of innovative ways of working in order to support its fast growth.

MEASURING SUCCESS IN 2022

GEL 348 mln	GEL 331 mln	2.4 mln	428 K
(2021: GEL 93 mln)	(2021: GEL 208 mln)	(2021: 1.1 mln)	(2021: 311 K)
CONSUMER LOAN PORTFOLIO[1]	DEPOSIT PORTFOLIO[1]	NUMBER OF REGISTERED USERS	MONTHLY ACTIVE USERS

YEAR IN REVIEW

We continued to successfully expand our operations during the year. By the end of December 2022, the number of registered users and monthly active users of our digital banking app reached 2.4 million and 0.4 million respectively. At the same time, our consumer loan book and deposits amounted to GEL 348 million and GEL 331 million, up 274% and 59%, respectively, compared to the previous year. As of 31 December 2022, our market shares[2] in retail and micro retail loans amounted to 1.4% and 9.6% respectively, while retail deposit market share[2] stood at 2.2%.

During 2022, the number of cards used in our digital app amounted to 1.7 million, up by 182% year-on-year. Of the 1.7 million, 1.0 million or 59% of cards were issued by other banks that are attached to TBC UZ's app.

In terms of financial results, for the full year 2022, the operating income of TBC UZ stood at GEL 45.6 million and net loss was GEL 25.0 million. Importantly, in the fourth quarter 2022, TBC UZ approached break-even with net loss decreasing to GEL 1.1 million.

As the business has been growing successfully, in 2022 TBC PLC has invested additional capital totalling US$ 21 million into TBC UZ, while our partners, IFC and EBRD injected an additional US$ 7 million each to support our expansion plans in line with the arrangement entered into in September 2021. As a result, the total investment into TBC UZ by all shareholders amounted to approximately US$ 79 million by the end of 2022.

LOOKING AHEAD

Over the coming years, our goal is to utilise the synergies between the two businesses by building a multi-vertical Super App based on Payme offering financial, payments, and other daily usage services.

SETTING AMBITIOUS MID-TERM TARGETS FOR OUR UZBEK OPERATIONS

5 mln	10-15%	30%+
MONTHLY ACTIVE USERS (MAU)	SHARE OF UZBEK BUSINESS IN GROUP'S NET PROFIT	ROE

1 Loans and deposits in Uzbekistan are disbursed in local currency.
2 Source: Central Bank of Uzbekistan. Micro retail loans include retail loans up to UZS 50 million (c. GEL 12,000).

Our colleagues

We are committed to providing a healthy and safe workplace environment, where people can develop and grow, encouraging diversity, equality and inclusion among our workforce while delivering top-quality services to our clients.

MEASURING SUCCESS IN 2022

59%	36%	89%
(2021: 66%)	(2021: 38%)	(2021: 88%)
EMPLOYEE NET PROMOTER SCORE[1]	WOMEN IN MIDDLE MANAGERIAL POSITIONS[2]	ENGAGEMENT INDEX[3]

OVERVIEW

We strongly believe that people are our vital capital and strive to become the most attractive employer in the countries in which we operate. With an effective talent acquisition and development framework, we support Group strategy and create maximum value for both TBC and our employees.

Post COVID-19, we introduced hybrid working arrangements, allowing our employees to work from wherever they choose. Today, most of our non-customer facing employees work outside the office, which has resulted in higher employee satisfaction levels and increased efficiency across the Group.

In 2022, in the light of increased inflation, we raised the salaries for around 58% our mass position employees in customer-facing and support roles. The average increase was around 20-25%.

During 2022, our main priorities were: talent acquisition and development, performance management, engagement and motivation, as well as ensuring equality and diversity.

OUR MAIN STRATEGIC PRIORITIES

TALENT ACQUISITION AND DEVELOPMENT

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

We actively monitor the labour market, both in Georgia and abroad, in order to expand our network for attracting key personnel, including but not limited to: business, finance, risk and tech positions.

For entry-level positions, we run a wide-scale internship programme to attract the best students from Georgia's leading universities. After the successful completion of a one-year internship, top candidates are offered employment in various departments, including finance, risk, corporate, marketing, IT and data analytics. In addition, we have started active cooperations with local universities and colleges, in order to attract recent graduates for entry level positions at the front office.

We continue to run a talent development programme for middle management which is focused on enhancing leadership skills and developing a growth mindset. Since the launch of the programme in 2021, up to 110 people have successfully graduated from this programme. Highly positive feedback has been received from the graduates of this programme.

Case study

"I began working at TBC as a teller, but I was interested in pursuing a career in programming. In my free time I would learn the basics of programming by myself, using online resources, however I felt the need for mentorship from experienced tutors".

This is when I decided to register for the education programme at TBC IT Academy. The selection process was challenging, but I worked hard and was selected to participate in the programme, which was fully financed by TBC. This programme gave me invaluable knowledge, as well as the opportunity to begin my career in programming. One year later, I am now a part of TBC's tech team and can continue my professional growth in a job that I find interesting and fulfilling. My experience has shown me that dedication and hard work are necessary to succeed, however having the right opportunity is just as important. I am grateful to TBC for giving me the opportunity to unlock my true potential and change my career path in line with my interests."

Giorgi Shengelia
Developer at TBC Bank

1 The Employee Net Promoter Score (ENPS) was measured in October 2022 by an independent consultant for the Bank's employees.
2 Branch managers, division and department heads, as well as directors of the Group's subsidiaries.
3 Engagement Index was measured in October 2022 by an independent consultant for the Bank's employee's and measures how much employees feel involved and committed to TBC Bank.

Since 2019, we have run an internal IT academy, which offers courses in front-end and back-end development for both our existing employees as well as potential ones. This programme is free of charge for selected candidates and is run by experienced staff members and leading professionals from relevant fields. Since its establishment, we have trained approximately 800 people and recruited 290 people.

In addition, TBC Academy, which was established in 2011, continues to offer various development opportunities to our employees. During 2022, more than 1,200 employees took various courses, such as business development, banking, change management, leadership, financial analytics and many more. We also provide financial support to our employees to attend various external courses and gain international certifications such as MBA, CFA, FRM, ACCA and others.

We offer competitive remuneration packages to our employees, which are comprised of a fixed salary, performance-based bonuses and a benefits package. Benefits include 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.

PERFORMANCE MANAGEMENT

Through our effective performance management system, we strive to increase employee productivity and reinforce a culture of feedback.

Our performance management system is closely linked with the overall objectives of the Group and is based on three core principles: clarity, fairness and integrity. We make sure that our colleagues have a clear understanding of their role in the company and that they are actively engaged in setting their personal goals. Employees are also given appropriate coaching by their managers to help them achieve their goals. Regular employee feedback and constructive dialogue are important parts of our performance appraisal system and have been incorporated into middle management KPIs.

We use different assessment systems for front and non-customer facing employees, depending on the positions held. For front-office staff, targets are set on a monthly basis and rewards are linked to sales and customer service quality levels. Middle managers, as well as our non-customer facing staff, are assessed by KPIs and a competency-based system.

In addition, we run a 360-degree evaluation that provides each employee with the opportunity to receive feedback from his/her manager, peers and subordinates. 360-degree feedback allows our employees to understand how their performance is viewed by others. It also helps them to identify their strengths and weaknesses and develop new skills. Furthermore, during 2022, we conducted a series of effective feedback training for our employees in order to strengthen the feedback culture within the organisation.

EMPLOYEE ENGAGEMENT AND MOTIVATION

We strive to develop a supportive and empowering work culture to offer equal opportunities for work and development and to encourage a healthy work-life balance.

Our CEO and the executive management team play a special role in promoting the corporate culture and values through regular communication with employees. They also share the Group's strategy and achievements as well as obtain feedback.

We support and encourage our employees to participate in rotations as well as to obtain promotions within the Group. Under equal conditions, the priority is given to the internal candidate. In 2022, the promotion and horizontal transfer rate was around 30% for the Bank. For certain positions, we have implemented a special career mapping programme. We are also actively working on developing a succession planning framework for senior positions in order to ensure smooth transition.

Special attention is given to the recognition of achievements by our team members by sharing success stories in our internal communication channels. In addition, we have several internal rewards to grow the service culture and customer focus among employees.

We carefully listen to our colleagues and conduct an annual survey to measure their satisfaction and engagement levels. 78% of employees participated in the satisfaction survey this year and our employee net promoter score remained high at 59%[1] compared to 66% of 2021, but still remained well above industry average of 47%. The results of the survey are thoroughly analysed and presented to the management and Board to plan future actions.

EQUALITY AND DIVERSITY

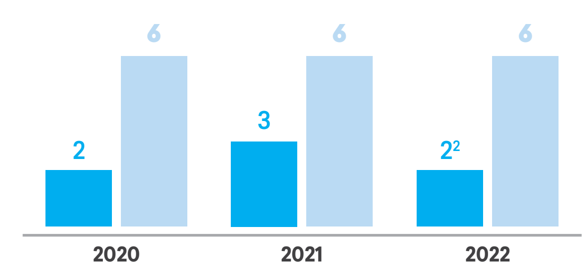
We are committed to encouraging diversity, equality and inclusion among our workforce, and eliminating any kind of discrimination. We embrace and encourage our employees' differences in age, sex, colour, disability, ethnicity, family or marital status, gender identity or expression, language, national origin, physical and mental ability, political affiliation, race, religion, sexual orientation, socio-economic status, and other characteristics that make our employees unique.

This year, we upgraded the 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 updated policy is available at: www.tbcbankgroup.com.

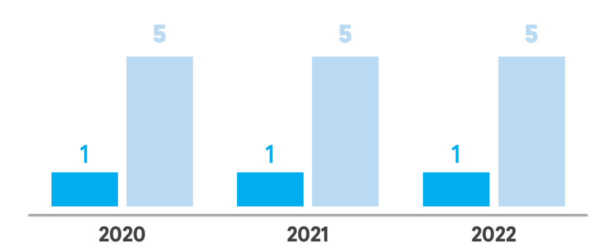
We remain committed to having a gender-balanced workforce and culture that supports and empowers women. In 2021, we set a target at the Bank level to increase the number of women in middle managerial positions from the current level of 36% to 40% by 2023. By the end of 2022, this indicator remained unchanged. Starting from 2023, the agile managerial positions - Product Owners and Chapter Leads will be included in the calculations of the Middle Management in order to reflect the organisational transformation and structure in the Bank. In 2019, TBC was the first company in Georgia to introduce agile structure which creates more dynamic working environment, instills an open culture and empowers women and men in different roles and functions. The agile structure differs from the traditional organisational set-up and is founded on cross-functional teams. As of 31 December 2022, representation of women in newly classified middle managerial positions stood at 41%. Therefore, we adjusted the targets for the share of women in middle managerial positions and set them at 43% in 2023 and 45% in 2024, respectively. Furthermore, in 2022, we expanded our approach to certain subsidiaries of the Group and incorporated individual diversity targets within their ESG strategies.

The tables below show the data at the Group level.

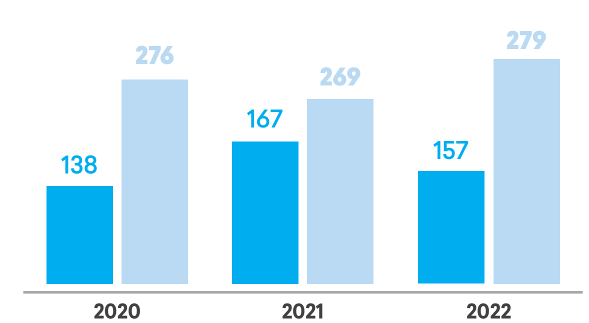
BOARD OF DIRECTORS



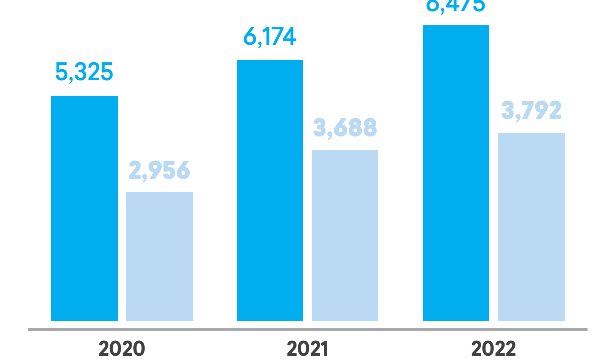
EXECUTIVE MANAGEMENT



MIDDLE MANAGERIAL POSITIONS[3]



ALL EMPLOYEES

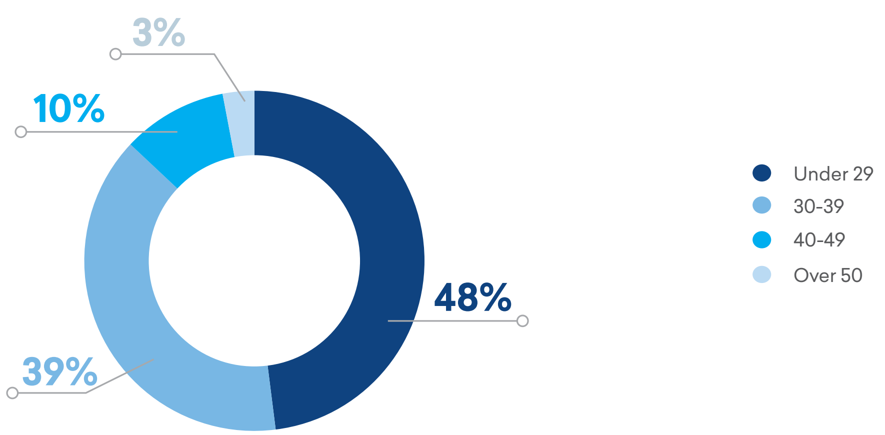


Female Male

1 The Employee Net Promoter Score (ENPS) was measured in October 2022 by an independent consultant for the Bank's employees.
2 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.
3 Branch managers, division and department heads, as well as directors of the Group's subsidiaries.

We have a good mix of people comprised of employees with extensive work experience and young and bright talents with innovative and fresh ideas who have just graduated from top universities in Georgia and abroad. We believe that age diversity creates a more dynamic and high-performing team which in turn leads to better results.

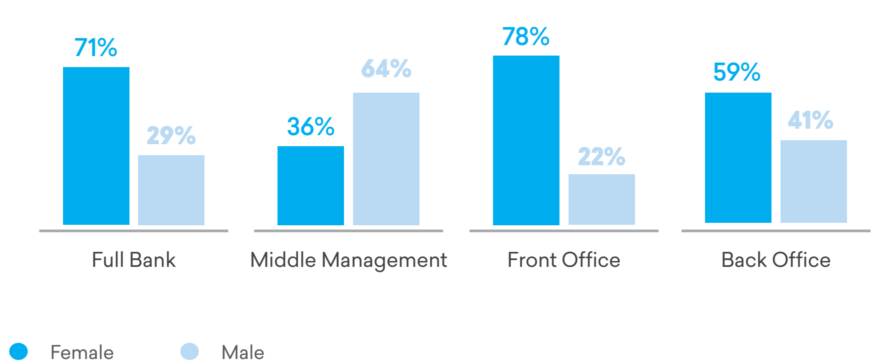
AGE DIVERSITY STATISTICS 2022



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 2022, our mean gender gap for the Bank employees was 44%, compared with 43% in 2021, 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 -5% in 2022 and -4% in 2021, 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[2]



ETHICAL STANDARDS, RESPONSIBLE CONDUCT AND SAFETY AT WORK

TBC Bank is committed to running a business that promotes high ethical standards and values, respects human rights, cares about the environment and community and encourages 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. These policies can be found on our IR website at www.tbcbankgroup.com and are comprised of:

- Code of Ethics;
- Code of Conduct;
- Diversity, Equality and Inclusion Policy;
- Human Rights Policy;
- Incident Response Policy (Whistleblowing Policy);
- Anti-Bribery, Anti-Corruption and Prevention of the Facilitation of Tax Evasion Policy;
- Global Data Protection Policy;
- Environmental Policy;
- Climate Change Policy.

In addition, we have introduced an Employee Discrimination, Violence and Harassment policy and a Health Safety and Environment Policy at the Bank level and plan to introduce these across the Group going forward.

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 2022, around 6,700 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 Bank 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 and operational risks.

Given that the Group does not have a demonstrable business presence in the UK, TBC Bank 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 based on data from April 1, 2022 to April 30, 2022.
2 The data in the given table is presented for the Bank only.


30
Celebrating
30 years of success
SCAN TO WATCH THE VIDEO
THIS YEAR, WE CELEBRATED OUR 30TH ANNIVERSARY
TOGETHER WITH 10,000 EMPLOYEES IN TSINANDALI ESTATE

Our community

Being a systemically important bank in Georgia, we acknowledge our responsibility towards society and are committed to creating a better future for the communities in which we operate. Our wide range of high-impact, sustainable projects are primarily focused on supporting business development, the young, women, culture and sport.

ENCOURAGING MSME BUSINESS DEVELOPMENT AND ENTREPRENEURSHIP

TBC has always been an avid supporter of start-ups and MSME businesses. In order to address the social and economic challenges in Georgia, the development of small and medium businesses is vital. It contributes to the reduction of unemployment and boosts economic growth. We assist businesses through the provision of both financial and non-financial support, including facilitating access to capital, sharing knowledge and expertise and developing products and services specially customised for business needs. Detailed information regarding these initiatives is outlined in our MSME Banking section on pages 40-45.

SUPPORTING THE YOUNG GENERATION

During our 30 years of operations, TBC has always supported young talented people, many of whom are now successful artists, scientists and professionals, enjoying prominent careers in different fields in Georgia as well as abroad. In 2022, TBC continued to stand by the young generation with the following initiatives:

- TBC Scholarship is the largest private scholarship programme for schoolchildren in Georgia. In cooperation with 14 partner organisations that specialise in children's education and development, TBC selects talented and motivated schoolchildren from all over Georgia and provides them with financial support, as well as new opportunities for education. Since its inception in 2018, up to 400 schoolchildren with various talents in art, science, sport and social activism have participated in the programme.
- Since 2019, TBC has supported the Tbilisi Book Festival, the largest event in the Georgian book sector which brings writers, publishers and readers together. In 2022, TBC continued supporting the festival and remained its partner for the whole year.
- Supporting STEM education is one of TBC's priorities. For the past eight years, TBC has partnered with Leonardo da Vinci, the Young Researchers and Innovators Annual Competition for Georgian high school students. The competition enables schoolchildren to demonstrate their talents in tech fields and gain access to further educational opportunities. TBC Bank provides marketing support for the competition, allocates its facilities and awards the winners.
- TBC has also established a number of academies in Georgia, which provide free education opportunities to individuals interested in IT, risk management and other business fields, along with the opportunity of being employed by TBC. We also continue to run TBC Camp, a programme that was established in 2019 and envisages the conduct of a Stock Pitch Competition for fourth year finance students. This competition is integrated into the syllabus of several universities' curricula and is comprised of intensive online lectures, training and the preparation of real investment cases. These are presented to a panel of judges. Selected teams are awarded special prizes.

CREATING EQUAL OPPORTUNITIES FOR WOMEN

We pay great attention to fostering equality of opportunities for different members of society. In this regard, we have launched several initiatives that support the education and career development of Georgian women:

- TBC is a partner of the Grace Hopper Award, which was founded in Georgia by USAID and UN Women. The Award recognises the contributions of individuals and organisations that empower women in the information and communication technology (ICT) industry and leads to positive change in the sector.
- Another important project targeting the elimination of gender biases is '500 women in tech', which has been developed in cooperation with the Business and Technology University of Tbilisi, UN Women and the Government of Norway. The programme, which lasts for 18 months, allows female candidates to study the following professions: front-end and back-end development, user experience and graphic design, digital marketing and product testing.

PRESERVING CULTURAL HERITAGE

Preserving and popularising the cultural heritage of our countries of operations across the wider community is very important for TBC. In line with this, the year under review saw us continue several high-impact initiatives:

- In 2022, TBC celebrated the 20th anniversary of the literary award Saba, which was founded by TBC and is the biggest and most important literary event in Georgia. Each year, up to GEL 50,000 is awarded to winners in various categories. In addition, Saba celebrated another anniversary in 2022: 10 years since the foundation of www.saba.com.ge, the Saba online books store. Hosting up to 7,000 books and accessible via an easy-to-use mobile app, where readers can enjoy a wide choice of books for a reasonable price, www.saba.com.ge is the biggest online library in the Georgian language.
- Another important achievement in 2022 was the recognition of the TBC Ornaments project in Uzbekistan at the Communications Festival of Central Asia. Initially launched in Georgia, TBC Ornaments is a project that aims to popularise traditional Georgian ornaments used in clothing centuries ago. TBC created modern design patterns based on traditional ornament forms and enabled up to 30 Georgian start-ups to build on these patterns and create various new products for the market. In 2021, TBC rolled out this project in Uzbekistan, creating a digital catalogue of applied historical and folk art ornaments of Uzbekistan. The project was successfully implemented and is well regarded by the Uzbek public.

SUPPORTING SPORT AND HEALTHY LIFESTYLES

Supporting and promoting sport and healthy lifestyles are also important priorities for TBC. Here, we undertook several initiatives in 2022:

- Since 2015, TBC has been the general sponsor of Georgian Rugby Union. This year, we extended the partnership for another five years to 2027. Rugby is Georgia's national game and is close to the heart of Georgians. We are proud to contribute to the development of rugby in Georgia and are committed to supporting our national rugby team, as well as implementing various projects to promote this sport.
- In late 2022, TBC signed a partnership agreement with Georgian Ski Federation to host the 2023 Freestyle ski, Snowboard and Freeski World Championships in Bakuriani, Georgia. The Championships will be held for three weeks in 2023 and will provide a number of benefits, including supporting infrastructure development, attracting professionals and fans from all over the world, as well as popularising these sports among Georgians.
- TBC is a partner of the Samarkand Marathon, which is organised annually in the Samarkand, Uzbekistan. The marathon is a charity event which raises funds for improving urban infrastructure for people with disabilities. The event also includes an extensive cultural programme with various concerts and film screenings.

SUPPORTING UKRAINIAN PEOPLE

Following the Russian invasion of Ukraine, TBC established a fund with an initial down payment of GEL 200,000, and invited organisations and individuals to donate funds in support of Ukrainian People. More than GEL 1,800,000 has been raised collectively by individuals and organisations and transferred to the National Bank of Ukraine. In the second half of the year and in response to the large numbers of Ukrainian nationals who entered Georgia fleeing the war, TBC switched to fundraising for Georgian organisations that assist Ukrainians in Georgia. We will continue supporting Ukrainian people in 2023, in order to help alleviate the hardship caused by the unjust war.

Our efforts did not go unnoticed and we won the Corporate Responsibility Award 2022 in category SDG 16 – Peace, Justice and Strong Institutions for Supporting Ukraine. The Corporate Responsibility Award is held annually by Global Compact Network Georgia, with support from the Swedish Government and the USAID Civil Society Engagement Program.

Corporate Responsibility Award 2022 in category SDG 16 – Peace, Justice and Strong Institutions for Supporting Ukraine

TBC is the general sponsor of Georgian Rugby Union

We are proud to contribute to the development of rugby in Georgia and are committed to supporting our national rugby team, as well as implementing various projects to further popularise this sport.

Financial review

OVERVIEW

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. There were no unendorsed standards effective for the year ended 31 December 2022 affecting these consolidated and separate financial statements.

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.

FINANCIAL HIGHLIGHTS

Income statement highlights

in thousands of GEL	2022	2021	Change YoY
Net interest income	1,290,052	1,002,732	28.7%
Net fee and commission income	322,666	248,000	30.1%
Other operating non-interest income[1]	458,046	201,288	NMF
Operating income	**2,070,764**	**1,452,020**	**42.6%**
Total credit loss (allowance)/recovery	(132,900)	16,900	NMF
Losses from modifications of financial instruments	-	(1,726)	NMF
Operating expenses	(691,320)	(545,834)	26.7%
Profit before tax	**1,246,544**	**921,360**	**35.3%**
Income tax expense[2]	(243,205)	(112,361)	NMF
Profit for the period	**1,003,339**	**808,999**	**24.0%**

Balance sheet and capital highlights

in thousands of GEL	31-Dec-22	31-Dec-21[3]	Change YoY
Total Assets	29,032,176	24,508,561	18.5%
Gross Loans	18,204,971	17,047,391	6.8%
Customer Deposits	18,036,533	15,038,172	19.9%
Total Equity	3,965,950	3,453,774	14.8%
CET 1 Capital (Basel III)	3,333,039	2,759,894	20.8%
Tier 1 Capital (Basel III)	3,873,439	3,379,414	14.6%
Total Capital (Basel III)	4,516,525	4,102,927	10.1%
Risk Weighted Assets (Basel III)	21,508,072	20,217,629	6.4%

Key APMs[4]

	2022	2021[3]	Change YoY
ROE[2]	27.0%	24.9%	2.1 pp
Bank's standalone ROE[2,5]	25.5%	27.7%	-2.2 pp
ROA[2]	3.8%	3.4%	0.4 pp
Bank's standalone ROA[2,5]	3.9%	3.8%	0.1 pp
NIM	6.0%	5.1%	0.9 pp
Cost to income	33.4%	37.6%	-4.2 pp
Bank's standalone cost to income[2,5]	27.1%	29.7%	-2.6 pp
Cost of risk	0.7%	-0.3%	1.0 pp
NPL to gross loans	2.2%	2.4%	-0.2 pp
NPL provision coverage ratio	93.7%	99.9%	-6.2 pp
Total NPL coverage ratio	155.6%	175.3%	-19.7 pp
CET 1 CAR (Basel III)	15.5%	13.7%	1.8 pp
Tier 1 CAR (Basel III)	18.0%	16.7%	1.3 pp
Total CAR (Basel III)	21.0%	20.3%	0.7 pp
Leverage (Times)	7.3x	7.1x	0.2x

1 Other operating non-interest income includes net insurance premium earned after claims and acquisition costs.
2 Includes GEL 112.9 million one-off tax charge impact, due to changes to the corporate taxation model for financial institutions in Georgia.
3 Total equity and total liabilities were restated for 31 December 2021 due to change in accounting of option contracts, as explained in note 2 on page 250. As a result, ROE and leverage ratios were restated for FY 2021.
4 The detailed information about APMs is given on pages 376-380.
5 For the ratio calculation, all relevant group recurring costs are allocated to the Bank.

Net interest income

In 2022, net interest income amounted to GEL 1,290.1 million, up by 28.7% on a YoY basis.

The YoY rise in interest income by GEL 445.0 million, or 23.6%, was mostly attributable to an increase in interest income from loans related to the GEL 1,157.6 million, or 6.8%, increase in the respective portfolio, as well as a 1.3 pp rise in the respective yield.

YoY interest expense increased by GEL 157.7 million, or 17.9%, mainly related to an increase in the deposit portfolio of GEL 2,998.4 million, or 19.9%, and increased deposit costs by 0.5 pp.

As a result, our NIM for full year 2022, stood at 6.0%, up by 0.9 pp on a YoY basis.

In thousands of GEL	2022	2021	Change YoY
Interest income	2,330,838	1,885,856	23.6%
Interest expense*	(1,040,786)	(883,124)	17.9%
Net interest income	1,290,052	1,002,732	28.7%
NIM	**6.0%**	**5.1%**	**0.9 pp**

* Interest expense includes net interest gains from currency swaps

Non-interest income

Total non-interest income amounted to GEL 780.7 million during FY 2022, increasing by 73.8% on a YoY basis.

Net fee and commission income increased by 30.1% on a YoY basis, related to increased payment transactions both in Georgia and Uzbekistan and increased business activities through the year.

Net gains from FX operations increased more than three times on a YoY basis, mainly related to the high volume of transactions and wider spreads.

In 2022, insurance profit increased by 24.0% and amounted to GEL 29.2 million, mainly related to overall business growth.

The decrease in other operating income was related to a non-recurring gain from the disposal of our investment property in the amount of GEL 26.3 million in 2021.

In thousands of GEL	2022	2021	Change YoY
Net fee and commission income	322,666	248,000	30.1%
Net gains from currency derivatives, foreign currency operations and translation	398,866	117,270	NMF
Net insurance premium earned after claims and acquisition costs	29,203	23,546	24.0%
Other operating income	29,977	60,472	-50.4%
Total other non-interest income	**780,712**	**449,288**	**73.8%**

Credit loss allowance

Credit loss allowance for loans during FY 2022 amounted to GEL 118.9 million, which translated into a 0.7% cost of risk.

In thousands of GEL	2022	2021	Change YoY
Credit loss (allowance)/recovery for loans to customers	(118,943)	40,123	NMF
Credit loss allowance for other transactions	(13,957)	(23,223)	-39.9%
Total credit loss (allowance)/recovery	**(132,900)**	**16,900**	**NMF**
Operating income after expected credit and non-financial asset impairment losses	**1,937,864**	**1,468,920**	**31.9%**
Cost of risk	**0.7%**	**-0.3%**	**1.0 pp**

Operating expenses

During FY 2022, our operating expenses increased by 26.7% on a YoY basis.

During FY 2022, the annual increase in operating expenses was mainly driven by increased staff costs due to the expansion of business both locally and internationally, as well as higher performance-related costs. The increase in administrative and other operating expenses was mainly related to investments in our IT capabilities and business development.

Our cost to income ratio amounted to 33.4%, down by 4.2 pp on a YoY basis, while the Bank's standalone cost to income stood at 27.1%, down by 2.6 pp on a YoY basis.

In thousands of GEL	2022	2021	Change YoY
Operating expenses			
Staff costs	(374,816)	(309,302)	21.2%
Provision for liabilities and charges	(2,200)	27	NMF
Depreciation and amortisation	(101,197)	(79,891)	26.7%
Administrative and other operating expenses	(213,107)	(156,668)	36.0%
Total operating expenses	**(691,320)**	**(545,834)**	**26.7%**
Cost to income	**33.4%**	**37.6%**	**-4.2 pp**
Bank's standalone cost to income[1]	**27.1%**	**29.7%**	**-2.6 pp**

Net profit

In 2022, we delivered robust profitability and generated GEL 1,003.3 million in net profit, up by 24.0% YoY, driven by robust income generation in both, interest and non-interest income streams. As a result, our ROE stood at 27.0%, up by 2.1 pp YoY.

In 2022, our income tax expenses increased and reached GEL 243.2 million by the end of the year. The increase was related to changes in the taxation model in Georgia. The model change had an immediate impact of GEL 112.9 million on income tax expenses.

Without one-off tax charges, our underlying net profit and ROE would have been GEL 1,116.2 million and 29.9%, respectively.

In thousands of GEL	2022	2021	Change YoY
Losses from modifications of financial instruments	-	**(1,726)**	**NMF**
Profit before tax	**1,246,544**	**921,360**	**35.3%**
Income tax expense	(243,205)	(112,361)	NMF
Profit for the period	**1,003,339**	**808,999**	**24.0%**
ROE[2]	**27.0%**	**24.9%**	**2.1 pp**
Bank's standalone ROE[1]	**25.5%**	**27.7%**	**-2.2 pp**
ROA	**3.8%**	**3.4%**	**0.4 pp**
Bank's standalone ROA[1]	**3.9%**	**3.8%**	**0.1 pp**

1 For the ratio calculation, all relevant Group recurring costs are allocated to the Bank.
2 Total equity and total liabilities were restated for 31 December 2021 due to change in accounting of option contracts, as explained in note 2 on page 250. As a result, ROE and leverage ratios were restated for FY 2021.

Funding and liquidity

As of 31 December 2022, the total liquidity coverage ratio (LCR), as defined by the NBG, was 146.6%, above the 100% regulatory limit, while the LCR in GEL and FC stood at 164.2% and 135.9%, accordingly, above the respective regulatory limits of 75% and 100%.

Over the same period, NSFR stood at 135.3%, compared to the regulatory limit of 100%.

In thousands of GEL	2022	2021	Change YoY
Minimum net stable funding ratio, as defined by the NBG	*100.0%*	*100.0%*	*0.0 pp*
Net stable funding ratio as defined by the NBG	135.3%	127.3%	8.0 pp
Net loans to deposits + IFI funding	88.5%	100.9%	-12.4 pp
Leverage (Times)	7.3x	7.1x	0.2x
Minimum total liquidity coverage ratio, as defined by the NBG	*100.0%*	*100.0%*	*0.0 pp*
Minimum LCR in GEL, as defined by the NBG	*75%*	*75.0%*	*0.0 pp*
Minimum LCR in FC, as defined by the NBG	*100.0%*	*100.0%*	*0.0 pp*
Total liquidity coverage ratio, as defined by the NBG	146.6%	115.8%	30.8 pp
LCR in GEL, as defined by the NBG	164.2%	107.7%	56.5 pp
LCR in FC, as defined by the NBG	135.9%	120.8%	15.1 pp

Regulatory capital

As of December 2022, our CET1, Tier 1 and Total Capital ratios stood at 15.5%, 18.0% and 21.0%, respectively, and remained comfortably above the minimum regulatory requirements by 3.9%, 4.2% and 3.7%, accordingly.

The YoY increase in, CET1 Tier 1 and total capital adequacy ratios was mainly driven by net profit generation and the appreciation of the local currency, which was partially offset by the 2021 final and 2022 interim dividends.

In thousands of GEL	2022	2021	Change YoY
CET 1 Capital	3,333,039	2,759,894	20.8%
Tier 1 Capital	3,873,439	3,379,414	14.6%
Total Capital	4,516,525	4,102,927	10.1%
Total Risk-weighted Exposures	21,508,072	20,217,629	6.4%
Minimum CET 1 ratio	*11.6%*	*11.7%*	*-0.1 pp*
CET 1 Capital adequacy ratio	15.5%	13.7%	1.8 pp
Minimum Tier 1 ratio	*13.8%*	*14.0%*	*-0.2 pp*
Tier 1 Capital adequacy ratio	18.0%	16.7%	1.3 pp
Minimum total capital adequacy ratio	*17.3%*	*18.4%*	*-1.1 pp*
Total Capital adequacy ratio	21.0%	20.3%	0.7 pp

Loan portfolio

As of 31 December 2022, the gross loan portfolio reached GEL 18,205.0 million, up by 6.8% YoY or 15.8% on a constant currency basis.

The proportion of gross loans denominated in foreign currency decreased by 5.7 pp on a YoY basis and accounted for 48.2% of total loans. On a constant currency basis, the proportion of gross loans denominated in foreign currency decreased by 1.7 pp YoY and stood at 52.2%.

As of 31 December 2022, our market share in total loans stood at 39.5%, up by 0.7 pp on a YoY basis. Our loan market share in legal entities was 40.8%, up by 1.7 pp YoY. Our loan market share in individuals stood at 38.4%, down by 0.2 pp on a YoY basis.

In thousands of GEL	2022	2021	Change YoY
Loans and advances to customers			
Retail	**7,113,087**	**6,358,345**	**11.9%**
– Retail loans GEL	4,374,224	3,580,468	22.2%
– Retail loans FC	2,738,863	2,777,877	-1.4%
CIB	**6,282,469**	**6,547,741**	**-4.1%**
– CIB loans GEL	2,435,737	2,188,776	11.3%
– CIB loans FC	3,846,732	4,358,965	-11.8%
MSME	**4,809,415**	**4,141,305**	**16.1%**
– MSME loans GEL	2,627,760	2,082,204	26.2%
– MSME loans FC	2,181,655	2,059,101	6.0%
Total loans and advances to customers	**18,204,971**	**17,047,391**	**6.8%**

FC refers to foreign currency

	2022	2021	Change YoY
Loan yields	**11.6%**	**10.3%**	**1.3 pp**
– Loan yields GEL	15.5%	15.1%	0.4 pp
– Loan yields FC	7.8%	6.5%	1.3 pp
Retail Loan Yields	**13.5%**	**11.7%**	**1.8 pp**
– Retail loan yields GEL	16.3%	16.1%	0.2 pp
– Retail loan yields FC	9.2%	6.1%	3.1 pp
CIB Loan Yields	**9.8%**	**9.0%**	**0.8 pp**
– CIB loan yields GEL	14.1%	13.7%	0.4 pp
– CIB loan yields FC	7.6%	7.0%	0.6 pp
MSME Loan Yields	**11.1%**	**10.2%**	**0.9 pp**
– MSME loan yields GEL	15.1%	14.9%	0.2 pp
– MSME loan yields FC	6.4%	6.0%	0.4 pp

FC refers to foreign currency

Loan portfolio quality

On a YoY basis, total Par 30 (loans overdue by 30 days) remained stable of 2.0%, while total NPL improved by 0.2 pp and amounted to 2.2%.

The 0.4 pp increase in retail Par 30 was driven by an unsecured consumer portfolio, while the 0.9 pp improvement in Par 30 for the MSME segment was mainly attributable to the SME sub-segment. Par 30 for the CIB segment remained broadly stable.

By the end of the year, total portfolio NPL slightly improved by 0.2 pp, improvements were observed across all segments.

Par 30	**31-Dec-22**	**31-Dec-21**	**Change YoY**
Retail	2.6%	2.2%	*0.4 pp*
CIB	0.5%	0.6%	*-0.1 pp*
MSME	3.1%	4.0%	*-0.9 pp*
Total Loans	**2.0%**	**2.0%**	***0.0 pp***

Non-performing Loans	**31-Dec-22**	**31-Dec-21**	**Change YoY**
Retail	2.2%	2.4%	*-0.2 pp*
CIB	1.3%	1.4%	*-0.1 pp*
MSME	3.4%	4.0%	*-0.6 pp*
Total Loans	**2.2%**	**2.4%**	***-0.2 pp***

NPL Coverage	**31-Dec-22**		**31-Dec-21**	
Retail	Provision Coverage	Total Coverage	Provision Coverage	Total Coverage
Retail	149.4%	191.8%	158.8%	224.6%
CIB	57.9%	119.9%	56.8%	126.4%
MSME	58.8%	139.2%	68.0%	155.5%
Total	**93.7%**	**155.6%**	**99.9%**	***175.3%***

Cost of risk

In FY 2022, the cost of risk started to normalise, after significant recoveries in 2021, and amounted to 0.7%.

Cost of Risk	**2022**	**2021**	**Change YoY**
Retail	1.5%	0.5%	1.0 pp
CIB	0.0%	-1.0%	1.0 pp
MSME	0.4%	-0.2%	0.6 pp
Total	**0.7%**	**-0.3%**	**1.0 pp**

Deposit portfolio

The total deposits portfolio amounted to GEL 18,036.5 million, increasing by 19.9% YoY or 30.6% on a constant currency basis.

The proportion of deposits denominated in a foreign currency decreased by 8.7 pp YoY and stood at 54.8% of total deposits. On a constant currency basis, the proportion of deposits decreased by 5.0 pp YoY and accounted for 58.5% of total deposits.

As of 31 December 2022, our market share in deposits amounted to 40.3%, down by 0.1 pp on a YoY basis, while our market share in deposits to legal entities stood at 42.9%, down by 2.4 pp YoY. Our market share in deposits to individuals stood at 38.1%, down by 2.2 pp on a YoY basis.

In thousands of GEL	**31-Dec-22**	**31-Dec-21**	**Change YoY**
Customer Accounts			
Retail	**6,866,003**	**5,837,333**	**17.6%**
– Retail deposits GEL	1,905,377	1,492,325	27.7%
– Retail deposits FC	4,960,626	4,345,008	14.2%
CIB	**9,001,120**	**7,330,543**	**22.8%**
– CIB deposits GEL	4,931,741	2,934,167	68.1%
– CIB deposits FC	4,069,379	4,396,376	-7.4%
MSME	**1,756,968**	**1,558,676**	**12.7%**
– MSME deposits GEL	902,611	756,135	19.4%
– MSME deposits FC	854,357	802,541	6.5%
Total Customer Accounts*	**18,036,533**	**15,038,172**	**19.9%**

* Total deposit portfolio includes Ministry of Finance deposits in the amount of, GEL 412 million and GEL 312 million as of 31 December 2022 and 31 December 2021, respectively.

FC refers to foreign currency

	2022	**2021**	**Change YoY**
Deposit rates	**3.9%**	**3.4%**	**0.5 pp**
– Deposit rates GEL	7.7%	6.7%	1.0 pp
– Deposit rates FC	1.5%	1.5%	0.0 pp
Retail Deposit Yields	**2.9%**	**2.4%**	**0.5 pp**
– Retail deposit rates GEL	5.6%	4.9%	0.7 pp
– Retail deposit rates FC	2.0%	1.3%	0.7 pp
CIB Deposit Yields	**4.8%**	**4.3%**	**0.5 pp**
– CIB deposit rates GEL	9.4%	8.5%	0.9 pp
– CIB deposit rates FC	1.2%	2.0%	-0.8 pp
MSME Deposit Yields	**0.7%**	**0.8%**	**-0.1 pp**
– MSME deposit rates GEL	1.2%	1.4%	-0.2 pp
– MSME deposit rates FC	0.2%	0.2%	0.0 pp

FC refers to foreign currency

APMS

APMs (based on monthly averages, where applicable)	2022	2021[1]
Profitability ratios:		
ROE[2]	27.0%	24.9%
ROA[2]	3.8%	3.4%
Cost to income	33.4%	37.6%
NIM	6.0%	5.1%
Loan yields	11.6%	10.3%
Deposit rates	3.9%	3.4%
Cost of funding	4.9%	4.5%
Asset quality & portfolio concentration:		
Cost of risk	0.7%	-0.3%
PAR 90 to Gross Loans	1.2%	1.1%
NPLs to Gross Loans	2.2%	2.4%
NPL provision coverage	93.7%	99.9%
Total NPL coverage	155.6%	175.3%
Credit loss level to Gross Loans	2.0%	2.4%
Related Party Loans to Gross Loans	0.1%	0.1%
Top 10 Borrowers to Total Portfolio	5.3%	6.8%
Top 20 Borrowers to Total Portfolio	8.3%	10.5%
Capital & liquidity positions:		
Net Loans to Deposits plus IFI* Funding	88.5%	100.9%
Net Stable Funding Ratio	135.3%	127.3%
Liquidity Coverage Ratio	146.6%	115.8%
Leverage	7.3x	7.1x
CET 1 CAR (Basel III)	15.5%	13.7%
Tier 1 CAR (Basel III)	18.0%	16.7%
Total 1 CAR (Basel III)	21.0%	20.3%

* International Financial Institutions

The detailed information about APMs is given on pages 376-380.

1 Total equity and total liabilities were restated for 31 December 2021 due to change in accounting of option contracts, as explained in note 2 on page 250. As a result, ROE and leverage ratios were restated for FY 2021.
2 Includes GEL 112.9 million one-off tax charge impact, due to changes to the corporate taxation model for financial institutions in Georgia.

Risk management

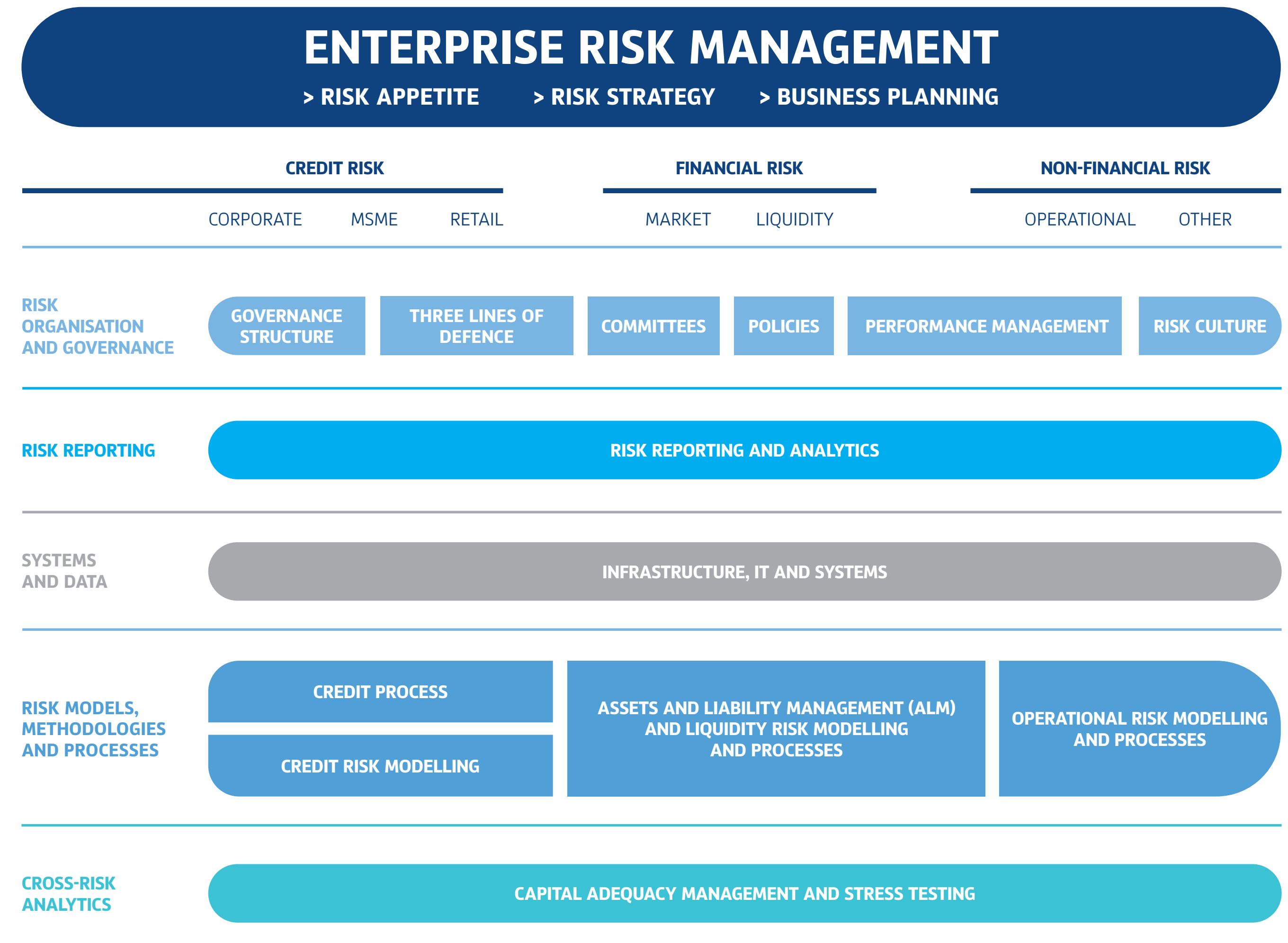
OVERVIEW

The Group operates a strong, independent, business-minded risk management system. Its main objective is to contribute to the sustainability 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 obtain 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 growth and resilience. Risk management acts as a backstop against excessive risk-taking. Capital adequacy management and strong forward-looking tools and decision-making ensure 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. Identifying and adequately pricing risks, as well as taking risk mitigation actions, supports the generation of desired returns and the achievement of planned targets;
- Use risk management to gain a competitive advantage. Comprehensive, transparent and prudent risk governance facilitates understanding and trust from multiple stakeholders, ensuring the sustainability and resilience of the business model and the positioning of risk management as the Group's competitive advantage and strategic enabler.

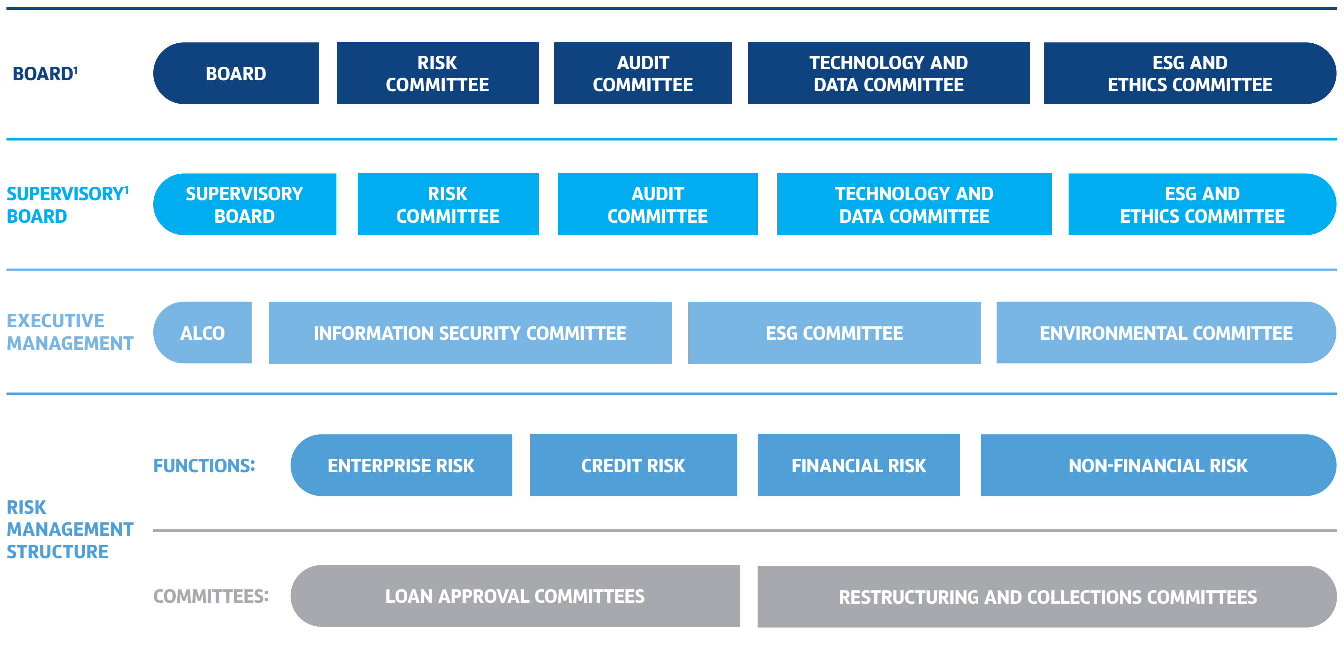
Risk management framework

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



GOVERNANCE

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



The risk governance structure consists of three board levels, comprising the Board of Directors of TBC Bank Group PLC, the Supervisory Board of the Group's main subsidiary, JSC TBC Bank, and the Executive Management of the Bank. The Board and the Supervisory Board each have a Risk Committee that supervises the risk profile and risk governance practices within the Group, as well as an Audit Committee that is responsible for implementing key accounting policies and facilitating internal and external auditors activities. The Board and the Supervisory Board each also have an ESG and Ethics Committee, which supports the Board in its oversight of the strategy, policies, initiatives and programmes of the Group in relation to ESG matters, and a Technology and Data Committee, which supports the Board in its oversight of key enablers of the strategy, data and cyber issues, and the company's IT resources.

The Executive Management's Assets and Liabilities Management Committee (ALCO) is responsible for the implementation of asset-liability management policies. The Executive Management' Information Security Steering Committee governs information and cyber-security to ensure that relevant risks are at an acceptable level and that management processes are continuously improved. In addition, the ESG Committee is established at the Executive Management level and takes responsibility for implementing the Group's ESG strategy and approving its action plans, while the Environmental Committee supervises the proper implementation and functioning of the Environmental Management System in the Group.

The Board, the Supervisory Board and the Bank's senior management govern risk objectives through the Risk Appetite Statement, which establishes the desired risk profile and risk limits. The statement also sets monitoring and reporting responsibilities and escalation paths for different trigger events, and limits breaches, which prompt risk teams to frame and implement established mitigation actions. To effectively incorporate the Group's risk appetite into day-to-day operations, Risk Appetite Statement metrics are cascaded into more granular limits at the business unit level, establishing risk allocation across different segments and activities.

The process of setting and cascading the risk appetite is undertaken in parallel with the business planning process. The interactive development of business and risk plans aligns the plans by solving risk-return trade-offs in the process and increases the feasibility of achieving targets. Board level oversight, coupled with the permanent involvement of senior management in the Group's risk management and the exercise of top-down risk allocation by the enterprise risk management function, ensures clarity regarding risk objectives, intense monitoring of the risk profile against the risk appetite, the prompt escalation of risk-related concerns and the establishment of remediation actions.

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

These control arrangements are designed to ensure that the Group makes informed decisions that are adequately priced and that any risks exceeding the Group's established targets are not taken. Credit, liquidity, market, operational and other non-financial risks are each managed by dedicated teams. The Group's strong and independent risk-management structure enables the fulfilment of all required risk management functions within the second line of defence by highly skilled professionals, with a balanced mix of credentials in the banking sector in local and international markets. In addition to the risk teams subordinated to the Bank's Chief Risk Officer, the Bank's compliance department reports directly to the CEO and is specifically in charge of anti-money laundering, compliance, and financial sanction risk management. As a third line of defence, the internal audit department is responsible for providing independent and objective assurance and recommendations to the Group to promote the further improvement of operations and risk management.

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

The Group has developed several thematic policies and codes that regulate various social and environ mental protection issues related to company activity. They include: the Code of Ethics, the Incident Management Policy, the Anti-Corruption Policy, the Personal Data Protection Policy, the Conflict of Interests Management Policy, Green Purchase Recommendations etc. In 2021, the ESG Coordination Department was created in order to support the establishment of an integrated ESG framework synergizing business, social, environmental and governance aims. The department reports to the Chief Risk Officer. For more details about management of ESG matters, please see Our ESG Strategy section on pages 30-31 and the TCFD reporting on pages 120-133.

ENTERPRISE RISK MANAGEMENT

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

- Risk appetite development, cascading and monitoring are essential elements of the Group's strategy. A risk budget is allocated to individual business lines to ensure the achievement of aggregated metrics;
- Stress-testing exercises are one of the crucial tools for effective risk identification, measurement and mitigation. In that regard, the Group continuously advances its stress-testing capabilities and tools. Various scenario analysis and stress-testing methods are conducted by the Bank to ensure that it maintains adequate capital in order to withstand the given stress scenario and remain in a stable financial condition;
- Sign-off of long-term capital plans and capital adequacy analytics, as the second line of defence for the risk of capital adequacy;
- Development and update of Internal Capital Adequacy Assessment Procedure (ICAAP) and Internal Liquidity Adequacy Assessment Procedure (ILAAP);
- Consistency of risk management practices within the Bank is also an important task of the ERM. A risk management function dedicated to promoting consistency ensures that risks are identified, measured and governed in an optimal manner within the Bank, and reported and understood on a consolidated basis;
- Estimating expected losses, monitoring and analytics across various segments and products are further key features of our strategy;

1 These terms are defined in the glossary on page 374-375.

- All risk metrics are aggregated and analysed to assess the Group's risk profile on a consolidated basis. Regular reports on the Bank's risk profile are submitted to the Executive Management and to the Supervisory Board's Risk Committee.

CREDIT RISK MANAGEMENT

As a provider of banking services, the Group is exposed to 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. Credit risk is the greatest material risk faced by the Group since it is engaged mainly in traditional lending activities. Therefore, the Group dedicates significant resources to its management.

The major objectives of credit risk management are to put in place a sound credit approval process for informed risk-taking and procedures for effective risk identification, monitoring and measurement. The Group adopts segment and product-specific approaches for prudent and efficient credit risk management. Therefore, the corporate, MSME and retail portfolios are managed separately to address the specifics of individual segments. Corporate and MSME (except micro) borrowers have larger exposures and are managed on an individual basis, whereas micro and retail borrowers are managed on a portfolio basis. The major credit risk functions can be summarised as follows:

Credit approval

The Group strives to ensure a sound credit-granting process by establishing well-defined lending criteria and building up an efficient process to assess each borrower's risk profile. A comprehensive credit risk assessment framework is in place with a clear segregation of duties among parties involved in the credit analysis and approval process. The credit assessment process is distinct across segments, and is further differentiated across various product types to reflect the differing natures of these asset classes. Corporate, SME and larger retail and micro loans are assessed on an individual basis, whereas the decision-making process for smaller retail and micro loans is largely automated. After a thorough assessment of borrowers' requirements, credit analysts, in the case of corporate borrowers, and loan officers, in the case of SME borrowers, prepare a presentation containing certain key information in relation to the potential borrower and submit it for review to the business underwriting risk management unit. An underwriting risk manager ensures that the project analysis provided by the credit analyst/loan officer is complete, that all risks and mitigating factors are identified and adequately addressed, and that the loan is properly structured. Business underwriting risk managers specialise in a particular sector to be aware of current industry trends and developments.

A multi-tiered system of loan approval committees is in place with different approval levels to consider the borrower's overall indebtedness and risk profile. These committees are responsible for reviewing credit applications and approving exposures, with different committees based on the size and risk of the loan. At the highest level, the Chief Executive Officer, Corporate Business Director and Chief Risk Officer are involved. In addition, exposures to the 20 largest borrowers or for amounts exceeding 5% of the Bank's Tier 1 capital would require review and approval by the Board Risk Committee. Loan officers submit the credit applications for retail and micro exposures to the respective underwriting risk management units. Depending on the amount of the loan, a loan approval committee will review the loan request based on specified limits regarding the risk level of the customer. For the underwriting of unsecured loans, point-of-sale loans and credit cards, an income verification process is performed in line with the regulations on responsible lending. For decision-making, internal scorecard models and ratings provided by the credit bureau are utilised. Different scorecard models are developed based on the type of product and the borrowers' segment, taking into consideration a range of internal and external data. The performance of scorecard models is closely monitored to ensure that decisions are in line with predefined risk limits. The credit scoring and underwriting models are developed by an independent Credit Modelling team within the risk function and then validated as well by an independent Model Risk Management team, also from the risk function.

Currency-induced credit risk

The Bank faces currency-induced credit risk, given that a large part of its exposure is denominated in foreign currency. However, limits have been established within the risk appetite framework to ensure that the Bank continues its efforts toward minimising the share of foreign currencies in the portfolio. Various management tools and techniques are applied to mitigate the inherent currency-induced credit risk in the loan book, encompassing all phases of credit risk management. In January 2019, the Government continued its efforts to reduce the economy's dependence on foreign currency financing by increasing the cap to GEL 200,000, under which loans must be disbursed in local currency. In addition, the NBG, under its responsible-lending initiative, which came into force on 1 January 2019, introduced significantly more conservative PTI and LTV thresholds for unhedged retail borrowers, further limiting exposure to currency-induced credit risk. In 2022, the NBG continued its conservative approach for unhedged retail borrowers and several new initiatives were introduced affecting the required PTI thresholds and tenors for foreign currency loans.

The Bank applies conservative lending standards to unhedged borrowers with exposures denominated in foreign currencies to ensure that they can withstand a certain amount of forex depreciation without credit quality deterioration. In addition to the measures in place throughout the underwriting process, the Bank actively monitors and assesses the quality of loans denominated in foreign currencies through stress-testing exercises and holds sufficient capital buffers against unexpected losses. In the event of a material currency depreciation, the Group has tools in place to accelerate its monitoring efforts, identify customers with potential weaknesses and introduce prompt mitigation.

The Bank has set a strategy to decrease the share of foreign currency loans in its portfolio. Annual targets have been defined in the medium-term strategy, gradually decreasing the foreign currency share. The Assets and Liabilities Committee (ALCO) of the Bank is closely monitoring the achievement of these targets.

Credit concentration risk

The Bank is exposed to concentration risk, defined as a potential deterioration in portfolio quality due to large exposures or individual industries. It has established a set of tools to efficiently manage concentration risk and, in particular, concentrations of single names and sectors in the portfolio. The Bank is subject to concentration limits on single names and the largest 20 borrowers, and is focused on optimising the structure and quality of the latter portfolio. In addition, the Bank imposes limits on individual sectors with more conservative caps applied for high-risk sectors, which are defined based on a comprehensive analysis of industry cycles and outlooks. Credit concentrations are monitored monthly. Trends in the risk positions are analysed in detail and corrective actions are recommended, should new sources of risk or positive developments emerge. Along with managing concentration levels in the portfolio, the Bank estimates unexpected losses and the respective economic capital for concentrations of both single-name borrowers and sectors using the Herfindahl-Hirschman Index, thus ensuring that sufficient capital is held against concentration risk.

Collateral management policy

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

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

Credit monitoring

The Bank's risk management policies and processes are designed to identify and analyse risk in a timely manner and to monitor adherence to predefined limits, using reliable and timely data. The Bank dedicates considerable resources to gain a clear and accurate understanding of the credit risk faced across various business segments. The Bank uses a robust monitoring system to react promptly to macro and micro developments, identify weaknesses in the credit portfolio and outline solutions to make informed risk management decisions. Monitoring processes are tailored to the specifics of individual segments, as well as encompassing individual credit exposure, overall portfolio performance and external trends that may impact the portfolio's risk profile. The Risk Committee reviews reports relating to the credit quality of the loan portfolio quarterly. By comparing current data with historical figures and analysing forecasts, the management believes that it can identify risks and respond to them by amending its policies in a timely manner.

Restructuring and collections

The Bank uses a comprehensive portfolio supervision system to identify weakened credit exposures and take prompt, early remedial actions when necessary. The collection and recovery processes are initiated when the borrower does not meet the agreed payments or the borrower's financial standing is weakened, potentially jeopardising the repayment of the loan. Dedicated units manage weakened borrowers across all business segments, with collection and recovery strategies tailored to business segments and individual exposure categories.

Apart from standard, business-as-usual restructurings that are carried out in all branches of the Bank, the restructuring unit's primary goal is to rehabilitate borrowers and transfer exposures back to the performing category. The sophistication and complexity of the rehabilitation process differs based on the type and size of an exposure. Business loans are transferred to the recovery unit when there is a strong probability that a material portion of the principal amount will not be paid, and the main stream of recovery is no longer the borrower's cash flow. Loan recovery plans may include all available sources of loan recovery, such as selling the borrower's assets, realising collateral or payments under guarantees.

The Bank's goal in the recovery process is to negotiate a loan recovery strategy with the borrower and secure cash recoveries to the extent possible, or to negotiate repayment through the sale or repossession of collateral. Collection functions for retail and micro loans support customers who are experiencing difficulties in fulfilling their obligations. Such customers may miss payments or notify the Bank about their difficulty with loan repayments. A centralised team monitors retail borrowers in delinquency, which, coupled with the branches' efforts, aims to maximise collection. Special software from FICO is used for early collection management purposes.

Collection strategies are defined based on the size and type of exposure. Specific strategies are tailored to different subgroups of customers, reflecting their respective risk levels, so that greater effort is dedicated to customers with a higher risk profile. Both secured and unsecured loans are transferred to the internal recovery unit, but in the case of unsecured loans the Bank also collaborates with external collection agencies. The forms of collaboration normally include outsourcing to collection services agencies, which act on behalf of the Bank when dealing with borrowers, or selling specific parts of unsecured portfolios to external companies in order to secure immediate cash recoveries.

To recover collateralised loans, a recovery plan is outlined that considers the individual borrower's specifics and may involve loan repayments under revised schedules or the sale of collateral. Once the exposure has been transferred to the recovery unit, if the Bank is unable to negotiate acceptable terms with the borrower, the Bank may initiate collateral repossession, which is usually a standard process with limited legal complications, and may include court, arbitration or notary procedures. Qualified incumbent lawyers support the restructuring and recovery units to ensure that litigation and repossession processes are carried out efficiently.

Counterparty risk

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

To manage counterparty risk, the Bank defines limits on an individual basis for each counterparty, while on a portfolio basis it limits the expected loss from both treasury and trade finance exposures. As of 31 December 2022, the Bank's interbank exposure was concentrated with banks that external agencies, such as Fitch, Moody's and Standard and Poor's, have assigned high A-grade credit ratings.

Measurement of Expected Credit Losses

Since January 2018, the Bank has been using a provisioning methodology that 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 Bank'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 Bank actively reviews and monitors the results produced from the IFRS 9 models to ensure that the respective results adequately capture the expected losses.

FINANCIAL RISK MANAGEMENT

Liquidity risk management

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. Both funding and market liquidity risks can emerge from a number of factors that are beyond the Group's control. Due to financial market instability, factors such as a downgrade in credit ratings or other negative developments may affect the price or the ability to access the funding necessary to make payments in respect of the Group's future indebtedness.

The Bank's liquidity risk is managed by the Financial Risk Management and Treasury departments and is monitored by the Executive Management and the Assets and Liabilities Management Committee (ALCO), within their pre-defined functions.

The principal objectives of the Group's Liquidity Risk Management Policy are to:

- Ensure the availability of funds to meet claims arising from total liabilities and off-balance sheet commitments, both actual and contingent, at an economic price;
- Recognise any structural mismatch existing within the Group's statement of financial position and set monitoring ratios to manage funding in line with the Group's well-balanced growth; and
- Monitor liquidity and funding on an ongoing basis to ensure that approved business targets are met without compromising the Group's risk profile.

The Executive Management reviews the Liquidity Risk Management Policy, which is then presented to the Risk Committee and approved by the Supervisory Board.

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

Funding liquidity risk is the risk that the Bank will not be able to efficiently meet both expected and unexpected current and future cash flows without affecting either its daily operations or its financial condition under both normal conditions and during a crisis. Liquidity risk is measured by the Bank in accordance with NBG requirements. Additionally, the Group applies, in accordance with best practice, stress tests and "what if" scenario analyses and monitors the various liquidity risk parameters that the Group has developed internally.

To manage funding liquidity risk, in accordance with NBG requirements, the Bank currently monitors the following Basel III-based parameters:

- For Short-term Liquidity Risk Management, the Bank applies the Liquidity Coverage Ratio (LCR); and
- For Long-term Liquidity Risk Management, the Bank applies the Net Stable Funding Ratio (NSFR).

In 2017, the NBG introduced its own LCR for liquidity risk management purposes. In addition to the Basel III guidelines, the ratio applies conservative approaches to the deposit withdrawal rates, depending on the client group's concentration. Since September 2017, the Bank has also monitored compliance with the NBG's LCR limits. In addition to the total LCR limit, the NBG has also defined limits per currency for the GEL and foreign currencies (FC). The LCR is calculated by reference to the qualified liquid assets divided by 30-day cash net outflows. It is used to help manage short-term liquidity risks. To promote larisation in Georgia, the NBG defines a lower limit for the GEL LCR than that for the FC LCR. Since October 2019, FC Mandatory Reserves have been considered at 100% within high-quality liquid assets for NBG LCR purposes. In addition, in the same period, the NBG lowered FC mandatory reserve requirements from 30% to 25%. Since July 2021, the NBG regulation on mandatory FC reserve requirements has been further adjusted, to reflect the decreased share of FC deposits in total deposits. The FC mandatory reserve requirements will be reduced by 1% for every 2% decrease in the share of FC in total deposits. The initiative will have a positive effect on the capital adequacy position of the Bank.

In September 2019, the NBG introduced a Net Stable Funding Ratio (NBG NSFR) for funding liquidity risk management purposes. The NSFR is calculated by dividing the available stable funding by the required stable funding. It is used for long-term liquidity risk management to promote resilience over a long-time horizon by creating additional incentives for the Bank to rely on more stable sources of funding on a continuing basis. On a monthly basis, the Bank monitors compliance with the set limit for the NBG NSFR. As of 31 December 2022, the ratios were above the prudential limits set by the NBG, as follows:

	31-Dec-22	31-Dec-21	31-Dec-20
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	135.3%	127.3%	126.0%
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%*	*n/a*
Minimum LCR in FC, as defined by the NBG	*100.0%*	*100.0%*	*100.0%*
Total liquidity coverage ratio, as defined by the NBG	146.6%	115.8%	134.2%
LCR in GEL, as defined by the NBG	164.2%	107.7%	132.2%
LCR in FC, as defined by the NBG	135.9%	120.8%	134.9%

Stress testing, conducted under the ILAAP framework, is the major tool for managing the liquidity risk. The ILAAP assesses the adequacy of the liquidity position and relevant buffers, to see whether they can withstand plausible severe shocks from both a normative and an economic perspective.

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

To manage market liquidity risk, the Bank follows the Basel III guidelines on high-quality liquidity asset eligibility to ensure that the Bank's high-quality liquid assets can be sold without causing a significant movement in price, and with minimum loss of value. In addition, the Bank has a recovery plan framework in place, which provides recovery options for those unlikely cases of extreme stress, in which the regulatory requirements on liquidity may be breached.

Funding and maturity analysis

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 sales of investment securities, principal repayments on loans, interest income, and fee and commission income. The Board believes that a strong and diversified funding structure is one of the Bank's differentiators. The Bank relies on relatively stable deposits from Georgia as its main source of funding. The Bank also monitors deposit concentration for large deposits and sets limits for deposits by non-Georgian residents in its deposit portfolio.

To maintain and further enhance its liability structure, the Bank sets targets for deposits and funds received from international financial institution investors in its risk appetite via the respective ratios. The loan to deposit and IFI funding ratio (defined as the total value of net loans divided by the sum of the total value of deposits and funds received from international financial institutions) stood at 88.5%, 100.9% and 101.2%, as at 31 December 2022, 2021 and 2020, 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 Group'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.

Market risk

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

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

Foreign exchange risk

The NBG requires the Bank to monitor both balance sheet and total aggregate balance (including off-balance sheet) open currency positions and to maintain the latter within 20% of the Bank's regulatory capital. For the year ended 31 December 2022, the Bank maintained an aggregate balance open currency position of 1.91%.

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

Compliance with these limits is also reported daily to the Executive Management and periodically to the Supervisory Board and its Risk Committee. On a Group-wide level, foreign-exchange risk is monitored and reported monthly. To assess the currency risk, the Bank performs a VAR sensitivity analysis on a quarterly basis. The analysis calculates the effect on the Bank's income determined by the worst possible movements of currency rates against the Georgian Lari, with all other variables held constant. During the years ended 31 December 2022, 2021 and 2020, the sensitivity analysis did not reveal any significant potential effect on the Group's equity:

In thousands of GEL	31-Dec- 2022	31-Dec-2021	31-Dec-2020
Maximum loss (VAR, 99% confidence level)	(4,913)	(1,658)	(3,959)
Maximum loss (VAR, 95% confidence level)	**(3,434)**	**(1,141)**	**(2,845)**

Interest rate risk management

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

To manage interest rate risk, the Bank employs a framework based on EBA's 2018 guidelines and establishes appropriate Risk Appetite limits, monitors compliance with them and prepares forecasts. Please see details in Interest Rate Risk on pages 343 in the Note 38, Financial and Other Risk Management.

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

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

Capital risk management

Capital risk is the risk that the Bank may not have a sufficient level of capital to maintain its normal business activities, and to meet its regulatory capital requirements under normal or stressed operating conditions. The management's objectives in terms of capital management are to maintain appropriate levels of capital to support the business strategy, meet regulatory and stress testing-related requirements and safeguard the Group's ability to continue as a going concern. The Group undertakes stress testing and sensitivity analysis to quantify extra capital consumption under different scenarios. Capital forecasts, as well as the results of the stress testing and what-if scenarios, are actively monitored with the involvement of the Bank's management to ensure prudent capital management and timely actions when needed. In 2022, the Group and the Bank complied with all regulatory capital requirements.

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

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

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

The rate for the conservation buffer has been set at 2.5% of RWAs, while a 0% rate has been set for the countercyclical buffer. The countercyclical buffer can vary within the range of 0% to 2.5% and will be reviewed periodically, based on the prevailing financial and macroeconomic environment. In addition, the NBG designated certain commercial banks in Georgia as domestic systemically important banks (DSIBs) for which individual systemic buffers have been introduced, which means that the DSIBs will be required to set aside more Common Equity Tier 1 capital relative to RWAs, with the requirements being phased in from the end of 2018 to the end of 2021. In particular, the following systemic buffers and compliance timeframes have been set by the NBG in relation to the Bank: 1.0% for the period from 31 December 2018 to 31 December 2019, 1.5% for the period from 31 December 2019 to 31 December 2020, 2.0% for the period from 31 December 2020 to 31 December 2021, and 2.5% from 31 December 2021 onwards.

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

Pillar 2 requirements. In accordance with the Basel III framework, the NBG also introduced additional capital buffer requirements for commercial banks within Pillar 2 that are based on a supervisory review and assessment process and deal with bank-specific risks that are not sufficiently covered under Pillar 1, including an unhedged currency induced credit risk buffer and a net General Risk Assessment Programme (GRAPE) buffer. The NBG has also introduced a credit portfolio concentration buffer and a net stress test buffer. The credit portfolio concentration buffer became effective from 1 April 2018, and the need for the net stress buffer will be assessed based on the regulatory stress testing results. Although the net stress test buffer has been effective since 1 October 2020, it is currently set at 0%. Under the NBG regulation, 56% of the capital required under Pillar 2 should be held through Common Equity Tier 1 capital, while 75% of the capital should be held through Tier 1 capital, and 100% of the capital should be held through Total regulatory capital.

Temporary Measures

In response to the COVID-19 pandemic, in March 2020, the NBG implemented certain countercyclical measures in relation to capital adequacy requirements, including postponing the phasing-in of Pillar 2 buffers. According to the new schedule communicated by the NBG in October 2020, the phase-in of concentration risk and the Net GRAPE buffers will continue from March 2021 and will be fully introduced by the end of March 2023.

In June 2021, the NBG announced its decision to restore the CICR and conservation buffers. Banks will be required to fully restore the CICR buffer by the end of 2022 and the conservation buffer by the end of 2023.

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

In thousands of GEL	31-Dec-2022	31-Dec-2021	31-Dec-2020
CET 1 capital	3,333,039	2,759,894	1,911,233
Tier 1 capital	3,873,439	3,379,414	2,385,181
Tier 2 capital	643,086	723,513	752,731
Total regulatory capital	**4,516,525**	**4,102,927**	**3,137,912**
Risk-weighted exposures			
Credit Risk-weighted exposures	18,818,597	18,091,753	16,322,524
Risk-weighted exposures for Market Risk	86,250	21,981	106,379
Risk-weighted exposures for Operational Risk	2,603,225	2,103,895	1,872,574
Total Risk-weighted exposures	**21,508,072**	**20,217,629**	**18,301,477**
Minimum CET 1 ratio	*11.6%*	*11.7%*	*7.4%*
CET 1 capital adequacy ratio	15.5%	13.7%	10.4%
Minimum Tier 1 ratio	*13.8%*	*14.0%*	*9.2%*
Tier 1 capital adequacy ratio	18.0%	16.7%	13.0%
Minimum total capital adequacy ratio	*17.3%*	*18.4%*	*13.7%*
Total capital adequacy ratio	21.0%	20.3%	17.1%

IFRS Transition

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

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

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

NON-FINANCIAL RISK MANAGEMENT

Operational risk management

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, reputational, 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 cyber-attacks 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 jeopardise 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.

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 Executive Management 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 Supervisory Board.

The operational risk management department of the Bank acts as a second line of defence. It is responsible for implementing the framework and appropriate policies and procedures to enable the Group to manage operational risks, as well as monitoring operational risk events, risk exposures against risk appetite and material control issues. The department is also responsible for the day-to-day management of operational risks, using a range of techniques that include, but are not limited to:

- running risk and control self-assessments (RCSA), which are aimed at detecting possible gaps in operations and processes with the purpose of suggesting appropriate corrective actions;
- collecting internal risk events and conducting root-cause analyses for further risk mitigation purposes;
- forming a unified operational loss database for further quantitative and qualitative analysis;
- analysing internal fraud events and monitoring key risk indicators;
- performing new risk assessments and validating the launch of new products, services or procedures;
- providing business advisory services regarding non-standard cases;
- monitoring IT incident occurrence and overseeing activities targeted at solving identified problems; and
- obtaining insurance policies to transfer the risk of losses from operational risk events.

The Bank's 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. The Bank's operational risk management department reports to the Chief Risk Officer.

Various policies, processes and procedures are in place to control and mitigate operational risks, including, but not limited to:

- the Bank's new Risk Assessment Policy, which enables thorough risk evaluation prior to the adoption of new products, services, or procedures;
- the Bank's Outsourcing Risk Management Policy, which enables the Bank to control outsourcing (vendor) risk arising from adverse events and risk concentrations due to failures in vendor selection, insufficient controls and oversight over a vendor and/or services provided by a vendor, and other impacts on the vendor;
- the Risk and Control Self-Assessment (RCSA) Policy, which enables the 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 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 reccurrence of significant losses; and
- the Special Operational Risk Awareness Programme, which provides regular training to the Group's employees and strengthens the Group's internal risk culture.

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 Bank's top priority processes were reviewed and areas of improvement were identified.

The Operational Risk Management Framework and its complementing policies were updated to ensure effective execution of the operational risk management programme. Additionally, the Bank has developed a bank-wide operational risk registry.

Compliance

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 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.

Anti-money laundering (AML)

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 EU, UK, and domestic laws and regulations related to financial crime as well as relevant legislation in other countries where Group member financial institutions operate. It also seeks to meet the respective industry best standards. The Group has implemented internal policies, procedures and detailed instructions designed to prevent itself from being used or involved in money laundering, financing of terrorism or in other unlawful activities such as bribery, corruption 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.

As part of the second line of defence, the Bank's AML unit 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 the AML unit 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 organised money laundering cases and enriched pre-defined patterns to create an automated system. This approach has an immense business value as it uncovers cases 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.

Following the NBG inspection in 2021 and subsequent recommendations from the regulator, the Bank has improved its internal manuals for client identification and verification, client risk assignment, document keeping and KYC renewal processes.

The Bank's AML Unit 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 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 Sanctions Risk Management

The aggression launched by the Russian Federation against Ukraine on 24 February 2022 resulted in an extremely vigorous international response that led to the imposition of very tough economic sanctions, amongst other measures. Members of legislative and government agencies, businessmen (oligarchs), legal persons, financial institutions, economic sectors and categories of goods/services in Russia and Belarus have been sanctioned.

After analysis of the restrictions and rules set under the sanctions and following the instructions of the NBG, the Group updated its processes and procedures to follow the revised and expanded sanctions regimes of the European Union, USA (OFAC) and United Kingdom (HM Treasury).

The Group does not have any appetite to breach or facilitate the breach or avoidance of UN, UK, US or EU sanctions. The Group is committed to avoiding any such deals or transactions with direct or indirect sanctioned parties or goods or services.

The Group has carried out a number of actions to mitigate sanctions risk with the help of external advisors by performing enterprise-wide sanctions risk assessments; developing a new sanctions policy; tightening clients on-boarding procedures, while it continues strengthening its screening tools and intensifying trainings on sanctions.

Information Security

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 many different threat vectors we are covering and monitoring, the top five are below:

1. Attacks against internet-facing applications and infrastructure;
2. Software supply chain attacks;
3. Phishing attacks against our customers;
4. Phishing attacks against our employees; and
5. Ransomware attacks.

Information and cyber security is 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 business and maintain a continuous improvement cycle. Our strategic objectives are:

1. 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;
2. 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
3. To optimise and automate security processes, and provide security services seamlessly to the business (where possible).

Our security in depth approach and cyber-resilience programme

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

1. 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.
2. 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.
3. Layers of preventive controls in conjunction with a comprehensive awareness programme is the best combination in order to minimise likelihood of successful attacks. Our robust awareness programme helps employees and customers to improve 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 programme provides relevant materials to all key roles, from the Executive Management 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.
4. 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.
5. 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.
6. 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.

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

- On an annual basis we conduct:
  1. An external audit of the SWIFT customer protection framework;
  2. An external audit of the NBG's cyber security framework, which is based on the NIST cyber security management framework;
  3. External surveillance audits of ISO 27001; and
  4. Penetration tests against internet-facing applications and critical infrastructure with help of our partners.
- Our internal team is in charge of continuous penetration tests of internal and external applications and infrastructure.
- We conduct regular red-teaming exercises and assess our security capabilities against real world advanced threat actors.

Model Risk Management

In line with the NBG's requirements, international regulatory guidance and best practices, the Bank 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. A model has three components: an information input component, an information-processing component and a reporting component. Model risk is defined as the risk of adverse consequences (e.g., financial loss, reputational damage, etc.) arising from decisions based on incorrect or misused model outputs.

The Bank's Model Risk Management (MRM) function reports directly to the Chief Risk Officer, and its policy, approved by both Executive Management and Board of Directors, defines the framework within which it operates. Two main components of the framework are governance and validation. The MRM acts as a second line of defence and aims to consistently identify, quantify, minimise and mitigate model related risks across the Bank.

The governance component of the MRM defines the roles and responsibilities for the entirety of the model lifecycle. It sets standards and procedures that encompass all phases of the lifecycle, from planning and development to initial validation, model use, monitoring, ongoing 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 technical as well as conceptual evaluation of the model in question, in accordance with the standards and procedures set by governance. The MRM uses a risk-based approach during the initial and ongoing model validation process.

Legal Risk

The Legal Department of the Bank is responsible for managing all legal liability and compliance issues that arise within the Bank as a result of legal risks. Its objectives are as follows:

- Identify the legal risks. Analyse the legal risks associated with business plans and initiatives, including compliance and liability risks, as well as risks associated with business actions.
- Calibrate the legal risks. Assess and calibrate the legal risks the company is facing, together with the Compliance Department, to ensure regulatory compliance and set up the organisation's tolerance and level of risk.
- Manage the legal risks. Develop strategies, plans, processes and policies, and provide the legal and other resources required to deliver them.

The Legal Department strives to accomplish these objectives by providing a wide range of professional legal services, including: (i) interacting with internal and external clients as well as outside counsel, government agencies and regulatory agencies; (ii) issuing memos and opinions; (iii) drafting standard and customised contracts; (iv) being responsible for corporate governance matters; (v) providing regulatory updates; and (vi) representing the Bank in court, other dispute resolution venues, and before third parties.

The Legal Department's role in compliance is to assist the Compliance Department in ensuring the effective execution of the compliance programme by: (i) helping the Bank understand the legislative and regulatory change that may impact its business model and operations; (ii) assisting the company in understanding the legal and regulatory implications of its new projects, products, services and expansion plans.

It is the General Counsel's responsibility to oversee the Bank's legal department. The General Counsel determines the Bank's key business objectives for all legal teams, introduces the Bank's vision and policies, and ensures that all legal teams perform effectively. It is part of the General Counsel's responsibilities to report to the Executive Management, Supervisory Board, and committees on any existing legal risks and mitigation strategies and to establish a vision for a future that will enable these risks to be effectively managed.

Conduct risk

Conduct risk is defined as the risk of achieving 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.

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, and 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.

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. Since there remains some uncertainty regarding the war in Ukraine, its potential impact is summarised as a separate risk in the emerging risks section.

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 Statement on pages 118-119.

In the sections covering material existing and emerging risks, as well as risk management, the main focus is on the key subsidiary of the Group – JSC TBC Bank (the Bank), the bank based in Georgia – unless there is a reference to the Group itself.

PRINCIPAL RISKS AND UNCERTAINTIES

1. Credit risk is an integral part of the Group's business activities.

Risk description

Credit risk is the greatest material risk faced by the Group, given that the Group is principally engaged in traditional lending activities. 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 may be further aggravated by unfavourable macroeconomic conditions. These risks are described in more detail as separate principal risks. 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.

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 process differs by segment and product type to reflect the diverse nature of these asset classes.

The rules for manual and automated underwriting are developed and validated by units within the risk function, which are independent of the origination and business development units.

The Group uses a robust monitoring system to react promptly to macro and micro developments, identify weaknesses in the credit portfolio, and outline solutions to make informed risk management decisions. Monitoring processes are tailored to the specifics of individual segments, encompassing individual credit exposures, overall portfolio performance, and external trends that may impact the portfolio's risk profile. Additionally, the Group uses a comprehensive portfolio supervision system to identify weakened credit exposures and take prompt, early remedial actions, when necessary.

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 2022, the retail segment represented 39.1% of the total portfolio, which was comprised of 59.8% mortgage and 40.2% non-mortgage exposures. No single business sector represented more than 9% of the total portfolio in FY 2022.

Collateral represents the most significant credit risk mitigation tool for the Group, making effective collateral management one of the key risk management components. The Group has a largely collateralised portfolio in all its segments, with real estate representing a major share of collateral. As of 31 December 2022, 74.7% of the Group's portfolio was secured by cash, real estate or gold.

To manage counterparty risk, the Bank internally defines limits on an individual basis for each counterparty, by limiting the expected loss from both treasury and trade finance exposures. As of 31 December 2022, the Bank's interbank exposure was concentrated among high A-grade credit rating' banks, assigned by external agencies, such as Fitch, Moody's and Standard and Poor's.

Additionally, the Bank actively performs stress testing and scenario analysis in order to check the resilience of borrowers under various stress conditions.

For more information on mitigating measures, please refer to Credit Risk Management on page 92.

2. The Bank faces currency-induced credit risk due to the high share of loans denominated in foreign currencies in the Bank's portfolio.

Risk description

While the Group's banking business in Uzbekistan is focused on lending in the local currency, the banking business in Georgia has a significant portfolio in foreign currencies. A potential material GEL depreciation is one of the most significant risks that could negatively impact portfolio quality. As of 31 December 2022, 48.2% of the Group's total gross loans and advances to customers (before provision for loan impairment) were denominated in foreign currencies. The income of many customers is directly linked to foreign currencies via remittances, tourism or exports. Nevertheless, customers may not be protected against significant fluctuations in the GEL exchange rate against the currency of the loan. The US$/GEL rate remained volatile throughout FY 2022, with the average currency exchange rate of GEL strengthening by 14.6% year-on-year. The GEL remains in free float and is exposed to a range of internal and external factors that, in some circumstances, could lead to its depreciation.

Risk mitigation

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

For more information on mitigating measures, please refer to Currency-induced Credit Risk under the Risk Management section on page 92.

3. The Bank is exposed to concentration risk.

Risk description

The Bank has large individual exposures to single-name borrowers whose potential default would entail increased credit losses and higher impairment charges. The Bank's portfolio is well diversified across sectors, resulting in only a moderate vulnerability to sector concentration risks. However, should exposure to common risk drivers increase, the risks are expected to amplify correspondingly. At a consolidated level, the Group's maximum exposure to the single largest industry (Real Estate) stood at 9% of the loan portfolio as of 31 December 2022. At the same time, exposure to the 20 largest borrowers stood at 8.3% of the loan portfolio.

Risk mitigation

The Bank constantly monitors the concentrations of its exposure to single counterparties, as well as sectors and common risk drivers, and introduces limits for risk mitigation. As part of its risk appetite framework, the Bank limits both single-name and sector concentrations. Stringent monitoring tools are in place to ensure compliance with the established limits.

In addition, the Bank has dedicated restructuring teams to manage borrowers who face financial difficulties. Also, the concentration buffer under Pillar 2 helps to ensure that the Bank remains adequately capitalised to mitigate concentration risks.

For more information on mitigating measures, please refer to Credit Concentration Risk under the Risk Management section on page 93.

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

Risk description

A potential slowdown in economic growth in Georgia will likely have an adverse impact on the repayment capacity of borrowers, restraining their future investment and expansion plans. Negative macroeconomic developments could compromise the Group's performance in various ways, such as exchange rate depreciation, a spike in interest rates, rising unemployment, a decrease in household disposable income, falling property prices, worsening loan collateralisation, or falling debt service capabilities of companies as a result of decreasing sales. Potential political and economic instability in Georgia's neighboring countries and main trading/economic partners could negatively affect its economic outlook through worsening current and financial accounts in the balance of payments (e.g. decreased exports, tourism inflows, remittances and foreign direct investments).

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

Uzbekistan, the second country where the Group operates, also demonstrated resilience with 5.7% growth in 2022.

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 or limits, including the limits for each of the most vulnerable industries. Additionally, the stress testing and scenario analysis conducted during the credit review and portfolio-monitoring processes enable the 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 2022, please refer to the Our Operating Environment section on pages 18-21.

5. The Bank faces the risk of not meeting the minimum regulatory requirements, which may compromise growth and strategic targets. Additionally, adverse changes in FX rates may impact capital adequacy ratios.

Risk description

NBG sets a capital adequacy framework, with capital requirements consisting of a Pillar 1 minimum requirement, a Pillar 2 requirement, and combined (systemic, countercyclical and conservation) buffers. The buffers were introduced gradually, with the phase-in of concentration risk and Net GRAPE buffers to be completed by March 2023.

The Bank's capitalisation as of December 2022 stood at:

- 15.5% for CET 1, with an updated regulatory minimum requirement of 11.6%;
- 18.0% for Tier 1, with an updated regulatory minimum requirement of 13.8%; and
- 21.0% for Total capital, with an updated regulatory minimum requirement of 17.3%.

These ratios were above the respective regulatory minimums.

In January 2023, in line with the IFRS transition process, the NBG adopted amendments to the regulations relating to capital adequacy requirements (this is covered in further detail under Capital Risk Management on page 97). GEL volatility remains a significant risk to the Bank's capital adequacy. A 10% GEL depreciation would translate into drops of 0.8 pp, 0.7 pp and 0.6 pp in the Bank's CET 1, Tier 1 and Total regulatory capital adequacy ratios, respectively.

Risk mitigation

The Bank undertakes stress testing and sensitivity analysis to quantify extra capital consumption under different scenarios. Such analyses indicate that the Bank holds sufficient capital to meet the current minimum regulatory requirements. These analyses are used to set appropriate risk appetite buffers internally, on top of the 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.

For more information on capital risk and respective mitigating measures, please refer to Capital Risk Management on page 97.

6. 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 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. Both banks, in Georgia and Uzbekistan, have dedicated compliance departments, acting as second lines of defence, reporting directly to the Chief Executive Officers of the respective bank and have primary roles in the management of regulatory compliance risk. The Group's Audit Committee is responsible for ensuring regulatory compliance at the Board level. The Group has processes and tools in place to identify, assess, monitor, report and manage the risks in order to remain within the risk appetite limits.

For more information please refer to Compliance under the Risk Management section on page 101.

7. The Group is exposed to financial sanctions risk.

Risk description

Various countries, groups of countries and organizations have for many years maintained various restrictions on activity with targeted countries, individuals or industries. The risks associated with those sanctions have increased, particularly over the recent years.

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

In addition to the sanctions risk related to Russia, and due to the significant increase in international shipping costs, Georgia is exposed to the risk of financing of transshipment 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 or UK authorities and enforcement agencies. Beside the regulatory risk, the Group faces a reputational risk, mainly with its correspondent banks and other financial third party relationships.

Risk mitigation

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

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

For more information please refer to Financial Sanctions Risk Management on page 102.

8. Liquidity risk is inherent in the Group's operations.

Risk description

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 overreliance on, or an inability to access, a particular source of funding, as well as changes in credit ratings or market-wide phenomena. Access to credit for companies in emerging markets is significantly influenced by the level of investor confidence and, as such, any factors affecting investor confidence (e.g. a downgrade in credit ratings, central bank or state interventions, or debt restructurings in a relevant industry) could influence the price or availability of funding for companies operating in any of these markets. The Bank is in compliance with the minimum liquidity requirements set by the NBG, which include the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). As of 31 December, 2022, the net loan to deposits plus international financial institution funding ratio stood at 88.5%, the liquidity coverage ratio at 146.6%, and the net stable funding ratio at 135.3%. These figures are all well above the NBG's minimum requirements or guidance for such ratios.

Risk mitigation

To mitigate this risk, the Bank holds a solid liquidity position and performs outflow scenario analyses for both normal and stress circumstances to make sure that it has adequate liquid assets and cash inflows. The Group maintains a diversified funding structure to manage the respective liquidity risks. There is adequate liquidity to withstand significant withdrawals of customer deposits, but the unexpected and rapid withdrawal of a substantial amount of deposits could have a material adverse impact on the Group's business, financial condition, and results of operations and/or prospects.

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

For more information on liquidity risk and respective mitigating measures, please refer to Liquidity Risk Management on pages 95.

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

Risk description

Net interest income accounts for most of the Group's total income. Consequently, fluctuations in its NIM affect the results of its operations. New regulations and the high level of competition could drive interest rates down, compromising the Group's profitability. At the same time, the cost of funding is largely exogenous to the Group and is derived from both local and international markets.

In 2022, the NIM increased by 0.9 pp to 6.0%, driven by an increase in loan yields, a decrease in the foreign currency (FC) cost of fund, and optimisations in wholesale funding, further accompanied by increased loan larisation. As of 31 December 2022, GEL 5,190 million in assets (19%) and GEL 3,380 million in liabilities (14%) were floating in GEL, compared to GEL 4,867 million in assets[1] (18%) and GEL 850 million in liabilities (4%) that were floating in relation to the LIBOR/SOFR/Euribor rates. The Bank was in compliance with the Economic Value of Equity (EVE) sensitivity limit set by the NBG of 15% of Tier 1 capital, with the ratio standing at 7.1% as of 31 December 2022.

Risk mitigation

The Bank continues to focus on fee and commission income growth to safeguard itself from possible margin compressions on lending and deposit products in the future. To meet its asset-liability objectives and manage the interest rate risk, the Bank uses a high-quality investment securities portfolio, long-term funding and derivative contracts. In 2022, the Bank seized the opportunity to improve funding structure and redeemed US$ 54.68m from outstanding 2024 senior bonds.

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

Risk description

No material cyber-security breaches have happened at the Bank in recent years. Nonetheless, the Group's rising dependency on IT systems increases its exposure to potential cyber-attacks. Given their increasing sophistication, potential cyber-attacks may lead to significant security breaches. Such risks change rapidly and require continued focus and investment.

Risk mitigation

In order to mitigate the risks associated with cyber-attacks and ensure clients' security, the Group continuously updates and enhances its in-depth security strategy. It strives to evolve its mitigation mechanisms, covering multiple preventive and detective controls ranging from the data and end-point computers to edge firewalls.

A Security Operations Centre has been built, which monitors every possible anomaly identified across the organisation's network in order to detect potential incidents and respond to them effectively.

At least once a year, a full information security and cyber security threat analysis is performed, taking into consideration the relevant regional and sector specific perspectives. Moreover, at least once a year a detailed examination of information security matters is presented to the Technology and Data Committee of the Board. At least once every two years, as part of this analysis, an external consultant is contracted to assess the efficiency of our

1 Excluding US$ Mandatory reserves, where no interest is accrued from May, 2022 per NBG regulation.

capabilities against industry best practices and real-world cyber-attack scenarios. This analysis gives the Group a broad overview as well as detailed insight, which help to further enhance its information and cyber security systems. In addition, cyber-attack readiness exercises are performed on a regular basis. These exercises evaluate the actual position of the Group in this area and provide a benchmark against international best practices.

Employees play a crucial role in information security. As a result, annual mandatory training sessions are conducted for all employees, comprised of remote learning courses on security issues, fraud and phishing simulations, and informative emails to further assist our employees with information security matters. New employees are also given training as part of the onboarding process. These measures ensure that employees are fully aware of their responsibilities and are prepared for various security threats.

The Information Security Steering Committee governs information and cyber security to ensure that relevant risks are at an acceptable level and that management processes are continuously improved. Moreover, disaster recovery plans are in place to ensure business continuity in case of need.

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

In 2021, the Bank achieved ISO 27001 certification for its information security management system, which demonstrates that the Bank is following robust information security practices effectively, in order to protect its information and information systems from different types of threats. In 2022, an ISO 27001 surveillance audit was completed, and the Bank maintained the certification.

Also in 2022, two more audits were conducted to assess the Bank against the Cyber Security Management Framework and the SWIFT Customer Security Controls Framework (CSCF). No critical findings and major non-compliances were identified during these exercises. Cyber Security Management Framework is defined by National Bank of Georgia, based on the National Institute of Standards and Technology (NIST) Cyber Security Management Framework.

The Group has not experienced any material information security breaches in the last three years. For more information on cyber security, please refer to the Information Security under the risk management section on page 102.

11. External and internal fraud risks are part of the operational risk inherent in the Group's business, and, unless proactively managed, could materially impact the Group's profitability and reputation.

Risk description

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

The Group actively monitors, detects and prevents risks arising from fraud events and has permanent monitoring processes in place to detect unusual activities in a timely manner. The risk and control self-assessment exercise focuses on identifying residual risks in key processes, subject to the respective corrective actions. Through our continuous efforts to monitor and mitigate fraud risks, coupled with the high level of sophistication of our internal processes, the Group ensures the timely identification and control of fraud-related activities. The Bank is currently working on a strategic initiative to further enhance fraud prevention systems and plans to utilise client behavioural analytics to further minimise external fraud threats.

12. The Group remains exposed to some reputational risk.

Risk Description

There are reputational risks to which the Group may be exposed, such as risks related to international sanctions imposed on Russia in response to the war in Ukraine, isolated cases of anti-banking media narratives, cases of phishing and other cybercrimes, as well as risks associated with the process of digitalisation. However, none of these risks is unique to the Group.

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 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, develop scenarios and create respective contingency plans. The Group tries to identify early warning signs of potential reputational or brand damage in order to mitigate it and elevate it to the attention of the Board before it escalates. A special Task Force is in place at the top management level, comprised of strategic communications, marketing and legal teams, to manage reputational risks when they occur. Communications and cyber security teams conduct extensive awareness-raising campaigns on cyber security and financial literacy, involving the media, the Banking Association of Georgia and Edufin (TBC's inhouse financial education platform), aimed at mitigating and preventing cyber threats and phishing cases.

13. 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 does not safeguard long-term value creation in an environment of changing customer needs, competition and regulatory restrictions. In addition, increased uncertainty stemming from the major economic and social disruptions caused by the COVID-19 pandemic and the war in Ukraine, may hamper the Group's ability to effectively develop and execute its strategic initiatives in a timely manner and thereby compromise its capacity for long-term value creation. Please see the Group's main strategic priorities in Our Strategic Priorities and Our Key Performance Indicators section on pages 24-29.

Risk Mitigation

The principal driver for the formation of the portfolio of strategic initiatives is the diversification of the Group's revenue and value pockets and the optimization of enterprise value evolution over the strategy time horizon. Notwithstanding the aforementioned, the Group conducts annual strategic review sessions involving the Board, the Executive Management and the middle management in order to ensure that it remains on the right track and assesses business performance from different perspectives, concentrating its analysis on key trends and market practices, both in regional and global markets. In addition, the Bank continuously works with the world's leading consultants in order to enhance its strategy. Furthermore, the Group conducts quarterly analyses and monitors the metrics used to measure strategy execution, and in case of any significant deviations, it takes corrective or mitigation actions.

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

Risk Description

The Group faces the risk of losing key personnel or failing to attract, develop and retain skilled or qualified employees based on its objectives. The transformation into a digital company leads to increased demand for IT professionals across the Group.

To adapt to the rapidly changing business environment, the Group needs to develop an "agile" culture and increase leadership capabilities, achieve a high level of engagement among employees, and equip them with the necessary skills.

Risk Mitigation

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

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

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

EMERGING RISKS

Emerging risks have significant unknown components and may affect the performance of the Group over a long-term horizon. We believe the following risks have the potential to increase in significance over time and could have a similar impact on the Group as the principal risks.

1. The Group's performance may be compromised by adverse developments in the region, in particular the war in Ukraine and possible spread of the geopolitical crisis and/or the potential outflow of migrants from Georgia.

Risk description

While inflows to the Georgian economy are quite diversified, the country is still vulnerable to geopolitical and economic developments in its region. In particular, the Russian invasion of Ukraine, the consequent sanctions imposed on Russia and the resulting elevated uncertainties have an adverse impact on the Georgian economy.

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

Moreover, the Russian invasion of Ukraine and related uncertainties going forward pose a risk to the business environment in Uzbekistan, including but not limited to the geopolitical escalation in Central Asia region.

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 the negative impact on the Bank's capital adequacy, liquidity, and portfolio quality in times of increased uncertainty.

2. The Group is exposed to the risks inherent in international operations.

Risk description

Our subsidiary, TBC Bank in Uzbekistan, launched its operations in 2020. We have already invested US$ 47 million in the charter capital of the Bank while our partners, EBRD and IFC, have invested a total of US$ 32 million. Our payments business in Uzbekistan, Payme, is one of the industry leaders in the country, providing payment services to retail and business clients. Our plans foresee a minimum 51% shareholding in our international businesses. Our Uzbek operations are expected to contribute to around 10%-15% of the Group's net profit over the medium to long term.

Both TBC Bank Uzbekistan and Payme, operate through digital channels; a disruption of the digital platforms deployed may have a material negative impact on their operations. The risk management framework deployed at TBC Bank Uzbekistan enables the Group to manage potential disruptions swiftly.

The risk posed by the operating environment in Uzbekistan may change the Group's risk profile. This investment exposes the Group to Uzbekistan's macroeconomic, political and regulatory environments, including but not limited to exposure to risks arising from credit, market, operational and capital adequacy risks as well as risks related to political stability.

The Uzbek economy is well diversified with no major reliance on a particular industry. It has one of the lowest public debts as a percentage of GDP in the region and high international reserves, implying macroeconomic stability as well as room for future high growth. The Government of Uzbekistan plans to reform the economy and open the country up to foreign investment. While the operational environment in Uzbekistan can be assessed as attractive, there are important risks that could materially affect the Group's performance in the country. Among others, this includes the possible spread of the geopolitical crisis to the Central Asia region as well.

Risk mitigation

The Group's strategy is to follow an asset-light, limited capital investment approach with a strong focus on digital channels and to invest in stages, to make sure that we are comfortable with the results and the operating environment before committing additional investment. The digital platform supporting TBC Bank Uzbekistan has strong governance and risk management practices in place, which enable the Bank to identify and resolve problems in a timely manner. The Group partners with international financial institutions, which have taken a shareholding in the Uzbek bank in order to ensure the funding of our business plan and provide sufficient flexibility across our operations in Uzbekistan.

Payme has strengthened its risk management structure by establishing operational risk, information security and compliance risk management functions. Furthermore, the Company has developed a comprehensive risk management plan and is currently working on implementation of the TBC Group Risk management framework and practices.

Overall, from the Group's perspective, international expansion will result in the diversification of business lines and revenue streams, balancing the overall risk profile of the Group.

3. The Group is exposed to the 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's objective is to act responsibly and manage the environmental and social risks associated with its operations in order to minimise negative impacts on the environment. This approach enables us to reduce our ecological footprint by using resources efficiently and promoting environmentally friendly measures in order to mitigate climate change.

The Group has in place an Environmental Policy, which governs its Environmental Management System ("EMS") and ensures that the Group's operations adhere to the applicable environmental, health, safety and labour regulations and practices. We take all reasonable steps to support our customers in fulfilling their environmental and social responsibilities. The management of environmental and social risks is embedded in the 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. Our Environmental Policy is fully compliant with Georgian environmental legislation and follows international best practices (the full policy is available at www.tbcbankgroup.com). For more detailed information on the EMS, please refer to pages 134-140.

In order to increase our understanding of climate-related risks to the Bank's loan portfolio, in 2021 the Bank performed a high-level sectoral risk assessment, since different sectors might be vulnerable to different climate-related risks over different time horizons. The risk assessment focused on economic sectors such as energy, oil and gas, metals and mining, tourism, agriculture, food industry, healthcare, construction and real estate. In 2022, we advanced our TCFD framework further, especially in strategic planning and risk management. These developments are described in our TCFD section on pages 120-133.

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 2022, the Group released its full-scale sustainability report for the year 2021 in reference to Global Reporting Initiative (GRI) standards. The Global Reporting Initiative (GRI) helps the private sector to understand and 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 2021. It presents our endeavours to create value for our employees, clients, suppliers, partners and society as a whole. The Sustainability Report 2021 is available at www.tbcbankgroup.com.

4. The Group's performance may be affected by the LIBOR discontinuation and transition.

Risk description

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

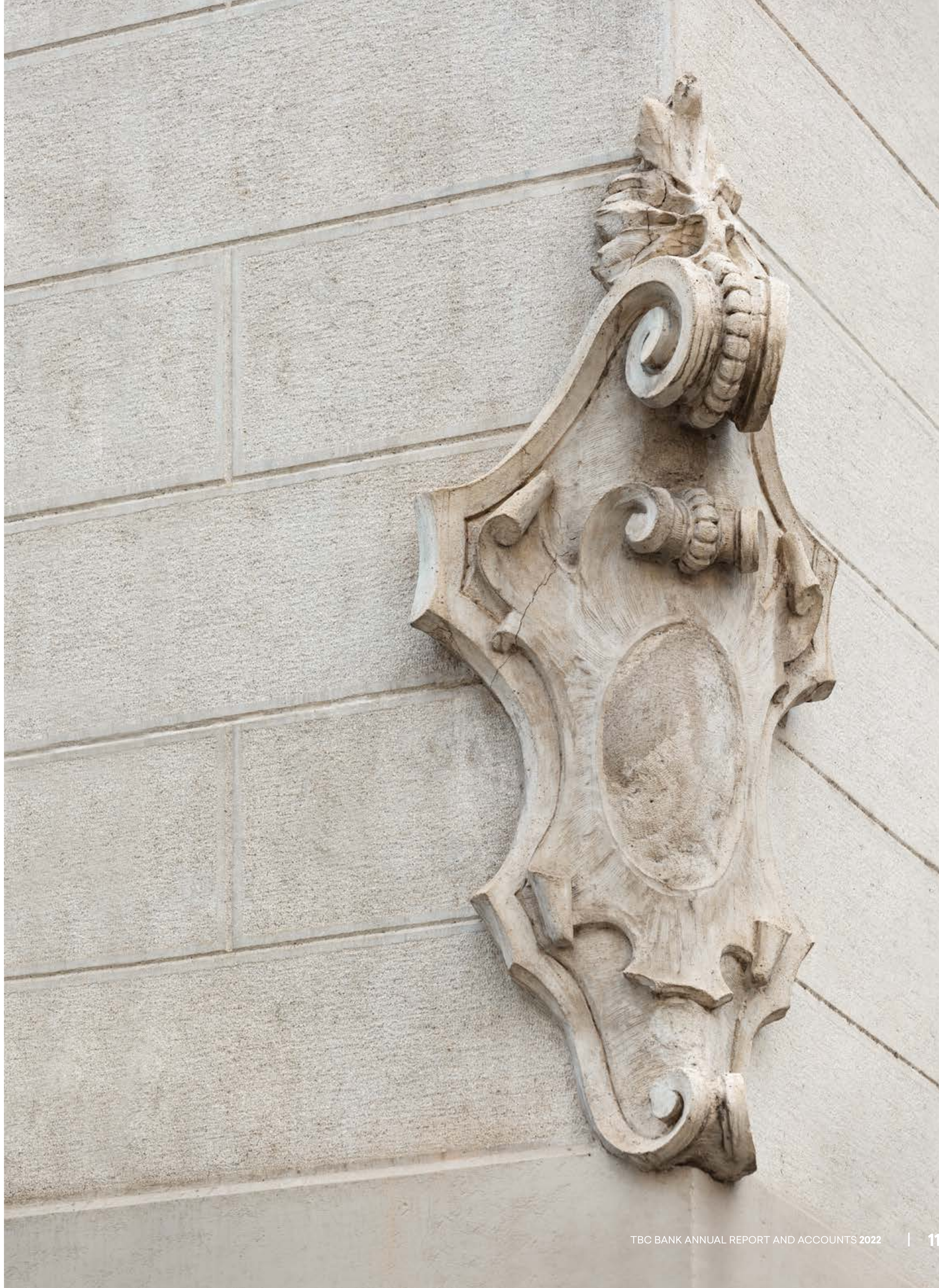
Risk mitigation

The Group actively monitors international and local transition-related developments to regulate and align the Group's transition process with market practice. On 29 July 2021, the Alternative Reference Rates Committee (ARRC) announced its recommendation to use Term Secured Overnight Financing Rate (SOFR) published by CME Group, Inc. (CME). The ARRC recommendation allows loan agreements to use Term SOFR in place of LIBOR, either as a replacement for LIBOR (whether pursuant to the operation of a fallback provision or otherwise) or in new deals.

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

VIABILITY STATEMENT

The assessment of principal risks underpins the Viability Statement (see pages 118-119). The assessment involved consideration of the Group's current financial position over three years of coverage ending 1 January 2026, which is relevant to the strategic considerations of the Group.



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 106-116), strategy (as set out on pages 24-25), financial health, profitability of operations, liquidity, and solvency of the Group, 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).

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 performance and projected funding and capital position and also taken into account the impact of further stress scenarios. In this regard, key matters and principal decisions considered by the Board and the Risk Committee during the year are provided on pages 220-227 and pages 184-187, respectively. 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 2023. The Directors determined the three-year period ending on 1 January 2026 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 (96% of the Group's assets, as of 31 December 2022) and it is the key income-generating subsidiary (98% of the Group's net profit, as of the year ended 31 December 2022).

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 by leading countries and unions of states 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 pages 106-116.

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 2026, 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 2023 to 1 January 2026.

STRESS TESTING

The Bank conducts multiple stress tests every year. The stress scenarios are designed to reflect the developments relevant to that year and to assess the Bank's resilience in the prevailing risk environment. Stress tests are conducted within ICAAP, ILAAP and Recovery Plan frameworks. Under ICAAP stress scenarios, the impact of the stress on capital adequacy is assessed, while under ILAAP stress scenarios, the impact of the stress for the liquidity adequacy is assessed. The Recovery Plan stresses both capital and liquidity positions.

The stress assumptions for ICAAP and ILAAP are severe but plausible, while reverse stress tests are carried out under the Recovery Plan with even more severe assumptions, specifically aimed at testing the Bank's capacity to make a reasonably fast recovery when the regulatory requirements for capital and/or liquidity are breached in a significantly unfavourable business environment.

Throughout 2022, the stress scenarios for these frameworks concentrated on topics such as the reoccurrence of the COVID-19, further military escalations in the region, severe overtightening of monetary policies by ECB and FED, cyberattacks on the Bank's infrastructure, and a crisis in the real estate sector of Georgia. The system-wide stress scenarios stressed all key macroeconomic parameters such as GDP growth, interest rates, currency exchange rates, unemployment, and real estate prices, amongst others. The stress scenarios for the recovery plan are severe but plausible, covering the Bank's expectations of the major macroeconomic parameters of the Georgian economy. In these scenarios, GDP growth drops to a range of -4.5% to -1.25%, while the GEL/US$ exchange rate was assumed to be in the range of 3.67 to 4.15. Compared to 2019 levels, the employment rate drops by a range of 3.3% to 4.3%, while real estate prices drop by 14% to 25%.

In addition, the Bank performed a stress test to assess its ability to remain viable in light of the Russian invasion in Ukraine. The result showed that both capital and liquidity were resilient and that the impact of the war would not be significant on the Bank. For more details on this matter, please refer to "The Group's performance may be compromised by adverse developments in the region, in particular the war in Ukraine and the possible spread of the geopolitical crisis and/or the potential outflow of migrants" on page 114 in the Emerging Risks section.

Since the Directors consider the stress scenarios and the associated results to be appropriate, no urgent mitigation has therefore been required.

The Bank will continue to use stress-testing exercises as one of the key tools in its risk management framework.

Climate-related financial disclosures 2022

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 the Financial Conduct Authority Listing Rules.

We set out below our climate-related financial disclosures that are consistent with the TCFD recommendations and recommended disclosures, except for Scope 3 emissions (covered as part of metrics and targets) where the Bank believes they are partially consistent. 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. Please note that air business travels (flights) are calculated and reported under the Scope 3 GHG emissions. Due to the lack of data and calculation methodology for Georgian environment, where the largest part of our activities are performed, we are not able to report other relevant categories of Scope 3 emissions. For this reason, we consider ourselves to not be in fully consistent with the TCFD requirements at this stage. During 2023, we will focus on drafting the methodology to measure Scope 3 emissions which is expected to be finalized in 2024.

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

It should be noted that the data we have used provide the best available approach to reporting progress made, notwithstanding the challenges that exist given the incompleteness and novelty of the data sets and methodologies required for the Georgian environment, which bears the largest part of our activities. We expect the availability and reliability of required data to improve over time, and we intend to integrate applicable improved data into our reporting as it becomes available.

Below is the disclosure prepared by the Group considering the implementation of TCFD recommendations[1].

Recommended disclosure	Status	Reference	Short summary	Where to find
Describe the organisation's governance around climate-related risks and opportunities	Disclosed	1.1	– ESG and Ethics Committee at the Board level established.	Page 121
Describe management's role in assessing and managing climate-related risks and opportunities	Disclosed	1.2	– Since March 2021, responsibility for climate change-related risks and opportunities is assigned to the executive level ESG Committee. – During 2022, the ESG Committee met four times and covered various climate-related topics: TCFD reporting, TCFD implementation action plan, Policy on Climate Change.	Page 122
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	Disclosed	2.1, 2.2	– TBC Group's ambition is to be a leading supporter of ESG principles in Georgia and the wider region. We aspire to make our direct environmental impact net zero by 2025, and continue to develop our plan to enable our indirect environmental impact to also reach net zero as soon as practicable thereafter.	Page 124 Page 127
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning	Disclosed	2.2	– In 2022, 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 sectors and defined relevant products on sectoral level, thus supporting sustainable portfolio growth and the transition to a lower-emission economy in Georgia.	Page 127
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	Disclosed	2.3	– 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 128
Describe the organisation's processes for identifying and assessing climate-related risks	Disclosed	3	– Since 2012, TBC Bank has E&S risk management procedures to identify, assess, manage and monitor environmental and social risks which are fully compliant with Georgian environmental legislation, follow international best practices.	Page 129
Describe the organisation's processes for managing climate-related risks	Disclosed	3	– In 2022, TBC Bank developed the ESG Profile Methodology for corporate customers. The aim is to incorporate the 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, good corporate governance are considered during the assessment and respective scores are assigned based on expert judgment.	Page 129
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management	Disclosed	3	– In 2022, TBC continued to embed climate-related risks and opportunities within its business further. TBC was supported by the Technical Assistance Trust Fund (EPTATF) through its Climate Action Support Facility (CASF) for Promoting Climate Action for SMEs in Georgia. The EPTATF comprises one year of consultancy support for the implementation of TBC's climate action strategy, provided by the Frankfurt School of Finance and Management,	Page 129
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process	Disclosed	4	– Scope 1, Scope 2 and Scope 3 GHG emissions (flights). – Total sustainable loan portfolio volume. – Portfolio breakdown by sectors.	Page 132
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks	Disclosed	4. EMS chapter page 134	– The summary of Scope 1, Scope 2 and Scope 3 GHG emissions (flights), 2022 targets versus actual results, as well as targets for 2023 are disclosed.	Page 132
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets	Disclosed	4	– Total sustainable loan portfolio volume of GEL 782 million achieved (the target volume was GEL 750 million). – Total sustainable loan portfolio target volume for 2023 is set at GEL 1 billion.	Page 132

1. GOVERNANCE

1.1. 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 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 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.

1 While this report is focused on climate-related risks and opportunities, TBC has also published corporate sustainability disclosure on other environmental, social, and governance ("ESG") topics in its 2021 Sustainability Report available at www.tbcbankgroup.com.

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 the Board members to dedicate more time and focus to ESG topics.

The role of the Committee is formalised to support and advise the Board of Directors in its oversight of the implementation of (i) strategy (ii) policies and (iii) programmes of the Company and its subsidiaries in relation to ESG matters and ensuring that the ESG strategy is implemented across all of the 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 executive management's (Executive Management of Joint Stock Company TBC Bank) efforts (i) to foster a culture of ethics (ii) appropriate conduct, and (iii) employee ethical engagement within the 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 2022 and covered the following topics: a) regular review of and status update on the Group's ESG strategy, including climate strategy, as well as implementation plans; b) monitoring of their execution; c) oversight and recommendation to the Board for approval of the Group's disclosures on ESG matters, including reporting in line with the TCFD principles, in the Annual Report and Accounts. Key topics covered in 2022 by the ESG and Ethics Committee are as follows: review of the newly developed Policy on Climate Change, Human Rights Policy and Diversity, Equality and Inclusion Policy, review of the TCFD reporting for the Annual Report 2021 and the Sustainability Report 2021, the ESG and climate-related training agenda for TBC staff and the ESG Strategy 2023.

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

The Board of Directors has established a diverse and comprehensive training agenda, which is reviewed annually. The Group's Company Secretarial team creates a general training catalogue at the beginning of each year, which covers all relevant areas of Risk, Audit, Remuneration and Governance. The catalogue includes an effective mix of publicly available and client-tailored webinars, analytical materials, and opportunities for live discussion with industry participants. The providers of these training opportunities include the Big Four accounting firms, external legal advisors, chartered institutes (such as the Institute of Directors and the Governance Institute), and, where relevant, senior professionals with specific subject matter expertise. Directors use the training catalogue in order to create their bespoke training calendars and exchange knowledge during Board meetings or via the Group's dedicated Board platform. In February 2023, as part of a larger, one-year climate-related project, further 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 the 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 the annual as well as separate, detailed action plans for key projects. The progress and implementation status of action plans are monitored at the ESG Committee's meetings. During 2022, the ESG Committee met four times and covered various climate-related topics: TCFD reporting, TCFD implementation action plan, Policy on Climate Change. The ESG Committee's responsibilities also include the review and monitoring of climate-related risks and opportunities as well as the establishment of an effective mitigation and control system to manage identified (material) climate-related risks. The ESG Committee meets on a quarterly basis.

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

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

THE ESG GOVERNANCE STRUCTURE[1]

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

2. STRATEGY

The Group's objective is to act responsibly and manage the environmental and social risks associated with its operations in order to minimise negative impacts on the environment. In order to achieve this, the 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 of the operational activities, procured items and outsourced services that it can control (present and planned), and has identified all of the material environmental aspects relevant to the business. The direct environmental impact of our business activity arises from energy, water, fuel and other resource usage, waste and emissions. The Bank has established a comprehensive internal environmental system to manage its GHG emissions and is committed to reducing them by closely monitoring its consumption of resources. In order to evaluate the significance of the impact for each of the categories, we have developed a comprehensive evaluation methodology and applied it to the whole 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. More information about the Environmental Management System can be found in the Environmental Management System section on pages 134-140.

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

1 These terms are defined in the glossary on pages 374-375.

Summary table on ESG Strategy progress during 2022:

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

TBC 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 by 2025, and continue to develop our plan to enable our indirect environmental impact to also reach net zero as soon as practicable thereafter.

The long-term aspirations are supported by different measures outlined in the ESG Strategy. The key components for 2023 and 2024 are listed below:

- Development of a methodology to calculate financed emissions;
- Measure the Group's direct performance towards the Paris Agreement targets for the reduction of GHG emissions;
- Excluding/limiting high-carbon activities (please see our Exclusion List at www.tbcbankgroup.com);
- Increase ESG awareness and knowledge about the risks and opportunities of climate change among employees, customers and the wider public;
- ESG Academy - green financing training courses for employees and customers;
- Forecasting methodology and tools for supporting medium and long-term targets for GHG emissions reduction;
- Develop a methodology for the calculation of the GHG emissions of the total loan portfolio and define the action plan for implementation.

2.1. Climate-related risks and opportunities

Climate-related risks

The table below shows a summary of potential transitional and physical risks identified by the Group for the Georgian environment. The time horizons considered in the assessment are short – up to three years, medium – up to eight years, long - above eight years with the levels of a possible impact – low, medium or high. While assessing the impact of climate change risks on a sector, a category – low, medium and high - was assigned relative to other sectors, as

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

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

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

The overall assessment of the impact of transitional policy measures

Georgia's 2030 Climate Change Strategy[2] and Climate Action Plan lays out different policy measures on which TBC Bank based its identification of the potential impact of the policy measures on different economic sectors, which are financed by TBC. As a summary of the potential impact of the various transition risks and physical risks identified, the transitional risks in Georgia and on the TBC Bank's activities are low. The assessment considers that trade and services dominate the Georgian economy, and the policy measures outlined in Georgia's 2030 Climate Change Strategy will have an overall low impact on the economic sectors, especially in the short and medium term. Georgia's 2030 Climate Change Strategy takes into consideration that Georgia is a transitional and growing economy, and therefore government strategy is not to impede GDP growth with policy measures but rather to support a smooth transition

1 Policy available at www.tbcbankgroup.com.
2 Georgia's 2030 Climate Change Strategy.

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[1] are present only to an extremely limited extent in Georgia, resulting in a low overall impact of transitional measures on economic growth, if any.

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

Market risk is low, as the consumer behaviour in Georgia show a very slow trend towards lower carbon footprint products. For reputational risk, no material impact expected, as TBC Bank has developed E&S risk management procedures to identify, assess, manage and monitor environmental and social risks which are fully compliant with Georgian environmental legislation, follow international best practices. Please see more information about the environmental management system in the chapter Environmental Management System on the pages 134-140.

The overall assessment of the impact of the physical risks

Georgia's geographical location and natural conditions – a small country with a mountainous landscape, a Black Sea coastal zone, and semi-arid areas in the Southeast – all contribute to the country's vulnerability to the physical risks of climate change. The sectors that are thought to be most vulnerable to climate change in Georgia include agriculture, forestry, tourism, and healthcare[2].

The impact of physical risks on economic sectors which are financed by TBC Bank will materialize 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 time horizon. The overall assessment of the potential impact on Georgia and on TBC Bank's activities is medium on a long-term perspective. It is understood that climate change risks are largely associated with longer-term impacts; however, those longer-term impacts are unclear, especially considering the shorter-term maturity structure of the Bank's loan portfolio.

Climate-related opportunities

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

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

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

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

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

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

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

The table below depicts the sectors which were assessed to have a climate-related risk scoring of three and above according to the recommended guidelines of the National Bank of Georgia[3]. The scoring system uses range from 0 to 10. As no sector is completely risk free and – for the time being – no sector is at absolute risk, the extremes can be neglected. In practice, the results range from 2 to 7. In order to identify products relevant for a sector, separate meetings were conducted with representatives of the various business lines and the potential for greening a sector was assessed. As of end of 2022, the sustainable loan portfolio of TBC Bank (which equals to GEL 782 mln) includes exposures with different purposes, such as: energy-efficiency loans, electric car loans, renewable energy financing for solar panels and hydro power plants. Overall sustainable loan portfolio growth volume was distributed by sectors in line with existing product catalogue and opportunities identified. Some products and services listed below are in process of development and will be available throughout 2023.

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

1 Key elements of the 2021 Biennial Exploratory Scenario: Financial risks from climate change | Bank of England.
2 Georgia's Third National Communication to the UNFCCC.
3 Information about the Climate Risk Radar.

2.3. Climate-related scenarios

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

Scenario Selection

Multiple scenarios were used to explore different plausible scenarios and trade-offs and to gain a more holistic view of the risks: Below 2 °C (B2C)[1], Net Zero 2050 (NZ2050)[2], Delayed Transition (DT)[3]. The selected set of scenarios span across the timeframe from 2020 to 2050. The scenarios reflect different assumptions about the likelihood and timing of government actions, technological developments, and their spillover effects on productivity. Each scenario combines assumptions related to i) the introduction of a public policy measure (a higher carbon tax); (ii) productivity shocks resulting from the insufficient maturity of technological innovations (higher energy prices), and the effects on investments in non-energy sectors. The input for scenario analysis comes from the GCAM model used to derive the NGFS scenarios. The data was sourced from the NGFS Phase II database and the GCAM5.3 (GCAM-USA) model – an Integrated Assessment Model for the evolution of energy and socio-economic systems.

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

Scenario Implementation

To complement the output from the GCAM model three additional transition channels have been included: i) Increased Capex - Transitioning towards a decarbonised economy requires the replacement of "traditional" or carbon-intensive technology by sustainable technology[4]. These new technologies are more expensive implying higher Capital Expenditure / Leverage/ debt-servicing burden for TBC's borrowers; ii) Direct Emissions - Energy prices are the main transition channel for Carbon tax, but direct emissions (own heating, own fuel use, livestock emissions, etc.) might also be taxed. That's not captured by the energy biased IAMs; iii) Transition Winners - certain sectors can be considered sector winners because they are likely to benefit from higher and accelerated investment cycles. Some of these include Construction, Automotive, Trade, Manufacturing due to the move to carbon-light activities.

For physical risk, firstly, models and scenarios provided by NGFS for physical risks were examined. It was also preferred to be compatible with scenarios in transition risks. In this context, available data sources made it appropriate to use physical risk indicators only for the REMIND-MAgPIE[5] model under three scenarios (i.e., Current Policies, Net Zero 2050, and Delayed Transition). Secondly, among various indicators, the indicators that could affect Georgia and the sectors were selected. Physical risks, which are divided into two as acute and chronic, are examined through two indicators. Considering Georgia's natural disaster history, it was observed that the most harmful physical event with high risk within the scope of acute risk was flooding, and therefore "Annual Expected Damage from River Floods" was used as an acute risk indicator. In the context of chronic risk, the "Mean Air Temperature" was used as a fundamental indicator.

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

Conclusions

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

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

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

3. RISK MANAGEMENT

Processes for identifying and assessing climate-related risks

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

As mentioned above, climate risks can materialise, first of all, through the impairment of asset values and deteriorating creditworthiness of customers. Therefore, as a first step, we looked at the largest subsidiary of the Group by assets, constituting 96% of the Group's assets – TBC Bank standalone, the largest financial institution in Georgia. In order to increase the understanding of climate-related risks on its loan portfolio, the Bank performed a high-level sectoral risk assessment, as different sectors might be vulnerable to different climate-related risks over different time horizons. The risk assessment process and content is based on TCFD recommendations, climate-related documents published by the Bank of England, the climate change assessments of Georgia performed as part of the IPCC reports, and the targets and strategy 2030 defined by the Georgian Government to achieve the National Determined Contribution of Georgia[6] . The risk assessment focuses on economic sectors such as: energy, oil and gas, metals and mining, tourism, agriculture, food industry, healthcare, construction and real estate. The assessment of levels and impacts might change in the future, based on further reviews of the methodology, deep-dive analysis and increased understanding of the impact of climate change risks.

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

1 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.
2 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.
3 Delayed Transition assumes 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.
4 According to Sustainable Finance Taxonomy for Georgia.
5 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 the 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 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 into account.
6 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 31 December 2022 is given in the table below.

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

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

Processes for managing climate-related risks

Since 2012, TBC Bank has had in place a process to consider environmental and social risk, which was established in line with industry guidelines, that aims to mitigate climate change. TBC Bank has developed E&S risk management procedures to identify, assess, manage and monitor environmental and social risks which are fully compliant with Georgian environmental legislation, follow international best practices and incorporate appropriate consideration of IFC Performance Standards, EBRD Performance Requirements (PRs) and ADB's Safeguard Requirements (SRs). These procedures are fully integrated into the credit risk management process and are routinely applied to SMEs and corporate customers. In collaboration with partner IFIs, a clear Environmental and Social (E&S) risk categorisation matrix was developed. Projects that are to be financed are classified according to E&S categories (low, medium, high and A category) based on analysis; where necessary, deep-dive analysis and due diligence are performed. When categorising the transaction according to E&S risk category, priority is given to the higher risk. Additionally, external specialised companies are involved in the detailed assessment of E&S risks for A category projects, such as hydroelectric plants. The Environmental Management Policy and Procedure provides TBC with a good description of assessing environmental risks related to clients. More information about the Environmental Management System can be found in the Environmental Management System section on pages 134-140.

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

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

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

ESG profiles for corporate customers

In 2022, TBC Bank developed the ESG Profile Methodology for corporate customers. The aim is to incorporate the 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, good corporate governance are considered during the assessment and respective scores are assigned based on expert judgment.

The ESG profile consists of three main components:

1. Environmental – covering a) environmental and social risks and b) vulnerability towards transitional and physical risks;
2. Social – covering diversity, employee benefits and equal/fair pay;
3. Governance – covering ESG governance, the Company's disclosures and diversity at Board and executive management levels.

In the first stage, the Bank will test the approach of the ESG Scorecards on its Top corporate customers. Following this, the plan and timeline will be defined in order to deploy ESG profiles for all corporate customers. The ESG Profile Methodology is at the initial stage and will evolve in the future as far as knowledge, expertise within TBC and local regulatory framework for climate-related topics advances.

Policy on Climate Change

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

1 The 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, of 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.

Other risk categories

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

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

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 are given in more detail in the section Environmental Management System, on pages 134-140. Please see below the summary of Scope 1, Scope 2 and Scope 3 GHG emissions, 2022 targets versus actual results, as well as targets for 2023.

Total GHG emissions (CO_2) (tonnes) and KPIs	Actual 2020	Actual 2021	Actual 2022	2022 target increase	2023 target increase
Scope 1* Fuel Combustion (heating, vehicles, generators)	3,272	3,281	**3,360**	Below 4%	Below 6%
Scope 2 (Electricity consumption)	1,614	1,712	**1,934**	Below 2%	Below 7%
Scope 3 (International flights)	144	72	**778**	-	-
Total emissions (tCO_2)	**5,030**	**5,065**	**6,072**	**Below 3%**	**Below 6%**
Total emissions per full time employee (tCO_2/pp)	**0.63**	**0.56**	**0.60**	**Below 3%**	**Below 6%**
Water consumption per employee (m^3/pp)	9.71	9.11	**8.10**	Below 1.5%	Below 2%
Printing paper per person in reams	12.14	12.05	**10.78**	Below 0.4%	Below 4%

*** Scope 1:**

a. 1,689 CO_2e emissions in tonnes (from combustion of fuel (NG) from owned operation and facilities of TBC) in 2022 compared to 1,581 tCO_2e in 2021 and 1,657 tCO_2e in 2020.
b. 1,556 CO_2e emissions in tonnes (from owned vehicles of TBC Bank) in 2022 compared to 1,596 tCO_2e in 2021 and 1,538 tCO_2e in 2020.
c. 115 CO_2e emissions in tonnes (from owned generators of TBC Bank) in 2022 compared to 104 tCO_2e in 2021 and 77 tCO_2e in 2020.

Under Scope 3 GHG emissions, we calculate and report own air business travels (flights) at this stage. Due to the lack of data and calculation methodology for Georgian environment, where the largest part of our activities are performed, we are not able to report other relevant categories of Scope 3 emissions. For this reason, we consider ourselves to not be in full compliance with the TCFD requirements at this stage. During 2023, we will focus on drafting the methodology to measure scope 3 emissions which is expected to be finalized in 2024.

The climate action initiatives are part of the overall ESG strategy, which is reviewed and approved by the Board of Directors annually. The ESG strategy sets aspirational targets, such as achieving Net-Zero GHG emissions[1] related to direct environmental impact by 2025 and an increase in the sustainable loan portfolio, which consists of renewable energy loans, energy efficiency loans, and financing with social components, etc. As of 31 December 2022, the total sustainable portfolio[2] stood at GEL 782 million, which exceeds the 2022 target volume GEL 750 million by GEL 32 million. Further details about the sustainable portfolio breakdown can be found on page 139. The target for 2023 is set at GEL 1 billion.

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

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

1 Please refer to the definitions of Scope 1, Scope 2 and Scope 3 on page 136.
2 Our sustainable loan portfolio includes energy efficiency, youth support and women in business loans financed by special purpose funds received from IFIs, as well as loans financing renewable energy, which include all hydro power plants financed by the Bank.

Environmental management system

As the largest financial institution in the country, we believe that we can make a positive contribution towards tackling climate change and accelerating the transition to a low-carbon economy.

TBC Bank has a comprehensive Environmental Policy in place, which governs our Environmental Management System (“EMS”) within the Group. Our Environmental policy is designed to ensure that that we:

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

Our Environmental Policy is fully compliant with Georgian environmental legislation and follows international best practices (the full policy is available at www.tbcbankgroup.com).

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

Our EMS is based on four pillars:

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

Since 2020, the Bank has held ISO 14001:2015 certification, which serves as confirmation that our EMS is in full compliance with international standards.

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

PILLAR 1: INTERNAL ENVIRONMENTAL ACTIVITIES

Calculation of greenhouse gas (“GHG”) emissions

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

Total GHG emissions (CO_2) (tonnes) and KPIs	Actual 2020	Actual 2021	Actual 2022	2022 target increase	2023 target increase
Scope 1* Fuel Combustion (heating, vehicles, generators)	3,272	3,281	**3,360**	Below 4%	Below 6%
Scope 2 (Electricity consumption)	1,614	1,712	**1,934**	Below 2%	Below 7%
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Water consumption per employee (m^3/pp)	9.71	9.11	**8.10**	Below 1.5%	Below 2%
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*** Scope 1:**

a. 1,689 CO_2e emissions in tonnes (from combustion of fuel (NG) from owned operation and facilities of TBC) in 2022 compared to 1,581 tCO_2e in 2021 and 1,657 tCO_2e in 2020.
b. 1,556 CO_2e emissions in tonnes (from owned vehicles of TBC Bank) in 2022 compared to 1,596 tCO_2e in 2021 and 1,538 tCO_2e in 2020.
c. 115 CO_2e emissions in tonnes (from owned generators of TBC Bank) in 2022 compared to 104 tCO_2e in 2021 and 77 tCO_2e in 2020.

Intensity Ratio	2020	2021	2022
Revenue (tCO_2/US$)	0.000014	0.000011	**0.000008**
EBTDA (tCO_2/US$)	0.000040	0.000016	**0.000012**
Net profit (tCO_2/US$)	0.000049	0.000020	**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	2022
The annual quantity of energy consumed from activities for which the Group is responsible, including:	
The combustion of fuel	473,083
The operation of any facility	8,362,464
The annual quantity of energy consumed resulting from the purchase of electricity, heat, steam or cooling by the Company for its own use.	16,613,328

Scope 1 - In 2022, this indicator increased by around 2% compared to 2021 at the Group level and remained within the target level. The increase was mainly related to the higher fuel consumption by TBC-owned cars, as the stationary delivery service for the branches was brought inhouse.

Scope 2 – In 2022, total electricity consumption increased by 13% compared to 2021 at the Group level. This was mainly driven by the introduction of the new data centre premises equipped with special ventilation and air-conditioning services leading to the additional emissions of 532,765 kWh per year (equivalent to 50 080 kgCO_2/y).

Scope 3 – In 2022, business flights went back to normal after a considerable slowdown in the previous year due to the COVID-19 pandemic.

Overall, total emissions increased by 20% in 2022 compared to 2021 levels, while total emissions per full time employee increased by 7% over the same period.

In 2022, water consumption per employee decreased by 11% year-on-year, while usage of printing paper went down by 11%.

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-owned and controlled sites. The combustion of petrol, diesel fuel, natural gas etc. in TBC Bank-owned transportation vehicles.

Scope 2 (purchased electricity for own use (lighting, office appliances, cooling, etc.) includes emissions from the use of electricity at TBC Bank-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.

Supply chain monitoring

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

Raising environmental awareness among our employees

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

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

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

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

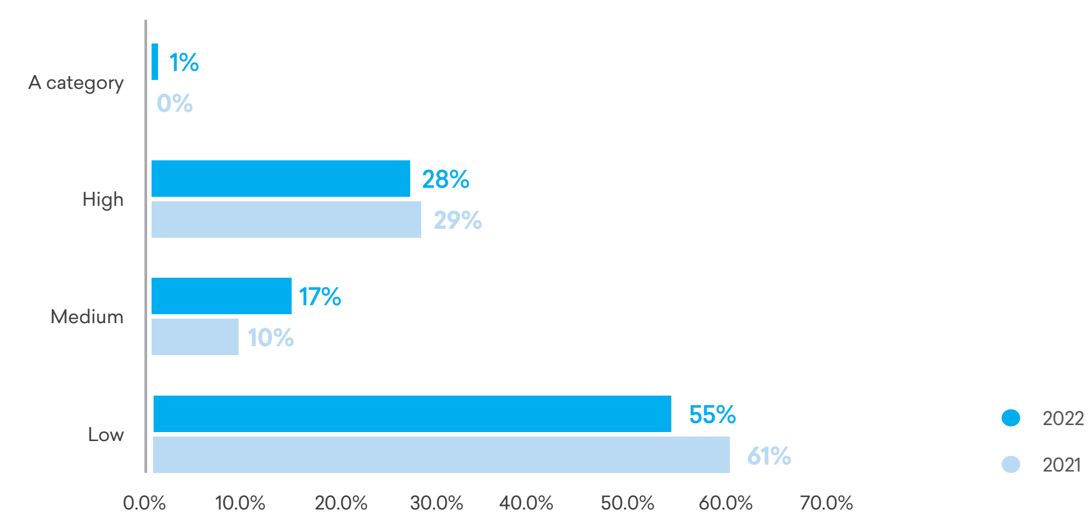
To ensure effective communication, training materials were created that briefly describe TBC's Environmental Management System.

PILLAR 2: ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT IN LENDING

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

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

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



Low Risk – transactions with minimal or no adverse social or environmental impacts, which are not generally subject to further assessment (beyond their identification as such), except for the requirement for customer's assent/ certification/disclosure compliance/non-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 sitting, pollution standards, design criteria, or construction standards.

High Risk – transactions with potentially highly significant, negative and/or long-term environmental and/or social impacts, the magnitude of which may be difficult to determine at the loan application stage. 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 the implementation of these.

PILLAR 3: SUSTAINABLE FINANCE

We acknowledge the importance of sustainable lending and are actively involved in developing a standardised approach to sustainable finance, including energy efficiency, renewable energy and resource efficiency financing for our retail and business clients.

TBC is a leading partner in Georgia in local renewable energy financing, including hydropower stations.

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

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

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

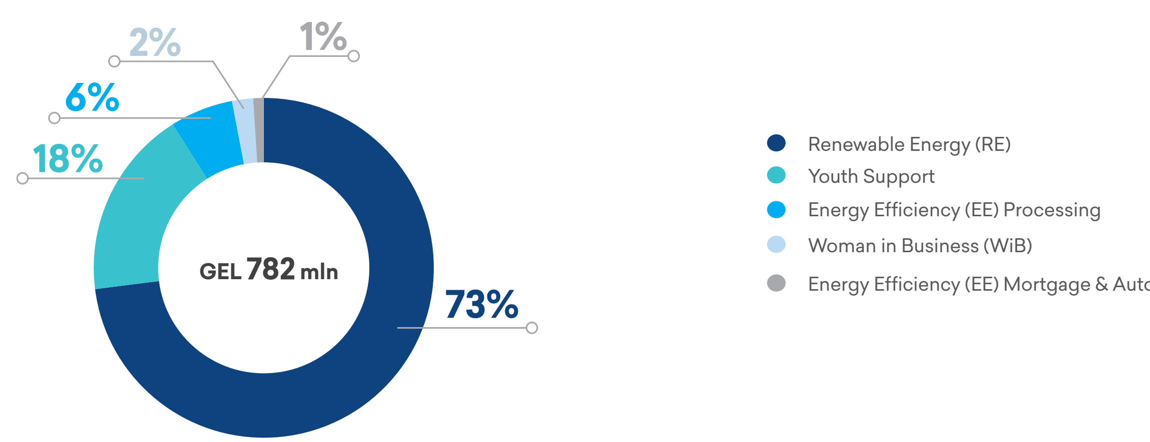
In addition, in 2022, after receiving accreditation by the Green Climate Fund (GCF) in 2021, TBC signed the Accreditation Master Agreement (AMA), which is the central instrument setting out the basic terms and conditions to work together with the GCF. This authorises TBC Bank to access and mobilise financial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

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

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

During 2022, our sustainable portfolio achieved 8 874.4 tCO_2/a in CO_2 savings according to the data provided by our green facility fund providers. Over the same period, our renewable energy portfolio impact (avoided GHG emissions) amounted to 10 002 tCO_2/a according to the estimates of the external consultant under the Green for Growth Fund (GGF) Technical Assistance Facility represented by Finance in Motion GmbH financed by the European Union under the EU4Energy Initiative.

OUR SUSTAINABLE PORTFOLIO BREAKDOWN



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

PILLAR 4: 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.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.

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

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

Non-financial information statement

As we are committed to fostering environmental, social and governance (ESG) principles within the Group and in the community that we operate in, we constantly enhance our disclosures in this regard in line with the emerging trends. We also continue to comply with the non-financial reporting requirements contained in sections 414CA and 414CB of the Companies Act 2006.

The following table summarises the reference 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 2022
Environmental matters	– Environmental Policy – Climate Change Policy	– Our ESG strategy, pages 30 to 31 – Environmental Management System, pages 134 to 140 – Climate-related Financial Disclosures, pages 120 to 133
Employees	– Code of Ethics – Code of Conduct – Diversity, Equality and Inclusion Policy – Incident Response Policy (whistleblowing policy)	– Our Colleagues, pages 66 to 73
Social matters		– Our Community, pages 74 to 77
Human rights	– Human Rights Policy – Global Data Protection Policy	– Ethical Standards, Responsible Conduct and Safety at Work, page 71
Anti-corruption and anti-bribery matters	– Code of Ethics – Anti-bribery, Anti-corruption and Anti-facilitation of Tax Evasion Policy	– Ethical Standards, Responsible Conduct and Safety at Work, page 71 – Non-financial Risk Management, page 141
Description of the business model		– Our Business Model, pages 22 to 23
Description of principal risks and impact on business activity		– Material Existing and Emerging Risks, pages 106 to 117
Non-financial key performance indicators		– Our Key Performance Indicators, pages 26 to 29

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

Agromax

Agromax is a fast-growing Georgian agricultural company that has been a TBC Bank client for the past seven years. The company has diverse activities across various branches of agriculture and cultivates underrepresented farming cultures in the region, setting an example for the local farmers.

Since 2017, Agromax has been actively implementing energy-efficient and eco-friendly practices across its business. Over the years, TBC has supported its initiatives through green finance, with the support of several international institutions. Within the framework of the GGF (Green for Growth Fund) green consultancy programme, Agromax installed solar panels, allowing it to become more self-sustainable. Furthermore, with the support of the EBRD, in order to improve harvests, it implemented a drip irrigation system, which is the most efficient watering system that mitigates crop failure related to droughts.

Stakeholder engagement & s172 statement

We put the balance of stakeholder interests and the long-term interests of the Group at the heart of all of 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 2022, the Board considered the provisions of the UK Corporate Governance Code 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, supported by the Company Secretary, 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. In doing so, 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. The Chairman, together with the Company Secretary, also ensured that all Board members received relevant training on stakeholder-related matters, and that the induction received by new Directors was fit for this purpose.

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 visits to Georgia, 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.

In October 2022, the Board attended meetings in Uzbekistan, where Directors visited local branches and met with customers and investors to further broaden their understanding of the stakeholder needs and how these were being met in practice. The Chairman and CEO also met informally with various government departments during this visit.

The Company continues to develop 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 150 to 227, 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 165. The following Report sets out further information about our stakeholder engagement activities, and the Board's consideration towards all stakeholder groups throughout the year.

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 Bank engages with its customers every day through the multiple touch points it has developed to deliver its banking and digital ecosystem products. This year, it continued to work with leading independent research companies to carry out a focused analysis of customer feedback in Georgia, and in 2022 this included a focused look at the Mass Retail and SME sectors. The Bank continues to monitor and respond to customer complaints through its robust framework of branches, award-winning digital channels, social media, and call centres in Georgia.

The Company continues to focus on its Uzbek fintech businesses and has built strong brand recognition as a digital bank and payments fintech. There has been a steady growth in transactions, and the businesses have increased their customer base to 10.6 million registered users in 2022.

For more details please refer to the Our Customers section on pages 32-65.

FEEDBACK IN 2022

The Bank's customers have continued to show resilience in their financial recovery and growth in the face of an uncertain geopolitical and macroeconomic environment.

One area highlighted by customers for improvement was on how "pain points" were addressed. An example of this was a short period where digital bank account balances were not showing correctly due to an issue with the technical architecture. The Bank's response to this issue, and other "pain point" matters, is outlined opposite.

In 2022, the Bank launched a series of videos and podcasts with the aim on increasing the level of financial education among the population of Uzbekistan.

RESPONSE AND IMPACT ON BOARD DECISIONS

Following feedback from customers on "pain points" at various points in the service process, the Company has developed a customer pain management system to address pain points early on, to allow these to be addressed more rapidly and efficiently.

The Company further uses the output from this system to develop appropriate OKRs and KPIs for teams, which builds on the improvement of the customer experience.

The output from these responses has led to an improvement in the resolution of such pain points, and the Company will continue to develop this in 2023 to ensure further noticeable improvements for customers.

COLLEAGUES

People are at the core of the business, and the Bank 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 Bank engages with its employees in a number of ways, including in person focus groups, targeted online surveys. In addition, the CEO and Executive Management 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 171.

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

For more details, please refer to the Our Colleagues section on pages 66-73.

FEEDBACK IN 2022

Colleagues have provided positive feedback and ongoing interest in the Company's efforts to promote employee well-being and mental health awareness initiatives in particular during 2022, and employees have been encouraged by the importance placed on these matters.

The workforce also appreciated the development opportunities provided to them for career progression, and expressed an interest in further educational opportunities, which the Bank responded to.

Feedback from the designated Non-Executive Director for workforce engagement included the desire for further training and the desire for clarity on job grades and pay structures.

More information on how the Board engages with the workforce and our approach to addressing their feedback is available in the Corporate Governance Statement on pages 158-171.

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 158-171 and the update from the designated Non-Executive Director for workforce engagement on page 171 provides additional information on how the Board responded to employee feedback.

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 2022 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 2022, the Board members actively engaged with the Group's Investor Relations function to enhance the annual investor relations communications strategy. The Board continues to emphasise transparency, openness and availability to increase stakeholders' understanding of the strategy, business direction and how the Company generates value for its shareholders through its various offerings. The Company continues to develop its reporting and disclosure actively as a means to achieve these ambitions.

FEEDBACK IN 2022

Geopolitics and macroeconomics were the most popular topics raised by shareholders, especially in the first half of the year, as many investors were worried about the impact of the Russia-Ukraine war on Georgia.

However, the strong performance of the Georgian economy and the stability of the GEL eased the concerns towards the second half of the year.

Investors were impressed by the outstanding financial performance of the Group driven by strong income generation on the back of the improved net interest margin and a strong growth in net fee and commission income. The strong capital generation was also positively noted as it allowed the Company to distribute an interim dividend and final dividend, and to conduct a share buyback progamme.

The Company's Uzbek operations also received a lot of attention and were an important part of discussion at every meeting. Investors were keen to understand the competitive landscape, the Company's plans in relation to TBC UZ and Payme operations and potential merger, as well as receiving more detailed financial information.

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.

RESPONSE AND IMPACT ON BOARD DECISIONS

The Board, represented by the Company's Chief Executive Officer and the Group Chief Financial Officer, 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.

At the Group's Captial Markets Day in Samarkand in November 2022, management reiterated our mid-term target of 25-35% dividend pay-out. In addition to this, in 2022, the Group conducted a GEL 75 million buyback, of which GEL 25 million is contributing to the EBT and GEL 50 million is for share cancellation.

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. TBC Bank Group plc aspires to have a positive impact by investing in areas that will stimulate sustainable economic growth and prosperity in the community, as well as preserve the environment in which it operates.

TBC Bank is an integral part of the communities where 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, 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 environment during the year included:

- Regular updates on the process of developing its Environmental, Social and Governance ("ESG") Strategy and setting ESG targets through the active work of the ESG and Ethics Committee
- Frequent updates from the Bank's Chief Economist on the macroeconomic dynamics in the Bank's primary markets of operation

For more details please refer to the Our Community section on pages 74-77.

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

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 219.

The Board reviewed the Modern Slavery Statement to ensure it accurately reflected any changes in the portfolio composition and geographical locations.

This year the Company established a fund in support of the Ukrainian people, as well as supporting Georgian organisations assisting Ukrainians in Georgia. The Company's efforts have led to a Corporate Responsibility Award from Global Compact Network Georgia, with support from the Swedish Government and the USAID Civil Society Engagement Program. This support will be continued into 2023.

The Company also continued to work actively with small businesses and entrepreneurs in Georgia. It continued to support young children with monthly financial assistance for their education, and continued to collaborate with the Young Researchers and Innovators Annual Competition - Leonardo da Vinci, for high school students. The Company also continued to sponsor various projects in arts and culture, including its flagship literary award, Saba. The employee health fund continued to display the inspiring capacity for charity and incredible team spirit of the workforce. More details about these and other initiatives are discussed on pages 74-77 of this annual report .

Governance

Board biographies

ARNE BERGGREN

POSITION Chair

COMMITTEE Chair of CGN, Member of RemCo

APPOINTED Board: 13 August 2019, Chair: 1 March 2021

BORN 1958

NATIONALITY Swedish

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.

SKILLS & EXPERIENCE
Experience in international financial institutions and advising governments;
Board membership and committee chairing experience in other UK-listed banks;
Experience in investment banking activities and in leading bank restructurings;
Deep understanding of strategic planning and implementation.

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.

EXTERNAL APPOINTMENTS
Board member of Bank of Cyprus
Chairman of Hoting Innovations AB

TSIRA KEMULARIA

POSITION Senior Independent Non-Executive Director

COMMITTEE Member of AC, ESGE and RemCo

APPOINTED Board: 10 September 2018, Senior Independent Director: 15 September 2021

BORN 1977

NATIONALITY British

CAREER Throughout her career, Tsira has held various roles covering market risk management and commodity trading at companies including Dynegy Inc. in the US and UK and at Shell International Trading and Shipping Ltd (STASCO) in London, Russia CIS, and Caribbean operations. Between 2005 and 2016, she served in a broad range of managerial roles covering M&A and Commercial Finance, Group Treasury and Trading and Supply in the UK, Moscow and Barbados. From 2016 to 2019, Tsira was the Head of Group Pensions Strategy and Standards at Shell International Ltd based in London. From 2019 to mid-2022, Tsira held the position of Head of Internal Audit and Investigations for Shell's global Trading and Supply organisation, the world's biggest commodity trading and supply business. In July 2022, Tsira was appointed as a Vice President of Corporate and UK Country Controller responsible for the Shell Group's financial management of the corporate segment which includes Group's Holdings and Treasury, Insurance and Pensions and responsible for statutory reporting of all Shell's UK incorporated companies and Shell UK's financial performance framework. Tsira is a member of the Shell UK Management Board, and a member of Shell UK Country Coordination Team, Chief of Staff for UK Crises Management.

SKILLS & EXPERIENCE
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.

CONTRIBUTION TO THE COMPANY Tsira's specialist knowledge in the areas of financial services, risk management and internal audit enables her to contribute to, and constructively challenge on, a wide range of Board matters. As a Chartered Director, Tsira's leadership qualities ensure she can act as a sound advisor to the Chair and represent the interests of the other Directors. Tsira brings significant regulatory, strategic and international financial services expertise and knowledge of financial markets to the Board.

EXTERNAL APPOINTMENTS
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

PER ANDERS FASTH

POSITION Independent Non-Executive Director

COMMITTEE Chair of AC, Chair (interim) RemCo, Member of RC

APPOINTED 4 May 2021

BORN 1960

NATIONALITY Swedish

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

SKILLS & EXPERIENCE
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.

CONTRIBUTION TO THE COMPANY Per Anders is regarded as a financial expert in the context of audit and risk committee work. He has extensive experience of operating in regulatory environments and is widely regarded in both the corporate and financial world. Per Anders's broad accounting and global executive experience brings a wide perspective to his role as Chair of the Audit Committee and in Board discussions and decision-making.

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

JANET HECKMAN

POSITION Independent Non-Executive Director

COMMITTEE Member of RC and RemCo

APPOINTED 23 February 2023

BORN 1954

NATIONALITY American

CAREER Janet was the Managing Director for the Southern and Eastern Mediterranean (SEMED) Region at the European Bank for Reconstruction and Development (EBRD) from February 2017 until December 2019. Based in Cairo, she was also the Country Head for Egypt. She currently serves on the boards of Astana International Exchange and Air Astana, Kazakhstan. During her long career at Citi, she spent time as EMEA Corporate and Investment Managing Director and held a number of field roles across EMEA, and was responsible for Global Relationship Banking across CEMEA.
Janet holds a Master's of Science in Foreign Service with distinction from Georgetown University, Washington, D.C. and a BA in History from Kenyon College, Ohio. She also studied at the American University of Beirut, Lebanon

SKILLS & EXPERIENCE
Extensive expertise in corporate banking and global relationship banking.
15 years experience in operations management.

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

				
	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. Until recently, he 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. He serves on the board of the Hellenic Corporation of Assets and Participations, the Greek sovereign wealth fund, and is Chair of its Investment and Risk Committee. Thymios was executive general manager and chief risk officer of Piraeus Bank S.A, a leading listed Greek Bank, Managing Director at Goldman Sachs Inc. in the fixed income currencies and commodities trading division, and has held board and executive roles in insurtech, fintech, financial services and advisory sectors.	Rajeev has 40 years' experience as a senior corporate growth executive. He specialises in digital technologies and has served in financial services and various other industry sectors in Europe, North America and Asia. Currently, Rajeev holds the positions of Executive Chairman and Non-Executive Director of OXSIGHT Ltd, a medical technology innovation company, and an Oxford University spin off. He was formerly a senior advisor to the CEO at global IT services firm Zensar Ltd in the UK and a member of the advisory board at Garble Cloud Inc., a cybersecurity company in Silicon Valley, USA. Prior to that, Rajeev gained strong operational experience as President of HCL Technologies and at the financial services firm, Mphasis, a Hewlett Packard company. Rajeev has been on the World Economic Forum expert Task Force on Low-Carbon Economic Prosperity, and contributed at the Work Economic Forum Summer Davos on climate change deliberations.	Nino is a business lawyer with over 20 years' experience in the Georgian market. She has a deep understanding of, and expertise in, various areas of practice including banking, finance, corporate, regulation, competition and capital markets. Currently, Nino is the managing partner of the law firm Suknidze & Partners LLC. During 2017-20, she served as general counsel at JSC Bank of Georgia. Before joining the bank, she held various positions at the Georgian offices of international law firms Dentons and DLA Piper over a period of more than 11 years.
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 recently established 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 and risk committees of the Growthfund, the National Fund of Greece	Executive Chairman and board member of OXSIGHT Ltd	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

MARIA LUISA CICOGNANI

Former Independent Non-Executive Director

Maria Luisa Cicognani was appointed as an independent Non-Executive Director of TBC Bank Group on 10 September 2018.

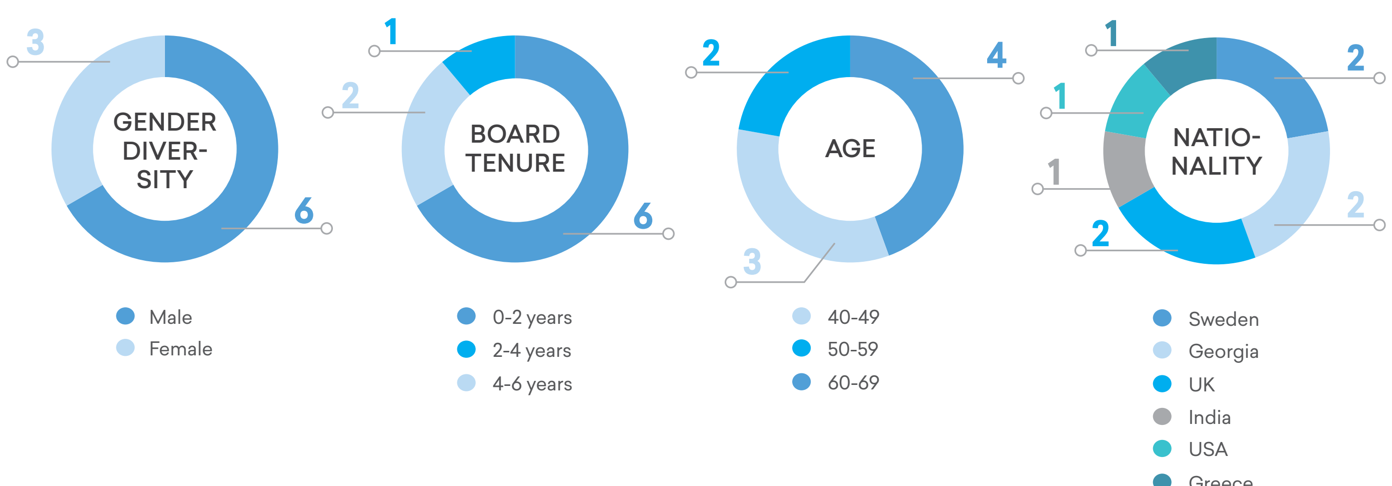
Ms Cicognani stepped down from the Board on 14 September 2022 due to her other professional commitments.

AC	Audit Committee
RC	Risk Committee
CGN	Corporate Governance and Nomination Committee
RemCo	Remuneration Committee
TD	Technology and Data Committee
ESGE	ESG and Ethics Committee

Corporate governance statement

GOVERNANCE HIGHLIGHTS FOR 2022

- Enhanced the succession planning strategy for the executive management and further improved the Board's succession planning policy and processes;
- Appointed Janet Heckman to the Board; and
- Undertook a detailed externally facilitated Board evaluation review, which led to a number of actions being agreed by the Board on how to continue to strengthen its governance arrangements in 2023.



Dear Stakeholders,

The Group's Corporate Governance Statement for 2022 sets out the approach to governance and work of the Board in this area over the previous year, and the Board's ambitions for next year. It provides shareholders with an explaination of how the Company has applied the main principles of the UK Corporate Governance Code (the "Code"), the Group's approach to goverance in practice, and 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. The Board strives to ensure its governance structure is both fit for purpose and in line with best practice. 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 2022. The Group's corporate governance statement is set out below.

CORPORATE GOVERNANCE CODE COMPLIANCE STATEMENT

This Corporate Governance Statement, together with the Nomination Committee Report on pages 172 to 175, the Audit Committee Report on pages 176 to 183, the Risk Committee Report on pages 184 to 187, and the Directors' Remuneration Report on pages 188 to 218, provide a description of how the main principles of the UK Corporate Governance Code 2018 ("the Code") have been applied by the Company during 2022. 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 2022, the Company fully complied with the relevant provisions set out in the Code.

HOW WE OPERATE

The Board is comprised of eight 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 director of the supervisory board of JSC TBC Bank.

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 2022, are set out in the Committee reports.

Chairman

The role of the Chairman includes:
- Responsibility for the effective running of the Board and ensuring it is appropriately balanced to deliver the Group's strategic objectives
- Promoting a Boardroom culture that is rooted in the principles of good governance and enables transparency, debate and challenge
- Ensuring that the Board as a whole plays a full and constructive part in the development of strategy and that there is sufficient time for Boardroom discussion
- Effective engagement between the Board and its shareholders

Senior Independent Director

The role of the SID includes:
- Providing a sounding board for the Chairman and to serve as an intermediary for the other Directors where necessary
- To be available to shareholders if they have concerns which have not been resolved through the normal channels of communication with the Company
- To meet with the other Non-Executive Directors at least once a year to appraise the Chairman's performance and on such other occasions as are deemed appropriate

Non-Executive Directors

The role of the Non-Executive Directors includes:
- Providing constructive challenge to executives, helping to develop proposals on strategy and monitoring performance against the agreed KPIs
- Ensuring that no individual or group dominates the Board's decision-making
- Promotion of the highest standards of integrity and corporate governance throughout the Company and particularly at Board level
- Determining appropriate levels of remuneration for the executive management team
- Reviewing the integrity of financial reporting and ensuring that financial controls and systems of risk management are robust

Chief Executive Officer

The role of the Chief Executive Officer includes:
- Executing the Group's strategy and commercial objectives together with implementing the decisions of the Board and its Committees
- Keeping the Chairman and Board apprised of important and strategic issues facing the Group
- Ensuring that the Group's business is conducted with the highest standards of integrity, in keeping with our culture
- Managing the Group's risk profile
- The Executive Committee assists the CEO of the Company in the performance of his duties. This includes the development and implementation of strategy and associated operational plans, development of Company policies, monitoring of operating and financial performance, and assessment and control of risk

Board Committees

The Board has delegated certain responsibilities to, and is supported by, its Committees, which oversee and make recommendations to the Board on the matters delegated to them. The Board has four principal Board Committees: the Audit Committee, the Risk Committee, the Remuneration Committee and the Corporate Governance and Nomination Committee. During 2021 and 2022, two additional Committees were established to support the Board in the strategic areas of technology and ESG strategy and climate change. Further details on the Board Committees can be found in each of the Committees' separate reports, found later in this Annual Report.

The Terms of Reference for each Committee are made available on the Company's website, www.tbcbankgroup.com

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

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 2022. Directors' and Officers' Liability Insurance is maintained for all Directors.

BOARD LEADERSHIP

The Board is the principal decision-making body of the Group and is collectively responsible for promoting the Group's purpose, 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 152 to 156. 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 2022

It is expected that each Director attends all meetings of the Board and its Committees and the AGM, however, in unavoidable circumstances requiring their absence they are encouraged to give their views to the chair of the relevant meeting in advance.

Board Member	Board	Remuneration Committee	Audit Committee	Risk Committee	Corporate Governance & Nomination Committee	ESG & Ethics Committee	Technology & Data Committee
Arne Berggren	26/26	8/8	-	-	10/10	-	-
Tsira Kemularia[1]	26/26	1/1	11/11	-	1/1	5/5	-
Per Anders Fasth	26/26	8/8	11/11	17/17	-	-	-
Eran Klein	26/26	-	-	17/17	-	5/5	5/5
Thymios Kyriakopoulos	26/26	-	11/11	17/17	-	-	5/5
Rajeev Sawhney[2]	26/26	-	-	-	9/9	5/5	5/5
Nino Suknidze[3]	26/26	7/7	11/11	-	9/9	-	-
Maria Luisa Cicognani[4]	20/20	7/7	-	13/13	7/7	-	-
Vakhtang Butskhrikidze	26/26	-	-	-	-	-	-

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:

1 Tsira Kemularia stepped down from the Corporate Governance and Nomination Committee and the Remuneration Committee on 28 January 2022;
2 Rajeev Sawhney joined the Corporate Governance and Nomination Committee on 28 January 2022;
3 Nino Suknidze joined the Corporate Governance and Nomination Committee, and the Remuneration Committee on 28 January 2022 and stepped down from the Remuneration Committee on 23 February 2023;;
4 Maria Luisa Cicognani stepped down from the Board on 14 September 2022.

Role	Description	Strategic objective *(see key on page 7)*	Key stakeholders
Purpose, values and culture	To help management to 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 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 pages 24 to 25. Key performance indicators are set out on pages 26 to 29.		Customers, Colleagues, Communities, Investors
Organisation and leadership effectiveness	To ensure that the organisation's leadership, design, capabilities and supporting systems match the requirements of the Group and the diverse strategies of our current and future businesses. Further details of the executive management team are set out on pages 12 to 13. Further details on our risk management and internal control systems and processes are set out on pages 88 to 105.		Customers, Colleagues, Investors
Operational and financial performance	The Board reviews the performance of the Group in light of strategic aims, business plans and budgets. With the support of the Audit Committee, it approves the Group's annual and interim financial statements. Further details of the financial performance are set out on pages 228 to 371.		Customers, Colleagues, Investors
Shareholder and stakeholder engagement	We put the balance of stakeholder interests and the long-term interests of the Group at the heart of all of our decision-making. Further details of how we have engaged with stakeholders over 2022 and how we have taken stakeholders into account in our decision-making process are set out on pages 144 to 149.		Investors, Customers, Colleagues, Communities

The Board maintains a formal schedule of matters which are reserved solely for its approval 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 returns, 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 sustainable development, digitalisation, innovation and efficiency. 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 that exemplary governance standards set the right tone from the top for every employee and fosters responsible behaviour in all its undertakings.

The Chairman of 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 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 – ESG strategy – 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	In 2022, the Board held a number of strategy sessions to disucss 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. The Board received quarterly updates on the implementation of the Group's strategy, as set in 2021. Among the principal decisions taken by the Board in 2022 in this regard was the approval of a buyback of a Eurobond; in addition to the approval of a loan guarantee agreement of its subsidiary, JSC TBC Bank, with the United States Agency for International Development ("USAID") and the U.S. International Development Finance Corporation ("DFC") to enable TBC to issue $30 million in loans to Georgian MSMEs, with a focus on women-led businesses, start-ups, and the development of Georgia's regions.
Financial decisions	During the year, the Board reviewed the Group's performance against budget and monitored the achievement of Key Performance Indicators. The Board also considered, reviewed and approved of 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. In August 2022, the Board announced the commencement of of a share buyback programme in respect of shares having an aggregate value of up to GEL 75mn, with the purpose of transfering shares to TBC PLC's employee benefit trust, and also to reduce TBC PLC's share capital.
Risk, regulatory and legal considerations	In 2022, the Board, with the support of the Risk Committee, considered and approved the Bank's and the Group's risk appetite framework, resolution and recovery plan and long-term capital planning.
Governance	During 2022, the Board, with support from the Corporate Governance and Nomination Committee, considered and approved the appointment of a new Board member. The Board also worked on enhancing the Board succession and composition, as well as management succession and leadership development. During the year, the Board considered and approved various Group-wide policies with the recommendation of the relevant Committee, including 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 significantly developed to further support the governance framework. At the end of the year, 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.

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 eight independent Non-Executive Directors and one Executive Director. Board and Committee composition can be found on pages 152 to 156. Each Non-Executive Director is obliged to inform the Board of any circumstances that could impair their independence. During 2022/3, the composition of the Board has changed with the resignation of Maria Luisa Cicognanai and the appointment of Janet Heckman.

The Board is steadfast in its efforts to maintain an appropriate mix of experience, expertise, diversity and independence on TBC Bank's Board. The Board is aligned to the philosophy that diverse attributes enable it to provide informed opinions and advice on strategy and relevant topics, thereby adequately discharging its duty of oversight.

The key contributions and relevant experience of each Director are set out on pages 152 to 156.

Diversity & inclusion

The Board recognises the importance of ensuring diversity, and sees significant benefits to our business in having a Board and management team drawn from diverse backgrounds, as this brings a range of expertise, cultural knowledge and different perspectives in discussions and improves the quality of decision making.

The Board adopted a Board Diversity Policy in September 2020, which was most recently reviewed in December 2022. The Policy allows the Board to ensure that Board appointments contribute to the Group-wide ambitions of diversity and inclusion. In 2021 and 2022 the Board focused on the appointment and embedding of its newest Non-Executive Directors and on fostering the cultures and values of the Company within the boardroom, to ensure balanced leadership. More information on Board diversity can be found in the Corporate Governance and Nomination Committee Report on pages 172 to 175 and the Board Diversity Policy is available at www.tbcbankgroup.com. In 2023 the Board will consider how this Policy is applied to its key committees.

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 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, and one of the senior board positions is held by a woman. Following the resignation of Maria Luisa Cicognani in 2022, the Nomination Committee was mindful of the need to ensure the search for an additional Non-Executive Director considered the strength that diversity can bring to boards. The Board will continue to consider future appointments to support the Board's diversity aims.

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.

During 2022/3, there was one new appointment to the Board. The induction process for this new appointment included an online introduction to the business, followed by discussions with executive management and key business unit managers and an introduction to the operations, risks and governance environment of the Group. In addition, all new Directors received 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 were 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 complete a self-assessment process at the end of the year, which invites them to identify a relevant development programme.

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 2022, 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 152 to 156.

How the Board monitors its performance

On an annual basis, the Chairman meets individually with each Director to discuss areas of focus and development for the following year. In addition,an 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 faciliated 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 with the Board, Lintstock designed a survey appropriate to the Company's needs and tailored to its specific circumstances, and the Chairman reviewed and agreed all the questions to be asked.	Lintstock liaised with Directors, which included an individual 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 evaluation to the Chairman and Company Secretary for discussion at the Board and each of the Committees. Additionally, pertinent information was provided to the Chairman only.

2021 Board evaluation

The planned areas of focus and actions arising from the 2021 Board evaluation included:

Areas of focus for the Board	Action taken and outcome
Group strategy and critical decisions in 2022	The Board received regular updates on strategic matters and decisions and monitored the fulfilment of strategic goals on at least a quarterly basis.
Development in areas of importance for strategy and stakeholders	The Board has focused on further enhancing its understanding of ESG matters, as well as the critical enablers of Group strategy, such as Data, IT and cyber security, talent management, optimal composition and succession planning for executive management and other critical roles. More information on how we have developed in these areas is covered throughout this
Increased complexity of the Group	The Board maintained a focus on further enhancing subsidiary governance and the implications of the ambitious international strategy in this regard.
Internal control and improvement of control functions in light of increased complexity	The Board has focused on further enhancing the Group's internal control and the continued effectiveness of its policies and procedures, and implemented a project to standardise its policies during 2022 and 2023.
Board decision-making	The Board has focused on further improving the effectiveness of its decision-making, team dynamics and stakeholder engagement during the year.

Outcomes from the 2022 Board evaluation

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

The Board was seen to include an appropriate mix of skills and experience, and the relationships between the Board - and between the Board and management - were positively rated. The information that the Board receives was felt to be high-quality, and Board meetings are well-managed, including in terms of agenda coverage and Director participation.

Following a discussion of the review, the Board agreed to focus its attentions in 2023 on continuing to develop executive management succession planning and to further develop the Group's strategy.

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 120 to 133.

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 78 to 141 and pages 144 to 149.

ANNUAL GENERAL MEETING

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

Employee and workforce engagement

In 2021, Tsira Kemularia took on the role as the designated Non-Executive Director for workforce engagement. In her capacity as Staff Ambassador, Ms Kemularia has established 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.

Following each engagement activity undertaken, the Staff Ambassador reports 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 Kemularia's workforce engagement activities in 2022 included employees' views that management exemplified the core values of the Group, with its growth aspirations and international expansion, with technology playing a central role; the desire for further capability built, both hard and soft, amongst staff to further support business activities; recognition of the competitive landscape and talent pull from other industries posing challenges and opportunities for workforce; desire for clarity on job grades and pay structures; increased clarity on strategic ambitions; and increased communication from the management across the Group. All of which provided a valuable insight into the culture of the Company, as viewed from the employee perspective.

Staff Ambassador activities in 2022

- Engaged with the full-time workforce (Bank and subsidiary employees) 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 over and above the feedback provided by the employee-wide questionnaires
- Gave regular updates to the Board on the insights gained from the engagement programme as well as to the CEO and HR for further actions, and the CEO held year-end follow up meetings with employees who took part in the employee engagement to share the activities undertaken by the management as a result of the feedback received

In addition to the above, specific efforts were made during the pandemic to ensure that there was regular communication with employees across a range of issues, including health and safety and operational matters. The Board and executive management will continue to ensure that any lessons learned and practices implemented during the pandemic, such as hybrid working, will be taken forward as appropriate to foster ongoing employee well-being.

Case study

The Staff Ambassador also undertook a focus group survey covering a particular grade of staff members, the output of which highlighted a request further clarity around the transparency of grading systems and remuneration. With the support of HR, the Staff Ambassador encouraged management to provide employees with additional insights into how remuneration is aligned with the wider Company's pay policies, incentives and culture, and also how the Remuneration Committee would take feedback into account when setting the policy for Executive Director remuneration. Following additional engagement and feedback sessions, a second focus group survey was completed, the results of which demonstrated progress and improvements with regards to enhanced clarity on remuneration policies.

For further details of how the Board considered results from its engagement with employees and other stakeholders, see the Section 172 statement on pages 144 to 149. The Board looks forward to continuing its workforce engagement programme with support from the Staff Ambassador in 2023.

Arne Berggren
Chairman

17 April 2023

Corporate Governance and Nomination Committe 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 161
*Independent Director
Maria Luisa Cicognani resigned 14 September 2022

Dear Stakeholders,

The Corporate Governance and Nomination Committee's (CGN) main focus during 2022 was centred around four areas: (1) facilitating an effective leadership development and succession planning programme; (2) ensuring the continued, effective training of all Directors including the on-boarding of the Directors appointed in November 2021; (3) supporting an externally led Board performance assessment; and (4) diversity and inclusion. In addition, Tsira Kemularia, the Senior Independent Director and designated Non-Executive Director for workforce engagement, undertook a programme as part of the workforce engagement arrangements. Further details on this programme can be found on page 171.

This report provides an overview of the Committee's work and its activities during the year.

ROLES AND RESPONSIBILITIES

The Committee's roles and responsibilities are set out in its Terms of Reference, which are available on the Group's website: www.tbcbankgroup.com and reviewed annually.

Roles and Responsibilities

As they relate to corporate governance:	*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
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.

WHAT THE COMMITTEE DID IN 2022

The Committee will normally meet at least four times per year and otherwise as required in order to discharge its duties. During 2022, the Committee met 10 times and considered the following matters:

1. Effective leadership development and succession planning

The Committee is mindful of the need to ensure continued focus is given to the talent management and executive succession process, as well as to the review of the composition of the Board. Details of some of its activities in this regard are set out throughout this Report.

In identifying suitable candidates, the Board will typically seek to use either open advertising or external search services to facilitate the recruitment process. Pederson & Partners, who have no connection with TBC Bank or any of the Company's Directors, has been appointed to assist the Board with recent Board appointments, and to aid the Committee in creating and maintaining a pipeline of appropriate candidates should the composition needs of the Board require additional skills and experience. The Committee also reviewed the Succession Planning policy for the CEO and key function holders in the Group to ensure these remain relevant and appropriate.

The Committee has used this year to focus upon the desired skills and diversity mix that the Company needs, both on the Board and for executive management, to develop its long-term strategic goals. During the year, the Committee undertook a review of the Board's skills matrix to ensure that the right skills, experience and knowledge were captured. The Committee reviewed and approved a Board succession planning policy to ensure a comprehensive and self-improving programme was in place to support the medium and long-term needs of the Board.

At the executive management level, the Committee undertook a full review of the Company's management succession planning and talent management policy and received updates on succession planning for key function holders. The Board is committed to ensuring the right investment is made towards building leadership and talent management, and to that end received updates on a leadership development project being run in conjunction with Egon Zehnder.

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.

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 CompanySecretary.

2. 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 considering their previous experienceand knowledge.

The Committee set an extensive catalogue of professional development events and opportunities for all Directors during the year. These events included webinars on upcoming regulatory changes that impacted the PLC and its subsidiaries, as well as additional support in areas identified through the self-assessment of each Committee's performance during 2021.

3. Board evaluation

In 2021, the Board appointed an independent consultant, Lintstock Ltd, to run an external Board performance assessment over a three-year period, starting in 2021. The survey and interview-based approach that the Board undertook in 2022 was completed in December 2022 and the Board agreed an action plan at its meeting in February 2023. More information on the results of the 2022 assessment is provided on pages 167 to 170.

4. 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 2022, the CGN made sure that the Company addressed the expectations of stakeholders and market best practice for diversity and inclusion.

OTHER MATTERS

Board and Committee composition

In September 2022, Maria Luisa Cicognani stepped down from the Board to pursue other professional opportunities. In line with its responsibilities, the CGN undertook the process for appointing a new chair of the TBC Bank Group PLC Remuneration Committee as well as a new independent Non-Executive Director. In early 2023, following the recommendation of the CGN, the Board appointed a new Non-Executive Director, Janet Heckman, to the Board, and details of the skills and experience that she brings are set out in the Board Biographies on page 153. Full details of the search, assessment and appointment process for selecting new Directors is set out earlier in this report.

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

Subsidiary governance has also been a focus of the Committee, and it has reviewed and recommended amendments to policies and procedures, including the Subsidiary Governance 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 2022 and are available on the website at www.tbcbankgroup.com.

Company Secretarial function

The Committee undertook to review and introduce efficiencies and competences into its company secretarial function, and guidelines and standards, approved in late 2020, were reviewed and updated.

WAS THE COMMITTEE EFFECTIVE?

Feedback on the performance of the CGN Committee was positive, with improved effectiveness in its engagement with the Board and other committees during the year. In addition, the Committee's effectiveness in monitoring developments in corporate governance standards, and the Bank's adherence to these standards, was highly rated. The review highlighted the significant effort from the Committee in monitoring the composition of the Board and the Board appointment process supporting the search for candidates. It was also noted that the Group had a clear emphasis on diversity and inclusion, which was actively promoted by the Committee as well as by key management.

In addition to its regular duties, the Committee's priorities for 2023 will include a continued development of succession plans, the talent pipeline and diversity strategy, and an enhanced focus on the Group governance structure and framework. The Committee plans to continue working on skills matrix and how this could be further expanded to the benefit of the Company. The results of the evaluation have been reported to the Board and the Committee will track progress on the recommendations during 2023.

Arne Berggren
Chairman

17 April 2023

Audit Committe 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 161
*Independent Director
Maria Luisa Cicognani resigned 14 September 2022

Dear Stakeholders,

We are pleased to share the Audit Committee Report for 2022. The report seeks to provide an understanding of the Committee's work during the year, and assurance of the integrity of the 2022 Annual Report and Financial Statements.

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.

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 Committee reviewed the key accounting areas of judgment, the adequacy and effectiveness of the Group's system of internal controls, including whistleblowing, and the effectiveness, performance and objectivity of the internal and external audit functions. The Committee also took steps to ensure that, when taken as a whole, the Annual Report is fair, balanced and understandable.

As well as providing oversight to the Group's compliance and anti-money laundering activities, the Committee also reviewed the work undertaken to ensure sanctions compliance, and additionally the work undertaken in response to the Russia Ukraine conflict.

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.

The Committee also oversaw the introduction 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. This project will continue into 2023.

ROLES AND RESPONSIBILITIES

The Committee acts independently of executive management to fulfil its fiduciary duty to shareholders and ensure their interests are properly protected by effective internal controls, financial reporting, compliance with regulatory requirements and an appropriate relationship with external auditors.

Principal duties of the Committee
To review the Company's internal controls and other internal 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.
To monitor 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.
To provide oversight to the Group's compliance and anti-money laundering activities.
To consider the effectiveness and independence of the Group's internal audit activities and its relationship with the external auditors.
To make 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.
To appoint and assess the performance of the Head of Internal Audit.

The Committee's Terms of Reference, revised on 8 December 2022, have been adopted by the Board and are available on the Company's website, www.tbcbankgroup.com.

The representatives from the external auditor 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.

The Directors' responsibilities statement in respect of the Annual Report and Financial Statements can be found on pages 226 to 227.

Principal activities and significant issues considered during 2022

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 2022 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 • Initiated 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

Additionally, the Audit Committee findings and reports are regularly delivered to the Board, at least on a quarterly basis.

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 on 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, if necessary, the full Board if it sees intractable problems and insufficient commitment to continuous process improvement. In 2022 the Audit Committee also initiated a programme to further strengthen the internal controls.

Group management regularly reviews the accounting and presentation 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. Once the executive management decides on any changes (including any need for restatements in prior year accounts), the important updates are discussed with the Audit Committee to obtain their clearance. The external audit firm is kept informed in order to collect their views and reach an agreement on the final approach.

As a result of the aforementioned process, certain updates have been applied to the 2022 annual accounts, restating prior year amounts where appropriate. These restatements are summarised in Note 2 to the 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 significant 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 ongoing 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 230 to 239. 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 230.

The Committee has also considered 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 144 to 149 of the Strategic Report.

Taking the above into account, together with the opinon expressed by PwC, the Committee recommended, and in turn the Board confirmed, that the 2022 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 finaincial 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 table above.

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 auditor 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: definition of default, credit risk parameters, estimates for forward-looking macroeconomics and judgements for their probability weightings, assumptions for individual impairment assessment, post-model overlays and adjustment (PMAs) 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, objective and professionally challenging review of how the Group handles its assessment of the 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 regularly attends Committee meetings, as well as Risk 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 2022, 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. In our 2021 Annual Report we outlined our intentions to move the Internal Audit function to a more 'agile' and risk-based approach. During 2022, 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 2022, 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 2022 to carry out appropriate reviews. The Internal Audit function has worked to increase its resources and to up-skill the internal auditors' IT capabilities, 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.

Effectiveness of the external audit process

In preparation for the 2022 audit cycle, the Committee held planning meetings with PwC. The Committee suggested priority areas for PwC to consider, highlighting any concerns.

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 cooperation and communication between the two practices is well coordinated and draws, as required, on the wider international subject matter expertise of the firm's professionals, for example in insurance. The UK team coordinates the audit, issuing instructions and putting processes in place to monitor PwC Georgia's work.

Overall in 2022, the Group spent US$ 1.89 million (net of VAT) (2021 US$ 1.81 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 2022 the Group's contractual fees to PwC amounted US$ 1.23 million (net of VAT), of which US$ 1.22 million (net of VAT) 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, notably TBC Bank Uzbekistan, TBC Fin Service LLC, TBC Leasing and TBC Insurance. PwC's proposed fees were benchmarked against other similar services provided by other audit firms.

Audit tendering

To comply with the National Bank of Georgia's auditors rotation requirements, TBC PLC previously announced that shareholders would be ask to approve the rotation of TBC PLC's auditors from PricewaterhouseCoopers LLP ("PwC") to Ernst & Young LLP ("EY") at the 2023 AGM. The National Bank of Georgia has since extended the mandatory audit rotation deadline to 2025. As a result, following advice from the Audit Committee and with the agreement of both EY and PwC, the Board has decided to retain PwC as auditors for the Group for the 2023 and 2024 financial years, subject to obtaining shareholder approval for the same. The arrangements comply with the UK requirements with regard to audit tendering.

A further announcement concerning the new audit tender for the 2025 financial year and beyond will be released in due course. The Board continues to welcome engagement from investors on this topic.

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 2022 were US$ 2.3 thousand (net of VAT), (US$ 289.4 thousand, net of VAT, in 2021). The figure represents less than 1% (32% in 2021) 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 2022, non-audit work, except from stated above, was allocated to 10 different accounting-based firms, including non-Big Four companies. The largest single non-audit contractual spending in 2022 was related to the work performed externally by Deloitte LLC for the IFRS 17 Consultancy for a total fee of US$ 117 thousand (net of VAT). The largest total non-audit contractual spending in 2022 was related to the Deloitte LLC US$ 301 thousand (net of VAT), for consulting and advisory works performed for the Bank and the Group's subsidiaries.

WAS THE COMMITTEE EFFECTIVE?

In 2021, the Board appointed an independent consultant, Lintstock Ltd, to run an assessment programme over a three-year period, starting in 2021. The survey and interview-based approach that the Board undertook in 2022 was completed in December 2022 and the Board agreed an action plan at its meeting in February 2023. More information on the results of the 2022 assessment is provided on pages 167 to 170.

The performance of the Board's committees was also assessed as part of this Board review. Members were invited to complete surveys tailored to the specific requirements of each Committee.

Feedback on the performance of the Audit Committee was positive with significant contribution being made during the year to supporting the development of heads of functions roles, and up-skilling within internal audit to ensure the quality of strategic planning and risk-based audit identification remained high. Following a discussion of the review, the Committee agreed to focus its attentions in 2023 on continuing to support the development of the heads of functions, challenging them where appropriate and encouraging the compliance function to further challenge the business. The Committee also proposed to focus on deep dive topics as well as as its day to day principal duties. The results of the evaluation have been reported to the Board and the Committee will track progress on the recommendations during 2023.

Per Anders Fasth
Chairman of the Audit Committee

17 April 2023

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 161
*Independent Director
Maria Luisa Cicognani resigned 14 September 2022

Dear Stakeholders,

We are pleased to present the Risk Committee Report for the year ended 31 December 2022. The report is designed to provide insights as to the process followed, the challenges faced and the action taken throughout the year.

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 growth 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 Risk Committee also reviews the statement concerning internal risk management and the Group's Viability Statement included in this Annual Report on page 118.

During the year the Committee discharged its duties within a complex and evolving environment that presented the Bank with challenges and opportunities that required careful risk management and keen attention to developments. COVID-19 related economic and operational threats receded and real GDP growth is estimated to have come in at around 10% for the second year in a row.

Gopolitical risks are elevated due to the Russian invasion of Ukraine, and compliance with the sanctions, imposed by countries and unions of states as a response to the aggression became an important matter. Continued US/China political tensions, high inflation, energy costs, and rising interest rates are also deemed to have an adverse impact on consumers and corporates.

Counterbalancing these elevated risks, Georgia has benefited from broadly stable terms of trade, an exceptional residential real estate market (18% YoY growth), high migration rates into the country, and strength of the GEL as a result of strong net inflows and a tight monetary policy stance.

In order to successfully navigate this challenging operating environment, the Committee organised its focus around four main pillars: (1) capital; (2) liquidity; (3) asset quality, and (4) earnings capacity. Regulatory ratios were buoyed by exceptional levels of organic capital generation, the GEL appreciation, and a reduction of the net GRAPE buffer (capital buffer under Pillar 2 defined by the National Bank of Georgia as a result of general risk assessment program) which came mainly as a result of the work done on the enterprise-wide risk framework. The Committee was satisfied with the trend of non-performing exposures, adequacy of provisioning to anticipate expected losses. Particular focus was placed on maintaining high levels of liquidity separately in the native GEL and hard currencies in the face of the Russian-Ukrainian military conflict.

On a tactical level, the Committee oversaw progress on initiatives pertaining to four thematics that form the backbone of the annual schedule of works. Firstly, initiatives that are aimed at safeguarding the Group such as ICAAP, ILAAP and Recovery Plan frameworks. Under the frameworks the Bank conducted several stress tests including the scenarios considering further escalation of the military conflict in Ukraine and sudden outflow of migrants from Georgia. In addition, the Committee was monitoring the regulatory framework transition to IFRS standards. and the development of the centralized Security Operations Center which is tasked to detect analyze and respond to information security risk of the Bank as well as other main subsidiaries (UzBank, Space, Insurance). The second thematic relates to digitizing processes to support faster and more robust decision making such as an inhouse corporate credit ratings platform, automated consumer lending decisions, early warning systems and others. The third thematic category relates to embedding risk management in the group organization and culture. The subsidiary risk management system was implemented fully, operational risk tools were further enhanced including in fraud management, and the ESG strategy was defined and implemented throughout the year. In addition, the Bank conducted a thorough revision of the risk management framework related to sanctions and applied enhancements where required to adequately mitigate the complexity of the new requirements. The fourth thematic relates to supporting business decisions with tools, frameworks, and technologies that empower risk-based decision making to optimize capital allocation and to ensure striking the correct balance of risk and expected return.

The Committee held detailed discussions on a variety of Board strategic decisions and exercised full diligence in its recommendations. Examples include FX sensitivities of the approved capital plan, bond buyback programs, capital trajectories and the resulting capacity to increase the dividend payout ratio from Year End profits, and capital allocation decisions amongst entities of the holding group portfolio. In addition, the Board has tasked the Committee to review and approve credit limits proposed for the largest borrowers of the Group.

As a priority, the Committee maintained its urgency to further deep dive and familiarize itself with the idiosyncratic characteristics of the Georgian market while maintaining its focus and expertise on the international front. Thus being able to draw out the strategic imperatives of the Georgian regulator and consequently to inform the short- and long-term priorities for the Group.

Throughout the year, the Committee maintained its focus on risk appetite, reporting on the principal subsidiaries based on the approved Subsidiary Governance Framework, implementation of the investment assessment framework, international expansion and respective risks and the provisioning principles.

The Company's approach to risk management together with details on the principal risks that the Group faces can be found within the respective sections of the Strategic Report on pages 88 to 117.

Principal duties of the Committee
To provide oversight of the Company's and its subsidiaries enterprise-wide risk management framework and the risk appetite and risk tolerance appropriate for each business area.
To monitor the alignment of the risk framework to the Group's growth strategy, and to support a culture of risk taking within sound risk governance.
To maintain oversight of the Group's processes and systems that identify, assess, manage and monitor risks (both financial and non-financial).
To prepare and make recommendations to the Board regarding the going concern, risk management and viability statements to be included in the Company's Annual Report.
To provide 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.

Principal activities and significant issues considered during 2022

Areas of focus	Key issues	Description of actions
Risk appetite	Review and approval of the Group risk appetite and well as its direct subsidiaries.	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 Risk Committee receives and reviews quarterly risk appetite updates. In addition, the Committee reviewed and recommended the approval of the Group- wide risk appetite statement to the Board in February2022.
Financial risk	**Financial risk management** Close monitoringof 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.	The Risk 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. The Committee 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. 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, the Committee receives thematic updates at least twice a year, as well as case by case updates as needed, in the CRO report to the Committee. Risk Committee findings and reports are regularly delivered to the Board, at least on a quarterly basis.
Capital and liquidity risk including ICAAP	**Continued capital and liquidity risk management oversight** Monitoring the Bank's capital and liquidity positions, including reviewing the stress test results conducted by management.	The Risk Committee provided 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. For more details, please see the Risk Management section on pages 88 to 105.
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 and regulatory and legal risk	Providing oversight of compliance, regulatory and legal risk.	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 Risk Committee received regular updates on significant pieces of legislation that were introduced or consulted upon during 2022. Furthermore, the Risk Committee also assessed and approved updated Group-wide compliance policies, such as the AML Policy, Whistleblowing Policy, Financial Crime Risk Appetite and other documents subject to annual update.

ROLES AND RESPONSIBILITIES

The Committee acts independently of executive management to fulfil its duties to shareholders and to ensure that their interests are properly protected. The Committee's purpose is to help the Board fulfil its risk governance and oversight roles and responsibilities.

More information on the Risk Committee can be found in its Terms of Reference, which are available on the Company's website at www.tbcbankgroup.com.

The Committee's Terms of Reference, revised on 8 December 2022, have been adopted by the Board and are available on the Company's website, www.tbcbankgroup.com.

PRINCIPAL ACTIVITIES AND SIGNIFICANT ISSUES CONSIDERED DURING 2022

During 2022, the Risk 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 information and table earlier in this report provides a summary of the significant issues considered during 2022 and actions taken by the Committee. Information on the key risks and uncertainties facing the Company is provided in the Material Existing and Emerging Risks chapter on pages 106 to 116.

In addition to its main pillars of work, the Risk Committee received updates on people risk, and considered feedback provided by the designated Non-Executive Director for workforce engagement, Tsira Kemularia, on actions to support employee welfare, such as promoting mental health and wellness opportunities. The Committee has also provided oversight to the efforts to digitize processes to support faster decision making. In 2022 good progress was made, and risk reports are now fully digitalized. In 2023 the Committee will monitor the progress of digitizing AML and compliance reports.

WAS THE COMMITTEE EFFECTIVE?

In 2021, the Board appointed an independent consultant, Lintstock Ltd, to run an assessment programme over a three-year period, starting in 2021. The survey-based approach that the Board undertook in 2022 was completed in December 2022 and the Board agreed an action plan at its meeting in February 2023. More information on the results of the 2022 assessment is provided on pages 167 to 170.

The performance of the Board's committees was also assessed as part of this Board review. Members were invited to complete surveys tailored to the specific requirements of each Committee. Feedback on the performance of the Risk Committee was positive, with material improvements made in the Committee's oversight of the Company's risk management framework, allowing for risk-based decisions to improve business performance. There have also been significant improvements in the extent to which a culture of risk management has been integrated into the Company's business practices and processes, supported by the Committee.

Looking forward to 2023, the Committee aims to oversee, challenge and support the executive management team in its effort to navigate the commercial landscape under the auspices of the Board's governance code and strategy. The enterprise-wide risk framework will be constantly enhanced and rotated to capture changes in the Group's business model and operating environment. Additional focus will be allocated to TBC Uzbekistan and TNET both of which present growth opportunities that are deemed potentially material in the medium-term enterprise value projections. The results of the evaluation have been reported to the Board and the Committee will track progress on the recommendations during 2023.

Thymios Kyrikapoulos
Chairman of the Risk Committee

17 April 2023

Remuneration Committe report

REMUNERATION COMMITTEE REPORT

Members of the Committee

- Per Anders Fasth* (Chairman of the Committee)
- Arne Berggren*
- Janet Heckman*
- Tsira Kemularia*

Meeting attendance shown on page 161
*Independent Director

Maria Luisa Cicognani resigned 14 September 2022
Nino Suknidze resigned 23 February 2023

Dear Stakeholders,

On behalf of the Board, we are pleased to present the Directors' Remuneration Report for the year ended 31 December 2022.

This report is divided into three sections: the Annual Statement from the Chairman of the Remuneration Committee, Annual Report on Remuneration and the Directors' Remuneration Policy (Policy). The Policy was last approved by shareholders at the 14 June 2021 Annual General Meeting along with the new maximum fixed-to-variable ratio. The Policy is effective from 1 January 2022 and the Policy table is reproduced in full on pages 206 to 218 to provide context for the decisions taken by the Remuneration Committee.

Despite regional challanges, the team has done outstanding work throughout the year delivering robust results for the Group. Record levels of profitability have been achieved with a net profit of GEL 1,003 billion resulting in a Group Return on Equity of 27% (despite one-off tax charges in the amount of GEL 113 million) based on the strong growth backed by solid capital position. The Group also continued developing its digital footprint and investing in our Uzbek business.

In the context of global and regional events, the Committee has focused on making balanced decisions, ensuring the alignment of remuneration with long-term strategy at the Group. The Committee's key focus has been on rewarding our people for performance and maintaining the stability of the business, ensuring market competitive compensation, and ensuring equitable outcomes for the workforce.

People remain the Bank's key asset, and at the core of the Company's success and ability to continue delivering outstanding results. In these challenging times, we will continue to focus on attracting , developing and retaining talent, and ensuring that our employees are supported as they drive for sustainable performance. This is reflected in both the excellent customer experience scores, and the employee Net Promotor Score.

The Bank's strong financial and operational performance for 2022 is appropriately reflected in the outcome of Variable Pay for senior executives, within the balanced framework of the Remuneration Policy.

THE DIRECTORS' REMUNERATION POLICY

The Committee has set out in the Policy approved at the 2021 AGM the underlying principles that have guided its remuneration decision-making. These are centred around clarity and simplicity, risk alignment, predictability, proportionality and alignment with culture - as required by the 2018 UK Corporate Governance Code.

In order for variable pay to be made to the Executive Directors, "gateway" KPIs - agreed with the Board Risk Committee annually - need to be met, with the Annual Bonus and Long-Term Incentive Plan ("LTIP") then being awarded, and the LTIP then vesting in due course if the ex-post medium-term KPIs are also achieved. For the 2023-2025 cycle, the gateway KPIs were exceeded in relation to CET1 ratio, liquidity and profitability, therefore the Annual Bonus award and LTIP grant for the Executive Directors will go ahead. In terms of the ex-post KPIs required for the LTIP to vest in 2025, these are linked to the mid-term strategy, including environmental, social and governance metrics as per the Company's ESG strategy described on page 200.

KEY REMUNERATION DECISIONS FOR DIRECTORS

With effect from 1 May 2022, the CEO's salary was redenominated from US$ into GEL. This was done so that the CEO's remuneration is in line with the wider workforce, where remuneration is denominated in GEL.

The Remuneration Committee has made efforts to simplify the compensation structure and provide clarity around compensation. The CEO receives compensation consisting of fixed salary and variable pay up to a defined proportion of fixed pay, as per the National Bank of Georgia ("NBG") ratio rules. In addition, the CEO is eligible for the LTIP where performance over three years form the basis for outcome - KPIs will consist of Total Shareholder Return, Profitability and ESG measures.

The 2022 strategic corporate financial, non-financial and personal KPIs for the CEO's Annual Bonus assessment are set out in the table on pages 195 to 196 together with, as part of the main report, a full assessment of performance against these KPIs and a description of all remuneration components. With respect to the 2022 Annual Bonus, the KPIs were met at 111.2% compared to a maximum possible achievement of 140%. The CEO's maximum Annual Bonus potential is 135% of salary, with the target award being 50% of the maximum as per the new Remuneration Policy effective 1 January 2022. Therefore, with 111.2% achievement versus performance KPIs, applying this % to the target award has resulted in the final value of the CEO Annual Bonus award, which is US$ 733,221 and is awarded fully in deferred shares. These shares pro-rata vest over a two-year period and remain subject to malus prior to vesting and clawback until three years post vesting. The Committee is satisfied that the Annual Bonus outcome for 2022 is based on the results and value delivered by performance during the year, and is fair, reasonable and proportionate. More detailed calculation can be found on pages 196 to 197.

In light of the outbreak of COVID-19, the CEO and the senior management team at JSC TBC Bank decided to forgo their LTIP grants for the 2020 cycle as was reported in previous years' reports. Accordingly, no shares vested for 2020-2022 performance period.

As mentioned above, the 2022 performance year's achievements exceeded the gateway KPI, hence facilitating the Remuneration Committee making an LTIP grant to the CEO. Based on the achievement in 2022 versus the Corporate KPIs, and given a maximum LTIP opportunity of 161% of salary, the Board approved a 2023 LTIP grant of US$1,583,071 (5,114,344 GEL with conversion rate from GEL to US$ 3.230647289). The outcome of the 2023 grant will be subject to performance conditions related to ROE, TSR and ESG KPIs (Volume of Green Portfolio at the end of the 2025). Full details of the targets, including the KPIs for the LTIP are set out on page 200.

No change is proposed to Non-Executive Directors' fees, with fee levels remaining unchanged since 2020. The Committee will continue to monitor the inflationary context, which remains unpredictable, and will revisit this point next year. More details on Non-Executive Directors' compensation can be found on page 216.

WIDER WORKFORCE REMUNERATION

The Bank continued to provide support to its employees as they continue to do great work driving the Bank's performance, especially in the challenging context in terms of the economy and conflict in the region. The Group's main subsidiary in Georgia, JSC TBC Bank, continues to maintain its flexible work-from-home policies for all non-client-facing staff. The Bank has not introduced any redundancy programmes and applied no reductions in the overall variable pay levels in 2022. We continue to actively monitor the labour market both in Georgia and abroad in order to expand the network of the key personnel. We are also actively working on developing the Bank's succession planning framework in order to ensure smooth transition, as well as offering promotion opportunities to our employees. The Company has an active talent retention, training, promotion and recruitment approach as its business grows at a fast pace and it seeks to acquire new skills. Additional information on how the Bank supports its workforce is provided on pages 66 to 75.

The Company engaged its workforce through our annual employee surveys - see more on page 68. Additionally, as part of her wider mandate, the designated Non-Executive Director for workforce engagement, Tsira Kemularia, facilitated feedback from workforce stakeholders on the Bank's compensation structure and its alignment to company values and strategy.

SHAREHOLDER ENGAGEMENT

At the 2022 AGM, a supporting advisory vote of 98.45% was received for the Directors' Remuneration Report.

The Committee welcomes open engagement with shareholders and I look forward to engaging with shareholders during 2023, as the Company continues to implement the current Policy ahead of the 2023 AGM.

SUMMARY

The aim of this report is to communicate the basis for the CEO's remuneration outcomes and how this is clearly linked to performance. The Board is committed to maintaining an open and transparent dialogue with shareholders and the Remuneration Commitees welcome any comments you may have.

Per Anders Fasth
Chairman of the Remuneration Committee

17 April 2023

DIRECTORS' REMUNERATION REPORT

This part of the report has been prepared in accordance with Part 3 of the revised Schedule 8 set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 and with Listing Rule 9.8.6R. The Directors Remuneration Report (excluding the Directors' Remuneration Policy) will be put to an advisory shareholder vote at the upcoming AGM.

Remuneration principles

The 2018 UK Corporate Governance Code sets out principles against which the Remuneration Committee should determine the Policy for Executives. A summary of the principles and how the Company's Remuneration Policy reflects these is set out here:

- **Clarity and simplicity** - the Committee strives to ensure that performance measures are clear and straightforward. Executive Directors' performance is measured against their KPIs, both financial and non-financial.
- **Risk** - the Committee has the discretion to reduce an Executive Director's variable remuneration if specific KPIs have not been met and every element of Executive Directors' variable compensation is subject to the relevant malus and clawback provisions. Malus applies before vesting of awards and clawback applies for up to three years after the vesting of awards. Triggers include material misstatement, material downturn in financial performance and misconduct that causes serious reputational harm. In addition, the Committee has the discretion under the LTIP and deferred Annual Bonus to reduce awards if it 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.
- **Predictability** - the maximum possible value of the Executive Directors' remuneration has been detailed in the new Remuneration Policy (effective 1 January 2022) and is operating the 1:2 fixed to variable remuneration cap and approved by Shareholders at the 2021 AGM in accordance with the requirements of NBG Code.
- **Proportionality/alignment with culture** – the Committee strives to make sure that performance measures are aligned with the corporate culture of the Group. This is intended to foster the right behaviour and deliver remuneration that is proportionate in the circumstances, by measuring Executive Directors' remuneration against a mix of financial, non-financial and personal KPIs. Also, by delivering part of Executive Directors' salary in shares, this intrinsically aligns the Executive Directors' pay to the long-term success of the Group and fosters a culture of sustainable long-term growth.

Committee structure and meetings

Committee members' details are set out on page 161. All members of the Remuneration Committee are independent Non-Executive Directors. Maria Luisa Cicognani stepped down from the Board on 14 September 2022. Per Anders Fasth succeeded Maria Luisa Cicognani as interim Chair of the Remuneration Committee effective from 8 December 2022.

The Committee met formally 11 times during period from 1 January 2022 to 17 April 2023. Details of attendees at these meetings for the current members of the Committee, as at 17 April 2023, are shown in the next table:

Committee member	Eligible/Attended
Maria Luisa Cicognani (stepped down on 14 September 2022)	7/7
Per Anders Fasth	11/11
Janet Heckman (appointed on 23 February 2023)	1/1
Arne Berggren	11/11
Nino Suknidze (appointed on 28 January 2022) (stepped down from the committee on 23 February 2023)	9/9
Tsira Kemularia (stepped down from the committee on 28 January 2022) (appointed on 23 February 2023)	2/2

Note to the table: Full list of Committee members for the year 2022, including those members who have left the Committee and their respective attendance, are shown in the Corporate Governance Statement on page 161.

Meetings of the Committee normally take place shortly before Board meetings, and the Chair reports the activities of the Committee to the Board as a separate agenda item. All Committee meetings are formally minuted by the Company Secretary, with copies circulated to the members.

RESPONSIBILITIES OF THE COMMITTEE

The Committee is responsible for establishing and overseeing the Group's Remuneration Policy principles and considering and approving the remuneration arrangements of Executive Directors. Full details of the Committee's responsibilities are set out in the Remuneration Committee Terms of Reference, which are available on our website at www.tbcbankgroup.com. Terms of Reference for the TBC Bank Group PLC were reviewed and approved on 8 December 2022.

Committee Effectiveness

In 2021, the Board appointed an independent consultant, Lintstock Ltd, to run an assessment programme over a three-year period, starting in 2021. The survey and interview-based approach that the Board undertook in 2022 was completed in December 2022 and the Board agreed an action plan at its meeting in February 2023. More information on the results of the 2022 assessment is provided on pages 167 to 168. The performance of the Board's committees was also assessed as part of this Board review. Members were invited to complete surveys tailored to the specific requirements of each Committee.

Feedback on the performance of the Committee was positive, with improved effectiveness in its engagement with the Board and other committees during the year. The Committee was seen to include an appropriate mix of skills and experience, and Members felt that the Committee was discharging its responsibilities effectively.

Following a discussion of the review, the Committee agreed, in addition to its regular duties, to focus its attention in 2023 on working with management to ensure that relevant data and insight is provided to the Committee to support its discussions and decision-making processes. The results of the evaluation have been reported to the Board and the Committee will track progress on the recommendations during 2023.

Advisors

The Chair of the Remuneration Committee provides valuable input in updating the Committee on the recent developments in remuneration. However, when there is a need, the Committee receives external advisory services.

Wholly independent advice on executive remuneration is received from the Executive Compensation practice of Aon plc. During 2022, Aon's advice was limited to the Directors Remuneration Report that was approved by the AGM in May 2022, and preparatory work for the Directors Remuneration Report for inclusion in the 31 December 2022 Annual Report with fees of £14,100 (excluding VAT). The fees were charged on a time and materials basis.

Aon was selected by the Remuneration Committee as a result of a tender among a short list of two companies with internationally recognized governance and compensation practices and track record in similar assignments.

The Remuneration Committee and the Board are satisfied that Aon's advice was objective and independent and that the Aon team giving the advice did not have any connection with the Group that may impair its independence. Aon did not provide any other services during the year to the Group.

Directors' single total figure of remuneration for 2022 (audited)

The next table provides a breakdown of the various elements of Directors' pay for the year ended 31 December 2022 and for the prior year. This comprises the total remuneration earned in respect of the period from 1 January 2022 to 31 December 2022, and the prior period from 1 January 2021 to 31 December 2021.

	Salary/ Fees		Taxable benefits[3]		Pension related benefits[8]		Total Fixed		Deferred share Annual Bonus award[4]		LTIP 2019-2022[5]		Total Variable		Total	
US$'000[1]	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021	**2022**	2021
Vakhtang Butskhrikidze[2]	977	964	18	17	-	-	995	981	733	805	-	445	733	1,250	1,728	2,231
Tsira Kemularia	160	164	-	-	-	-	160	164	-	-	-	-	-	-	160	164
Maria Luisa Cicognani[6]	108	156	-	-	-	-	108	156	-	-	-	-	-	-	108	156
Arne Berggren[7]	356	315	-	-	-	-	356	315	-	-	-	-	-	-	356	315
Nino Suknidze[8]	147	12	-	-	2	-	149	12	-	-	-	-	-	-	149	12
Eran Klein[9]	154	96	-	-	-	-	154	96	-	-	-	-	-	-	154	96
Per Anders Fasth[9]	154	97	-	-	-	-	154	97	-	-	-	-	-	-	154	97
Thymios P. Kyriakopoulos[9]	154	97	-	-	-	-	154	97	-	-	-	-	-	-	154	97
Rajeev Sawhney[8]	152	12	-	-	-	-	152	12	-	-	-	-	-	-	152	12
Nikoloz Enukidze[10]	-	99	-	-	-	-	-	99	-	-	-	-	-	-	-	99
Nicholas Haag[10]	-	73	-	-	-	-	-	73	-	-	-	-	-	-	-	73
Eric Rajendra[10]	-	65	-	-	-	-	-	65	-	-	-	-	-	-	-	65
Abhijit Muralidhar Akerkar[11]	-	104	-	-	-	-	-	104	-	-	-	-	-	-	-	104

Notes to the table:

1. All of above compensation is denominated (and shown in the table) in US$. It should also be noted that Non-Executive Directors have not received any other payments or benefits from the Group in 2022 and 2021.
2. The exception is the CEO whose compensation and taxable benefits are denominated in GEL. Previously, the CEO's compensation and benefits were also denominated in US$, 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 US$/GEL exchange rate of 3. 230647289 (that being the 2021-yearly average exchange rate excluding holidays) was used for the re-denomination. This exchange rate is also used in the table above for displaying the CEO's amounts in US$, for consistency purposes. Vakhtang Butskhrikidze's (the CEO) salary was delivered as US$ 610,192 in cash and US$ 366,654 in shares in 2022. He did not receive any remuneration other than that disclosed in the table. The CEO salary remained unchanged for the period of 1 January 2022 to 30 April 2022 at US$ 963,994. From 1 May 2022 the CEO's salary was re-denominated in GEL, with 70% delivered in cash with the remainder in shares. A salary increase of 2% was also applied from 1 May 2022 as disclosed on page 190 of the 2021 Annual Report. In order to show the level of CEO compensation without the influence of fluctuating exchange rates, the CEO compensation denominated in GEL has been converted to US$ at an exchange rate of 3.230647289 as stated above.
3. Taxable benefits for the CEO include security allowances and insurance.
4. Annual Bonus delivered in shares. Annual Bonus award amount, therefore, is US$ 733,221 (that being 55.6% of the maximum award).
5. In light of the outbreak of COVID-19, the CEO and the senior management team at JSC TBC Bank decided to forgo their LTIP grants for the 2020 cycle as was reported in previous years' reports. Accordingly, no shares vested for 2020-2022 performance period.
6. Maria Luisa Cicognani stepped down from the Board on 14 September 2022.
7. Arne Berggren was appointed as Chair 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 JSC TBC Bank Supervisory Board on 18 July 2019.
8. Nino Suknidze and Rajeev Sawhney were appointed to the Board on 24 November 2021. 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 JSC TBC Bank (the Bank) and does not apply to TBC Bank Group PLC (the Company).
9. Eran Klein, Per Anders Fasth and Thymios P. Kyiakopoulos joined the Board on 4 May 2021.
10. Nikoloz Enukidze, Nicholas Haag and Eric Rajendra did not stand for re-election at the AGM of 14 June 2021.
11. Abhijit Akerkar stepped down as a Board member on 15 September 2021.
12. Janet Heckman was appointed to the Board on 23 February 2023.

DETAILS OF VARIABLE PAY EARNED IN THE YEAR (AUDITED)

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 1,003 billion and a Group Return on Equity of 27.0%. 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 2022 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 digitisation (covering customer experience on digital platforms (NPS), number of active users and stability of digital channels) and employee experience (ENPS), and individual targets set for technology and data development projects (named as Interstellar – in total of 17 projects), 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 196, the target KPIs were mostly met. The exceptions were the corporate KPIs related to Digitalisation: Stability of digital channels - N of major incidents, and individual KPIs related to the Bank in Uzbekistan – a. Loan portfolio size loans, b. Annual net loss and c. Number of active customers/Monthly Average Users. Several of the KPIs, such as Interstellar and Corporate KPIs: ROE, NPL, customers' experience on digital platforms/NPS of the retail mobile app and larisation in total deposits, exceeded the target.

Gateway KPIs

Following the approval of the new Remuneration Policy in 2021 and in line with the new National Bank of Georgia Governance Code requirements on Executive remuneration, a process with respect to the granting of LTIP awards has been adopted to incorporate gateway KPIs into the award process. These gateway KPIs also apply the potential granting of an Annual Bonus award.

Whether or not an Annual Bonus and/or LTIP award is granted to the CEO and the senior management of JSC TBC Bank is subject to whether certain gateway KPIs are met. If these gateway requirements are met, the Committee may then determine the size of LTIP award based on the achievement against the applicable KPIs for the performance year (The "base Year"), based on the Remuneration Policy.

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

- **CET1 ratio**: The lower end of the amber zone of the Risk Appetite Framework (RAF) at 31 December each year as approved by the Risk Committee. This is currently 60 bps 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 Net Profit)**: The Group shall not run a loss after incurring LTIP and Annual Bonus expenses.

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

		31-Dec-22
CET 1 ratio	NBG CET 1 Reg Requirement	11.6%
	Min Range of Amber Zone, regulatory +0.6%	12.2%
	Actual CET1 Capital Ratio	15.5%
NSFR	NBG NSFR Reg Requirement	100.0%
	Risk Appetite Amber Zone	103.0%
	Actual NSFR	135.3%
(IFRS Group Net Profit)	Group IFRS Net Profit in FY 2022	GEL 1,003 billion
	Top Management Variable Comp in 2022 & 2023-2025 LTIP at grant gateway target	GEL 23.1 million

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 2022 resulted in a score against KPIs of 111.2% with an 'on target' rating being 100% and with the maximum rating being 140%. 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 2022	KPI Weighting	Achieved KPI Performance	Weighted KPI Performance	Comments
Corporate KPIs (70%)								
Group ROE	19.0%-21.1%	21.1%-23.2%	>23.2%	27.0%	18.00%	140%	25%	
NPL JSC	6.0%-3.55%	3.55%-2.55%	2.55%-2.0%	2.18%	18.00%	140%	25%	
ENPS JSC TBC Bank (Stand-alone)	40%-50%	50%-60%	>60%	59%	10.00%	100%	10%	The ENPS measures employee loyalty and satisfaction with a company. It reflects whether our colleagues would recommend their workplace to their friends and family. The ENPS was measured for the Bank's employees by an independent consultant in October 2022
Digitalisation:					**10%**			
# of active digital clients (thousand)	765-850	850-935	>935	859.7	3.33%	100%	3%	The number of digital active users of TBC Bank
Stability of Digital Channels - # of Major Incidents	1.8-2.1	1.4-1.8	<1.4	2.167	3.33%	0%	0%	Average monthly number of major incidents (annualised #/12) calculated for systems affecting digital platforms.
Customers Experience on Digital Platforms NPS of Retail Mobile App	70-74	74-78	>78	83.6%	3.33%	140%	5%	Mobile bank NPS (Net promoter score) measures how willing customers are to recommend our retail mobile app to others. NPS was measured based on the internal survey with an automated research tool Medalia

Main KPI category (weight) Subcategory: measurement	Below Target (60%)	Target (100%)[1]	Above Target (140%)	Actual Result 2022	KPI Weighting	Achieved KPI Performance	Weighted KPI Performance	Comments
JSC Larisation:					**14%**			
Total loans	45.6%-47%	47%-52%	>52%	48.1%	7.00%	100%	7%	
Total Deposits	34.5%-35.5%	35.5%-39%	>39%	40.3%	7.00%	140%	10%	
Corporate KPIs Total outcome					**70.0%**		**85.2%**	
Individual KPIs (30%)								
Bank in Uzbekistan:					**10 %**			
Uz Bank: Number of active customers/ Monthly Average Users, thousand	396.5-440.6	440.6-484.66	>484.66	308.6	3.33%	0%	0%	Number of clients with at least 1 transaction every month since onboarding
Uz Bank: Portfolio size loans only, US$ million	136.0-151.1	151.1-166.21	>166.21	137.2	3.33%	60%	2%	
UZ Bank: Budgeted annual net loss, US$ million	(3.08-2.8)	(2.8-2.5)	<(2.5)	-7.4	3.33%	0%	0%	
Project Interstellar (comprising of 17 individual projects related to IT and Data)	70-80%	80-90%	>90%	101%	10.00%	140%	14%	A technological transformation project which spans the whole organisation and covers areas such as upgrading our existing IT systems, channels and infrastructure, as well as IT talent development
Leadership	Throughout the course of this year, the leadership of the Chief Executive Officer (CEO) was evaluated by the Remuneration and the Corporate Governance and Nomination (CGN) Committees. These committees conducted a thorough and comprehensive review of the CEO's performance, taking into account an array of parameters, including but not limited to: how he achieved the Group's objectives, how he succeeded in building an engaged workforce, promoting risk awareness and develop the relationship with the board and important stakeholders.				10.00%	100%	10%	
Individual KPIs Total outcome					**30.00%**		**26%**	
Overall total KPIs					**100.00%**		**111.2%**	

Note to the table: 1. targets are aligned to the budget.

The maximum value of the Annual Bonus for the Chief Executive Officer, under the Remuneration Policy, is 135% of fixed salary. 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).

The CEO's bonus is calculated based on the CEO salary received in 2022 (that being US$976,847 based on the exchange rate stated in the table below). The value of the CEO Annual Bonus award is US$ 733,221 that being 111.2% of the on-target award and 55.6% of the maximum award. The target award is 50% of the maximum, as per the new Remuneration Policy effective 1 January 2022. A detailed breakdown of the calculation is shown in the table below:

A	**Overall total KPI Score (see full KPI table below)**	111.2%
Calculation of Salary received in 2022 (to be applied to Annual Bonus Award calculation):		
B	**Annualised Salary effective January to April 2022 in US$**	964
C	**Annualised Salary effective May till December 2022 in GEL**	3,177
D	**Approved re-denomination conversion rate from GEL to US$**	3.230647289
E	**Annualised Salary effective May till December 2022 in US$ (C/D)**	983
F	**Salary received in 2022 (to be applied to Annual Bonus Award calculation): (B/12x4) + (E/12x8)**	977
Calculation of Annual Bonus Award:		
G	**Maximum Annual Bonus (deferred shares) as per Remuneration Policy US$ (135% x F)**	1,319
H	**On-target Annual Bonus (deferred shares) as per Remuneration Policy US$ (50% x G)**	659
I	**Final Annual Bonus (deferred shares) award (111.2% KPI achievement x H)**	733

The Committee is satisfied that the Annual Bonus outcome for 2022 is based on the results and value delivered by performance during the year, and is fair, reasonable, and proportionate. The Annual Bonus will be delivered in shares based on the ten-day average share price GBP 24.90 and the currency conversion rate of GBP/GEL 3.18807 and GBP/US$ cross rate 1.20420.

Long-Term Incentive Plan Awards (LTIP)

Due to COVID-19, the Executive Director and top management of JSC TBC Bank elected not to receive an LTIP grant in 2020, and therefore no LTIP has vested in relation to the performance period 2020-2022.

a. LTIP granted in 2021 for the performance period 2021 to 2023 (audited)

The following LTIP award was granted to the CEO during the 2021 financial year:

	Type of award	Award Size	Face Value	Number of Shares[1]	Grant Date	Performance Period	Performance Targets
Vakhtang Butskhrikidze (CEO)	LTIP	161% salary	US$ 1,554,240	100,284	11/03/21	2021 to 2023	See next table

Note to the table:

1. Gross number of shares is provided in the table. The net number of shares granted, which was 80,227, 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 was 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.

Performance conditions and targets, together with corresponding weightings for the CEO for LTIP awards granted in 2021 in respect of the forward-looking performance period 2021-2023, are as follows:

	KPI weight	Threshold (60%)	Target (inclusive) (100%)	Above Target (140%)
TSR for a period of 3 years (2021-2023)	40%	Below 15%	17-20%	Above 20%
Average ROE for 3 years (2021-2023)	40%	Below 15%	18-21%	Above 21%
Loan market share at the end of (2021-2023)	20%	Below 34%	36-40%	Above 40%

b. LTIP granted in 2022 for the performance period 2022 to 2024 (audited)

As stated in the earlier section related to "Gateway KPIs", whether or not Annual Bonus and/or LTIP awards are granted to the CEO and the senior management of JSC TBC Bank is subject to whether certain gateway KPIs are met. For the 2022-2024 cycle the following gateway KPIs were met as at the end of 2021, confirming CEO eligibility for an LTIP grant in 2022:

- **CET1 ratio**: The lower end of the amber zone of the Risk Appetite Framework (RAF) at 31 December each year as approved by the Risk Committee. This was 60 basis points above the regulatory ratio as per the existing risk appetite at the year-end 2021.
- **Liquidity (NSFR ratio)**: The lower end of the amber zone of the RAF at 31 December each year as approved by the Risk Committee. This was 3 pps above the regulatory ratio as per the existing risk appetite at the year-end 2021.
- **Profitability (IFRS Group Net Profit)**: The Group did not make a loss after incurring LTIP and bonus expenses.

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

CET1 ratio	NBG CET 1 Reg Requirement	11.7%
	Min Range of Amber Zone, regulatory +0.6%	12.3%
	Actual CET1 Capital Ratio	13.7%
Liquidity (NSFR ratio)	NBG NSFR Reg Requirement	100.0%
	Risk Appetite Amber Zone	103.0%
	Actual NSFR	127.3%
(IFRS Group Net Profit)	Group IFRS Net Profit in FY 2021	GEL 809 million
	Top Management Variable Comp in 2021 & 2022-2024 LTIP at grant gateway target	GEL 27.2 million

Therefore, with respect to the 2022 grant of LTIP, the gateway KPIs for an LTIP award at that time were fulfilled. In terms of the determination of the LTIP award grant size, as the per the Remuneration Policy approved for 2022, the maximum LTIP grant value was 161% of the Executive Director's salary. With respect to the amount of the grant, and as per the new NBG regulation which came into effect from 1 January 2022 and will be applied going forward, the Remuneration Committee considered the achievement of Corporate KPIs for 2021, which was at 96%. Corporate KPIs, which represented 70% of the overall KPIs, are used as the LTIP gateway measurement. As 67.7% of a total of 70% as set out in the Corporate KPIs table on page 195 of the 2021 Annual Report was achieved, this resulted in an achievement of 96% in this case. Based on this, the Committee approved a grant of US$ 1,489,949 for the CEO. This represented 96% of the maximum opportunity and 155% of the CEO's salary. The Remuneration Committee considered share price movement during the year and, given the volatility in the market at that time, decided not to adjust the LTIP grant. However, the Committee will use its discretion to review the overall position at the time of vesting to determine the appropriate vesting outcome.

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	Performance Period	Performance Targets
Vakhtang Butskhrikidze (CEO)	LTIP	155% salary	US$ 1,489,949	83,455	01/03/22	2022 to 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 will be 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 stated on page 199 of this report.

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)
Average ROE[1]	40%	15-19%	19-22%	Above 22%
Absolute target for total shareholder return (TSR)[2]	40%	15-17%	17-20%	Above 20%
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. 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.
2. 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.
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 (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 5 years. No dividend equivalents will be paid on 2022 LTIP award until the shares fully vest.

This award remains fully subject to the 2022 Directors' Remuneration Policy as approved by shareholders in 2021, including features related to malus, clawback and Remuneration Committee discretion.

c. LTIP grant in 2023 for the performance period 2023 to 2025

As stated in the earlier section "Gateway KPIs", the gateway KPIs for an LTIP award in 2023 are fulfilled, meaning the CEO is eligible to be considered for an LTIP grant. In terms of the determination of the LTIP grant size, and as per the new NBG regulation which came into effect from 1 January 2022 and will be applied going forward, the Remuneration Committee considers the achievement of Corporate KPIs for 2022, which was at 121.7 % (85.2% of a total of 70% as set out in the Corporate KPIs table on page 195). Based on this, the Committee approved a grant of GEL 5,114,344 (US$ 1,583,071 at an exchange rate of 3.230647289, this being the same exchange rate applied to the re-denomination of the CEO's compensation from US$ to GEL during 2022 as previous stated). This represents 100% of the maximum opportunity and 161% of the CEO's salary.

As stated previously, the National Bank of Georgia (NBG) published new requirements for senior management compensation with the ratio of total variable remuneration capped at 200% of fixed remuneration (subject to shareholder approval, which has been obtained by TBC for 3 years at the 2021 AGM and is effective from January 1, 2022). It is possible, subject to the eventual vesting of the LTIP, that the total maximum amounts of variable remuneration in the Directors Remuneration Policy could exceed the limits provided by NBG. If the CEO's achievement exceeds the limits set by NBG when the LTIP vests (which, based on the NBG requirements, is when the LTIP award is counted towards the ratio), the total remuneration will be adjusted to ensure that the total remuneration complies with the regulatory limits.

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 Weighting	Minimum (25% pay-out)	Target (Straight-line calculation)	Above Target (100% pay-out)
Absolute Target for Total Shareholder Return (TSR)[2]	50%	15% - 17%	17% - 20%	Above 20%
Average ROE[1]	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. Exceptional one-offs caused by regulatory changes (taxation, NBG lending rules, etc.) to be excluded from ROE calculations; exclusion will be subject to Committee discussion and approval.
2. TSR is calculated based on the assumption that dividends are re-invested 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 February will be used.
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 & might be syndicated within the KPI performance period, as 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 employee at the end of five years. No dividend equivalents will be paid on 2023 LTIP award until shares fully vest.

This award remains fully subject to the 2022 Directors' Remuneration Policy as approved by shareholders in 2021, including features related to malus, clawback and Remuneration Committee discretion .

Total Pension Entitlements (audited)

One of the Non-Executive Directors, Nino Suknidze, receives contributions into the mandatory Georgian government pension fund at a level of 2% of her fee, with employer contributions paid by JSC TBC Bank in 2022 as reflected in total single figures. This pension scheme applies only to JSC TBC Bank (the Bank) and does not apply to TBC Bank Group PLC (the Company). This will provide an accumulated fund at retirement age.

Directors Outstanding Incentive Scheme Interests (audited)

The following tables summarise the outstanding awards made to Executive Directors:

a. Salary in shares[5]

	Year of Grant	Interest at 01/01/2022	Granted in year	Vested in year	Interest at 31/12/2022	Grant date	Share price used for grant calculation[4]	Vesting date[1,2,3]
Vakhtang Butskhrikidze	2022[1]	-	22,841	22,841	-	10/03/2022	£13.21[8]	10/03/2022
	2021[2]	23,752	-	11,876	11,876	11/03/2021	£12.43[7]	11/03/2023
	2020[2]	12,036	-	12,036	-	19/02/2020	£12.93[6]	19/02/2022
	2019[3]	14,098	-	14,098	-	21/03/2019	$11.00	21/03/2022
	Total	49,886	22,841	60,851	11,876			

Notes to the table:

1. This relates 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. 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. Refers to the policy approved at the 19 May 2015 AGM. Subject to continuous employment and malus and clawback provisions. The continuous employment condition is lifted as follows: 10% of the award on the first anniversary from the award date, another 10% on the second anniversary from the award date and the final 80% on the third anniversary from the award date.
4. This table provides share prices used in calculation instead of previously reported grant date share price (which was reported in the 2020 Annual report), as the latter was only presented for informational purposes and had not been used in calculations.
5. All share interests are presented net of all applicable taxes for Georgia and the UK.
6. Applicable FX rate for US$:GBP used for the 2020 award was 1.2977.
7. Applicable FX rate for US$:GBP used for the 2021 award was 1.3780.
8. Applicable FX rate for US$:GBP used for the 2022 award was 1.3517

b. Annual Bonus (deferred shares)[5,6]

	Year of Grant	Interest at 01/01/2022	Granted in year	Vested in year	Interest at 31/12/2022	Grant date	Share price used for grant calculation[5]	Vesting date[1,2,3]
Vakhtang Butskhrikidze	2022[1]	-	35,638	-	35,638	10/03/2022	£13.21[8]	10/03/2024
	2021[4]	-	-	-	-	-	-	-
	2020[2]	21,286	-	21,286	-	19/02/2020	£12.93[7]	19/02/2022
	2019[3]	71,537	-	71,537	-	21/03/2019	$11.00	21/03/2022
	Total	92,823	35,638	92,823	35,638			

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 person and clawback at any time before the third anniversary of the end of the holding periods.
2. Refers to the policy approved at the 21 May 2018 AGM. 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. Refers to the policy approved at the 19 May 2015 AGM. Subject to continuous employment and malus and clawback provisions. The continuous employment condition is lifted as follows: 10% of the award on the first anniversary from the award date, a further 10% on the second anniversary from the award date and the final 80% on the third anniversary from the award date.
4. As a result of COVID-19 a decision was taken not to make Annual Bonus awards for 2020, so there are no grants in 2021 for the Executive Directors.
5. This table provides share prices used in calculation instead of previously reported grant date share price (which was reported in the 2020 Annual report), as the latter was only presented for informational purposes and had not been used in calculations.
6. All share interests are presented net of all applicable taxes for Georgia and the UK.
7. Applicable FX rate for US$:GBP used for the 2020 award was 1.2977.
8. Applicable FX rate for US$:GBP used for the 2022 award was 1.3517.

c. LTIP[3]

	Year of Grant	Interest at 01/01/2022	Granted in year[1]	Vested in year	Lapsed in year	Interest at 31/12/2022[2]	Grant date	End of performance period	Vesting date	Holding date[2]
Vakhtang Butskhrikidze	2022	-	83,455	-	-	83,455	01/03/2022	31/12/2024	01/03/2027	-
	2021	100,284	-	-	-	100,284	11/03/2021	31/12/2023	01/03/2024	01/03/2027
	2020	-	-	-	-	-	-	-	-	-
	2019[1]	79,217	-	26,821	52,396	26,821	19/02/2020	31/12/2021	10/03/2022	10/03/2024
	Total	179,501	83,455	26,821	52,396	210,560	-	-	-	-

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.
3. The number of shares granted presented in the table are calculated from 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 2,414% of salary at 31 December 2022 exceeds the share ownership requirement of 200% of salary.

	Shareholding guidelines (% of salary)	Shareholding at 31 Dec 2022 not subject to either continuing employment requirements or performance conditions (A)[1]	Shareholding at 31 Dec 2022 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)
Vakhtang Butskhrikidze (CEO)	200%	787,229	74,335	861,564	2,414%	183,739	258,074	1,045,303
Arne Berggren[5]	-	4,500	-	4,500	-	-	-	4,500
Tsira Kemularia	-	-	-	-	-	-	-	-
Eran Klein	-	-	-	-	-	-	-	-
Per Anders Fasth	-	-	-	-	-	-	-	-
Thymios Kyriakopoulos[6]	-	5,000	-	5,000	-	-	-	5,000
Nino Suknidze	-	-	-	-	-	-	-	-
Rajeev Sawhney	-	-	-	-	-	-	-	-
Maria Luisa Cicognani[7]	-	-	-	-	-	-	-	-

There were no changes to the Directors' interests in the Company's shares during the period 31 December 2022 and the publication of this Annual Report other than those announced on 24 February 2023..

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 requirements.
2. This figure includes shares that are still subject to transfer restrictions, a continuous employment condition and malus and clawback provision. The figure includes shares granted as an Annual Bonus (deferred shares) each year and deferred share salary up to and including the performance year 2020.
3. This figure includes awards granted, but not vested, under the LTIP that are subject to performance conditions. Details of these interests are described on page 200.
4. The shares as a percentage of salary have been calculated based on a share price of GBP 22.70 as at 31 December 2022 converted into US$ using the cross rate of the official exchange rates published by the NBG of 2.702 for GEL/US$ and of 3.2581 for GEL/GBP for the same date.
5. On 20 May 2022, Arne Berggren purchased 4,500 shares at an average share price of £13.21.
6. On 8 March 2022, Thymios P. Kyriakopoulos purchased 5,000 shares at an average share price of £9.65.
7. Maria Luisa Cicognani stepped down from the Board on 14 September 2022.
8. No change to the shareholding of the Directors has occurred between 31 December 2022 and 17 April 2023.
9. Janet Heckman was appointed to the Board on 23 February 2023.

Payments to past Directors (audited)

No payments have been made to past Directors during the 2022 year .

Payments for loss of office (audited)

No payments have been made for loss of office in the 2022 year.

Relative importance of the expenditure on pay

The next table shows the Group's expenditure on pay compared with distributions to shareholders.

US$000	2022	2021	% change
Remuneration paid to or receivable by all employees[1]	128,806	96,034	34%
Distributions to shareholders by way of dividends or share buyback[2]	97,465	26,223	272%
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 and is converted into US$ using the average US$/GEL exchange rate 2.9099 for 2022 and of 3.2306 for 2021 respectively.
2. Dividends of US$88,904,000 paid to shareholders in 2022 were the sum of gross amounts of 2021 full dividend converted into US$ using official exchange rate for 24 June 2022, US$/GEL 2.9355 and 2022 interim dividend converted into US$ using average exchange rate for the period of 19 September to and including of 23 September 2022 (5 days average), US$/GEL 2.83866.
TBC operated a share buy-back of US$8,760,000; this amount is converted into US$ 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 2022 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 (2021 to 2022, 2020 to 2021 and 2019 to 2020).

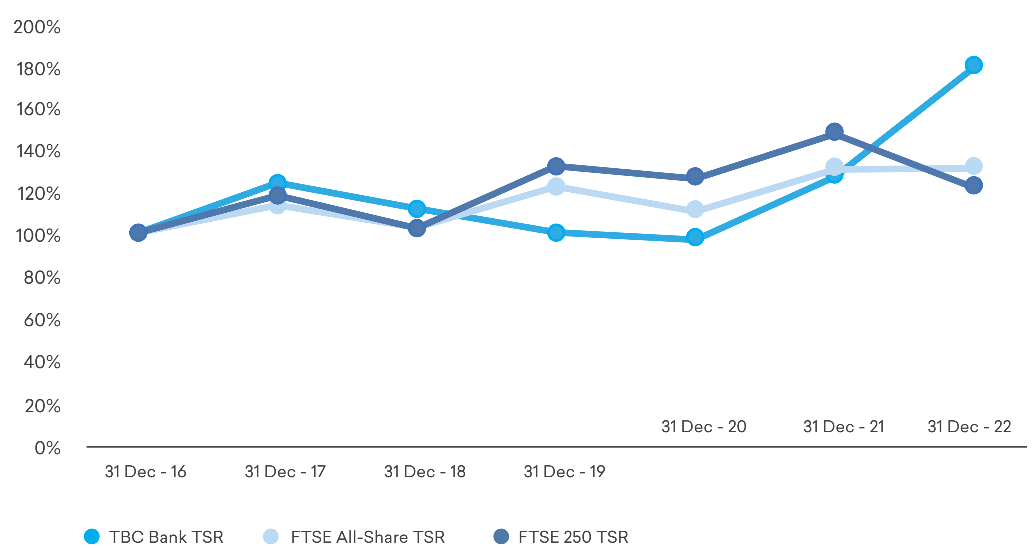
	Change in 2022 against 2021 (%)			Change in 2021 against 2020 (%)			Change in 2020 against 2019 (%)		
	Salary/fees	Taxable Benefits	Annual Bonus	Salary/fees	Taxable Benefits	Annual Bonus	Salary/fees	Taxable Benefits	Annual Bonus
Executive Directors									
Vakhtang Butskhrikidze	1%	6%	-41%[5]	0%	-4%	100%[5]	0%	-14%	-100%[5]
Non-executive Directors									
Arne Berggren[1]	13%	-	-	113%	-	-	190%	-	-
Tsira Kemularia	-2%	-	-	5%	-	-	9%	-	-
Maria Luisa Cicognani[4]	-31%	-	-	1%	-	-	3%	-	-
Eran Klein[3]	60%	-	-	-	-	-	-	-	-
Per Anders Fasth[3]	59%	-	-	-	-	-	-	-	-
Thymios P. Kyriakopoulos[3]	59%	-	-	-	-	-	-	-	-
Nino Suknidze[3]	NMF	-	-	-	-	-	-	-	-
Rajeev Sawhney[3]	NMF	-	-	-	-	-	-	-	-
Average employee[2,6,8]	**10%**	**9%**	**14%**	**2%**	**63%**	**11%**	**18%**	**-25%**	**-61%**

Notes to the table:

1. 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 JSC TBC Bank Supervisory Board on 18 July 2019.
2. These numbers include employees of the Group, except for the Executive and Non-Executive Directors' remuneration provided in the given table.
3. 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.
4. Maria Luisa Cicognani stepped down from the Board on 14 September 2022.
5. In light of the outbreak of COVID-19 the CEO and the senior management team forfeited their right to receive an Annual Bonus for 2020 and so no Annual Bonus (deferred shares) award was granted for 2020. Also the management decided to forgo their LTIP grants for the 2020 cycle and so no shares vested for 2020-2022 performance period.
6. Percentage change for the workforce salary, benefits and Annual Bonus, where applicable, is provided in GEL.
7. Percentage change for the Board members' salary, benefits and Annual Bonus is provided in US$.
8. Average inflation 2022 against 2021 (%): 11.9%
9. Janet Heckman was appointed to the Board on 23 February 2023.

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 2022. These market indexes were selected because they are most comparable to the Company in terms of listing and relevant governance and transparency standards. Further, the Company is included in the FTSE All-Share Index and FTSE 250 Index.



The total remuneration figures for the CEO for 2015 to 2022 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	Single Total figure of remuneration (US$'000)	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 (%)
2022	1,728	56 %	N/A
2021	2,231	62%	43%
2020	982	N/A	N/A
2019	1,887	69%	N/A
2018	3,356	85%	N/A
2017	4,084	88%	N/A
2016	3,017	85%	N/A
2015	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 2022 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 2022 AGM	38,460,517	98.45%	605,254	1.55%	39,065,771	70.83%	1,558,967
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

Resolution on the Directors' remuneration report

A supporting vote of 98.45% was received for the Directors' Remuneration Report Resolution at the AGM.

IMPLEMENTATION OF REMUNERATION POLICY FOR 2023

Remuneration Policy Summary – Executive Director

This section summarises how the Remuneration Policy will be implemented in 2023 for Executive and Non-Executive Directors. The Policy was approved at the AGM on 14 June 2021 and is effective from 1 January 2022 and is intended to apply for three performance years until 31 December 2024.

Salaries for Executive Directors	Salary for the Executive Director: From 1 January 2023 is GEL 3,176,611, where GEL 2,223,628 is paid in cash and GEL 952,983 is paid in shares. Salaries are determined based on market practice and provide each Executive Director with a competitive fixed income to efficiently retain and reward the director, based upon each Director's roles and responsibilities within the Group and relative skills and experience. Salary is denominated in GEL. **Salary in cash:** The cash part of the salary is aimed to provide fixed cash remuneration (70% 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 (30% of the CEO's salary).
2023 Annual Bonus	Consistent with the Policy requiring at least 60% of performance to be measured on financial KPIs, the 2023 Annual Bonuses will be based on 70% corporate and 30% individual objectives. Corporate performance will be assessed on a number of measures including ROE, NPL (Non-Performing Loans), ENPS, UZ net profit and Technology KPI. Individual KPIs are linked to active users in Georgia, International Expansion KPIs and Leadership. The performance targets for 2023 are deemed to be commercially sensitive and will be disclosed in next year's Annual Report on Remuneration. In accordance with the Remuneration Policy, the maximum Annual Bonus opportunity for the CEO will be 135% of salary.
2023 LTIP	LTIP awards granted to the CEO will be over shares worth a maximum of 161% of salary. The 2023 LTIP grant will be measured over the three years to 31 December 2025 and subject to the conditions set out below. The shares crystallise at the third anniversary of the grant and remain unvested for a further 2 years. Further information on these is provided on page 199 above. Additionally, and in line with the new National Bank of Georgia Governance Code requirements on executive remuneration, a process for granting LTIP has been adopted to incorporate Base Year requirement to the LTIP award process. Further information on these is provided on pages 199 to 200 above.

LTIP KPI	Weighting
Absolute TSR	50%
Average ROE	30%
ESG KPI – Volume of Green Portfolio at the end of the 2025	20%

Chairman and Non-Executive Director fees

The fees for the Chairman and Non-Executive Directors are unchanged from the fees paid in 2022:

	US$'000
Chairman (eligible for committee fees)	338
Non-Executive Director (other than Chairman)	130
Senior Independent Director	15
Committee Chairmanship	12
Committee membership	6
Designated Employee engagement independent Board member role	3

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

DIRECTORS' REMUNERATION POLICY

The rest of this section of the report sets out the Policy approved by shareholders at the 14 June 2021 AGM and that came into effect from 1 January 2022. While no formal changes are being proposed this year, following discussion with investors the Committee has decided to pay 70% of Vakhtang Butskhrikidze's salary in cash. This is to reduce the frequency with which he sells his shareholding to realise cash.

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

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

POLICY TABLE: EXECUTIVE DIRECTORS

FIXED PAY

Salary – delivered as cash and shares

Purposes and link to the strategy of the Group	Salaries are determined based on market practice and provide each Executive Director with a competitive fixed income to efficiently retain and reward the Director, and are based upon each Director's roles and responsibilities within the Group and relative skills and experience. **Salary in cash** The cash part of the salary is aimed to provide fixed cash remuneration. **Salary in shares** Part of the salary is delivered in the form of shares to align Executive Directors' and shareholders' interests.
Operation	An Executive Director may be paid separate salaries for roles and responsibilities at different entities within the TBC Group as set out in a separate service contract with any relevant entity. Currently the Executive Director receives a salary from JSC TBC Bank and TBC Bank Group PLC. The aggregate is disclosed in the Remuneration Report. Salaries are reviewed annually by the Remuneration Committee. Salaries will be reviewed against relevant bank peers and other companies of a similar size and complexity. **Delivery of shares** Shares are usually delivered during the first quarter of the second year (i.e. the year after the work is performed) and the exact date is determined by the Remuneration Committee. All shares must be held for one year and 50% of the shares must be held for a second year. They are registered in the trustees' name as nominee for the participants. The participants are entitled to receive dividends and have voting rights from the delivery date.
Maximum Opportunity	Salary is set and reviewed annually to ensure that the Directors receive a fair compensation which is competitive for the role the individual is asked to play within the Group and is commensurate with experience. Salary for the Executive Director is determined by the Remuneration Committee, taking account his skills, performance and experience. No salary increase is proposed for 2021 nor it was awarded in 2020, as salary has remained at the same level as approved by the Policy in 2018. The maximum salary level will be determined by the Board in line with the principles outlined. Whilst there is no absolute maximum salary level, any increase will normally be in line with those awarded to the workforce. Where an increase is to be awarded above those granted to the workforce, we will engage with our shareholders and maintain the objective that the total reward potentially available is not excessive from the standpoint of relevant employment data. Any changes to salary must be recommended by the Remuneration Committee and approved by the Board. For the element of salary paid in shares, the number of shares is calculated based on the average share price of the last 10 days preceding the Remuneration Committee decision date. However, the maximum value is fixed by reference to a cash amount on that date.
Performance Measures	Not performance based

Malus / clawback	Malus and clawback provisions are not applicable to salary delivered in cash or shares.
Amendments to previous policy	Removal of deferral (with a requirement for continued employment), malus and clawback on salary delivered in shares. This is to ensure salary delivered in shares is treated as fixed pay for regulatory purposes.
Pension	
Purposes and link to the strategy of the Group	To assist our employees in providing for their retirement and to maintain a market competitive benefits package to attract and retain executive directors[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.
Maximum Opportunity	In line with the workforce, the maximum employer contribution will not exceed 2% of total compensation.
Performance Measures	No performance measures apply to the contribution level.
Malus / clawback	Malus and clawback provisions are not applicable.
Amendments to previous policy	Reduction of maximum employer contribution from 3% to 2% to align pension with workforce pension arrangements.
Benefits	
Purposes and link to the strategy of the Group	Benefits are in line with Georgian market practice and are designed to be sufficient to attract and retain high calibre talent.
Operations	Benefits available to Executive Directors consist of insurance (such as medical, life and disability insurance), physical examinations, Directors' and officers' liability insurance, a car service, personal security arrangements and assistance with filling out tax returns, where required. The Remuneration Committee retains the discretion to provide additional benefits, where necessary or relevant in the context of the Director's location. Executive Directors are reimbursed for reasonable business expenses incurred in the course of carrying out duties under their service contracts, on provision of valid receipts.
Maximum Opportunity	The maximum amount payable depends on the cost of providing the benefits that the Remuneration Committee is willing to provide to an employee in the location at which the Executive Director is based. Shareholders should note that the cost of providing comparable benefits in different jurisdictions may vary widely. Disclosure of amounts paid will be provided in the implementation report and will be explained where the cost of benefits is significant.
Performance Measures	Not performance based
Malus / clawback	Malus and clawback provisions are not applicable.
Amendments to previous policy	No Changes proposed
Variable Pay	
Annual bonus delivered in shares	
Purposes and link to the strategy of the Group	To provide a strong motivational tool to achieve the annual KPIs and to provide rewards to the extent those KPIs are achieved. The annual KPIs are chosen to align our Executive Directors' interests with the short-term strategic objectives of the Group.
Operation	**Determination of annual bonus** KPIs are set at the beginning of each year in relation to that year (see more detail below). The nature of the KPIs will be disclosed in the annual report published in the performance year. The precise weightings and targets may be considered by the Remuneration Committee to be commercially sensitive and in that case will be disclosed retrospectively, which is generally expected to be in the following annual report. **Delivery structure** Annual bonus is delivered entirely in shares, which are subject to a holding period. Once shares are delivered, 50% of the shares will be subject to a holding period for 1 year and the other 50% for 2 years from the delivery date. The shares are registered in the trustees' name as the nominee for the participants and the participants are entitled to receive dividends. Shares are usually delivered during the first quarter of the second year (i.e. the year after the work is performed) and the exact date is determined by the Remuneration Committee. **Administration** Key discretions the Remuneration Committee has with respect to the plan are summarised further on in this Remuneration Policy.

Maximum Opportunity	The maximum value of the Annual Bonus for the Chief Executive Officer, under the annual short-term incentive arrangements, is 135% of fixed salary. For achieving target performance, no more than 50% of the maximum bonus opportunity is payable. For threshold performance, no Annual Bonus is paid. The number of shares is calculated based on the average share price of the last 10 days preceding the Remuneration Committee decision date.
Performance Measures	The KPIs consist of corporate and individual performance measures. Corporate KPIs include financial measures, and non-financial measures with long-term focus. At least 60% of annual bonus will be earned against a challenging set of financial KPIs with the targets set with reference to the Bank's planning for the year. Individual performance measures may include individual strategic objectives which vary per person. The performance period is one year. To the extent that the KPIs are achieved, the Remuneration Committee may decide whether an award may be made and the amount of such award. The Remuneration Committee may also adjust KPIs during the year to take account of material events, such as (without limitation): material corporate events, changes in responsibilities of an individual and/or currency exchange rates.
Malus / clawback	Awards are subject to the operation of malus at any time before the end of the holding period and clawback at any time before the third anniversary of the end of the holding period. The precise powers of the Remuneration Committee to operate malus and clawback are set out in the terms and conditions governing the awards. In summary, for awards granted whilst this Policy is in effect, if the Board determines (based on the recommendation of the Remuneration Committee) that: – the Director deliberately misleads the Company or the Bank in relation to financial performance; – there has been a material misstatement or material error in the financial statements of the Company or the Bank; – the Director participated in or was responsible for conduct which resulted in significant losses to the Company or the Bank; – the Director failed to meet the relevant fit and proper criteria set by the NBG; – there is evidence of misconduct or serious errors by the Director, including (without limitation) a breach of any code of ethics or any other material breach of internal company rules; – the Company, the Bank and/or a relevant business unit suffers a significant downturn in its financial performance (e.g. specific business indicators) (for malus purposes), or the Director has caused the Company, the Bank and/or a business unit to suffer a significant downturn in its financial performance (for clawback purposes); – the Company, the Bank and/or a business unit in which the Director works suffers a significant failure of risk management (for malus purposes), or the Director has caused the Company, the Bank and/or the business unit in which the Director works to suffer a significant failure of risk management (for clawback purposes); – there is significant increase in the Company's and or Bank's or relevant business unit's economic or regulatory capital base (for malus purposes), or the Director's participation caused significant increase in the Company's and or Bank's or relevant business unit's economic or regulatory capital base (for clawback purposes); or – the conduct of the Director contributed to the imposition of regulatory sanctions on the Company or the Bank. The Board has the right to claw some or all of the award for that year or any subsequent financial year that is unvested (or unpaid) to lapse (or not be paid) (i.e., operate malus), and/or to require the return of shares and/or cash value received by the Director pursuant to the award (i.e., operate clawback), may be as determined by the Board in its absolute discretion. Further, malus may be operated if it is considered that the underlying financial performance of the Company or the performance of the Director during the holding period is such that the number of shares cannot be justified. For awards granted prior to the effective date of this Policy, the awards are subject to the Company's previous malus and clawback policy as summarised in the Policy in effect from 1 January 2019.

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.

Amendments to previous policy	Move to basing maximum award on a percentage of salary rather than a monetary amount. Removal of continuing employment requirement for the annual bonus. Introduction of a minimum of 60% of annual bonus determined by financial KPIs. Setting target performance to provide 50% of maximum bonus opportunity compared to 63% per current policy. Extension of malus and clawback trigger events in line with the requirements of NBG CG Code.
Long Term Incentive Plan (LTIP)	
Purposes and link to the strategy of the Group	To provide a strong motivational tool to achieve long-term performance conditions and to provide rewards to the extent those performance conditions are achieved. Performance conditions are chosen to align our Executive Directors' interests with strategic objectives of the Group over multi-year periods and encourage a long-term view.
Operation	**Determination of award** Awards are discretionary and are granted if the Remuneration Committee considers that there has been satisfactory performance over the prior base year. **Delivery structure** Awards may be granted in the form of conditional share awards, options or restricted share awards. Awards are structured so that when combined with the annual bonus no less than 60% of variable pay is delivered as LTIP in any one year. For each award, forward-looking performance conditions are set by the Remuneration Committee for a period of three years. (see more detail below). The Remuneration Committee determines the level of award at the end of the performance period, based on the extent to which the performance conditions have been met. The performance conditions and respective targets will be disclosed in the annual report published in the year of the award. **Timing of receipt** For the shares to be delivered, the performance conditions need to be met over the 3-year performance period. To the extent that performance conditions have been met, the LTIP awards remain subject to 2 years further vesting period and continued employment requirements before vesting at the end of 5 years. No dividend equivalents will be paid on any awards (or part thereof) that lapse on or before vesting. **Dilution** For newly issued and treasury shares, the LTIP is limited to using 10% in 10 years for employee plans and 5% in 10 years for discretionary plans. These limits will exclude shares under awards that have been renounced, forfeited, released, lapsed or cancelled or awards that were granted prior to the Company's IPO or awards that the Remuneration Committee decide will be satisfied by existing shares. **Administration** The plan will be administered by the Remuneration Committee. Key discretions the Remuneration Committee has with respect to the plan are summarised further on in this Remuneration Policy.
Maximum Opportunity	The maximum value of the award for the Chief Executive Officer in any given year, under the long-term incentive arrangements, to be awarded is 161% of salary. The number of shares is calculated based on the average share price during the 10 days after the preliminary annual results of the year preceding the year of each grant is announced.
Performance Measures	Forward-looking performance measures will be based on financial performance, appropriate risk taking, and other long-term strategic measures are approved by the Board and set by the Remuneration Committee each year. Measures and weightings will be set out in advance of each grant to reflect the Company's strategy. At threshold level of performance, for each measure, 25% of the award opportunity for that measure will vest, 100% of the award will vest for achieving the maximum performance set for each measure and a target award will be calculated on a straight line basis. The Remuneration Committee has the discretion, any time after an award has been granted, to reduce (including to zero) an award if the Remuneration Committee considers that either the underlying financial performance of the Company or the performance of the individual is such that the level of vesting cannot be justified. The performance period is three years, commencing no earlier than the beginning of the financial year during which the Award is granted. The Remuneration Committee may adjust performance conditions during the performance period to take account of an event which causes the Remuneration Committee to reasonably consider that it would be appropriate to amend them, such as (without limitation) material corporate events, changes in responsibilities of an individual and/or currency exchange rates, provided that the altered KPIs will, in the reasonable opinion of the Remuneration Committee (acting fairly and reasonably), be not materially less difficult to satisfy.
Malus / clawback	Awards are subject to the operation of malus until two years after the shares have been delivered and to clawback until three years after the shares have been vested. The precise powers of the Remuneration Committee to operate malus and clawback are set out in the terms and conditions governing the awards. In summary, for awards granted whilst this Policy is in effect, if the Board determines (based on the recommendation of the Remuneration Committee) that: – the Director deliberately misleads the Company or the Bank in relation to financial performance; – there has been a material misstatement or material error in the financial statements of the Company or the Bank; – the Director participated in or was responsible for conduct which resulted in significant – losses to the Company or the Bank; – the Director failed to meet the relevant fit and proper criteria set by the NBG; – there is evidence of misconduct or serious errors by the Director, including (without limitation) a breach of any code of ethics or any other material breach of internal company rules; – the Company, the Bank and/or a relevant business unit suffers a significant downturn in its financial performance (e.g. specific business indicators) (for malus purposes), or the Director has caused the Company, the Bank and/or a business unit to suffer a significant downturn in its financial performance (for clawback purposes); – the Company, the Bank and/or a business unit in which the Director works suffers a significant failure of risk management (for malus purposes), or the Director has caused the Company, the Bank and/or the business unit in which the Director works to suffer a significant failure of risk management (for clawback purposes); – there is significant increase in the Company's and or Bank's or relevant business unit's economic or regulatory capital base (for malus purposes), or the Director's participation caused significant increase in the Company's and or Bank's or relevant business unit's economic or regulatory capital base (for clawback purposes); or – the conduct of the Director contributed to the imposition of regulatory sanctions on the Company or the Bank. The Board has the right to cause some or all of the award for that year or any subsequent financial year that is unvested (or unpaid) to lapse (or not be paid) (i.e., operate malus), and/or to require the return of shares and/or cash value received by the Director pursuant to the award (i.e., operate clawback), as determined by the Board in its absolute discretion. Further, the Board has the discretion to operate malus if it considers that the underlying financial performance of the Company or the performance of the Director during the performance period is such that the number of shares cannot be justified. In addition, if it is discovered during the three years after cessation of employment that a good leaver is in fact a bad leaver according to the rules of the plan, the provisions of the plan applicable to bad leavers will apply and the individual will be required to return all shares acquired pursuant to awards that vested on or after the cessation of employment. For awards granted prior to the effective date of this Policy, the awards are subject to the Company's previous malus and clawback policy as summarised in the Policy in effect from 1 January 2019.

Amendments to previous policy	In line with NBG requirements, introduction of Remuneration Committee assessment that there has been satisfactory performance over the prior year before grant. Move to basing maximum award on a percentage of salary rather than a monetary amount. Reduction of the threshold LTIP to 25% of maximum award. Extension of malus and clawback trigger events in line with the requirements of NBG CG Code.
Shareholding Requirement	
Purposes and link to the strategy of the Group	To further enhance the alignment of shareholders' and Executive Directors' interests in long-term value creation and sustainability of results.
Operation	The Company has a minimum shareholding requirement of 200% base salary, built up within five years of appointment. Until it is met, Executive Directors are expected to retain 50% of shares (net of tax). Shares counted for this purpose include any deferred annual bonus and any vested awards from the LTIP (notwithstanding that holding / continued employment conditions may still apply). Unvested awards from the LTIP will not be counted. After employment the lower of the Executive Director's shareholding at termination or 50% of the minimum shareholding requirement are required to be held for two years post-cessation.
Performance measures	Not performance based
Maximum Opportunity	Minimum shareholding requirement of 200% of base salary to be built up within five years of appointment. For two years post-cessation, the lower of the Executive Director's shareholding at termination or 50% of the minimum shareholding requirement.
Amendments to previous policy	Introduction of a timeframe within which to build minimum shareholding requirement.

Pre-existing obligations

It is a provision of this Policy that the Group will uphold all pre-existing obligations and commitments that were agreed prior to this Policy taking effect. The terms of those pre-existing obligations and commitments may differ from the terms of the Policy and may include (without limitation) obligations and commitments under service contracts, deferred share compensation schemes and pension and benefit plans.

We believe, the new Policy meets the best and regional practices, is competitive and aligns executives' long-term interests with those of the Group and its shareholders.

Performance measures and targets

Annual Bonus

Annual Bonuses (deferred shares) are awarded to reward past performance over the year. At the end of the performance year, the shares will be delivered to the extent that annual KPIs have been met (as determined by the Remuneration Committee). Once shares are delivered, the shares will be subject to a 2-year post performance holding period (with 50% released each year).

The Remuneration Committee's goal for each KPI is to establish a level of performance that is not certain to be attained, so that achieving or exceeding the targets requires diligent efforts by the Executive Director.

KPIs for the Annual Bonus (deferred shares), consist of corporate, financial (such as ROE, NPL (Non-performing loans), larisation and non-financial KPIs (such as digitalisation, people and customer satisfaction levels) and individual KPIs (such as leadership and/or performance of specific function) and which reflect the Executive Directors' required contribution to the Group's overall key strategic and financial objectives for that financial year. At least 60% of the Annual Bonus will be determined by financial performance KPIs. The actual weighting on financial performance may exceed this.

The nature of the KPIs will be disclosed in the annual report published in the performance year. Specific weightings and targets for each KPI may be considered by the Remuneration Committee to be commercially sensitive as a measure to the Group's business; in that case, these details will be disclosed retrospectively, which is generally expected to be in the following annual report.

Each KPI will have a threshold, target and maximum level and conditions to meet these levels. Targets for each corporate KPI will be determined by the Remuneration Committee and will be approved by the Board. Individual KPIs will be approved by the Remuneration Committee, based on the appropriate inputs from the relevant Board Committees. On-target Annual Bonus will not exceed 50% of the maximum policy limit.

LTIP

The award grant will be based on an assessment of the base i.e. prior year performance (i.e. for the LTIPs grant in early 2023, the base year is 2022). Awards granted will then be subject to 3-year LTIP forward-looking performance conditions. After three years, the shares will crystalise to the extent the performance conditions have been met (as determined by the Remuneration Committee). Once shares are crystalised, the shares will be subject to a further 2 years of vesting subject to continued employment, and malus during the full vesting period (clawback will apply 3 years post vesting).

The Remuneration Committee's goal for each performance condition is to establish a level of performance that is not certain to be attained, so that achieving or exceeding the targets requires diligent efforts by our Executive Directors. The Remuneration Committee's current view is that performance condition will include three categories of objec tives:

- Maintain a strong value creation incentive (such as absolute TSR);
- Focus on long-term sustainability (ratios such as ROE, NIM, Cost/Income; individually or in combination); and ESG target;
- Appropriate risk framework (such as Non-Performing Loans (NPL) ratio, Common Equity Tier 1 (CET1) ratio, Loan Loss Provision (LLP) ratio, individually or in combination).

One of the LTIP KPIs will continue to be the absolute TSR. The Committee considered that it is difficult to find a peer group against which to benchmark TBC TSR relative performance . The Group is listed on a major stock exchange (LSE) which reflects in its high standard of governance, it is a systemic bank in Georgia with a diversified business model, it is rapidly expanding its digital offering while continuing to offer traditional banking services and it is expanding in a high-growth country. Finding a suitable peer group has been considered sub-optimal with the above considerations.

Any measure selected, will be closely aligned with the Group strategy at the time of grant.

The performance conditions for each three-year performance period will be set at the start of each performance period. The performance conditions and targets will be disclosed in the annual report published in the year of the award.

The Remuneration Committee has discretion to amend the agreed performance conditions in exceptional circumstances if, in the opinion of the Remuneration Committee, the original performance conditions are no longer appropriate; provided that the amended conditions will, in the reasonable opinion of the Remuneration Committee, be not materially less difficult to satisfy. Performance conditions are not capable of being re-tested.

Each performance condition will have a threshold, target and maximum level and conditions to meet these levels. Targets for each corporate performance condition are determined by the Remuneration Committee and are approved by the Board.

In addition to the performance conditions for in flight awards, and in line with the National Bank of Georgia Governance Code requirements on executive remuneration, a process for granting variable pay has been adopted to incorporate gateway KPIs and with respect to the LTIP award the Base Year requirement.

Remuneration throughout the Group

Remuneration of other top management members of JSC TBC Bank is similar to that of the executive members of the Company. Other senior and middle management across the Group including material risk takers, employees who are part of the agile structure, as well as some other key employees receive their entire salary in cash and are also eligible for cash and share bonus variable compensation. The share bonuses granted are subject to three years of continued employment conditions and holding period gradually lifting the conditions. The long-term incentive plan applies only to top management.

All other employees within the Group receive cash salaries and may be eligible to receive cash bonuses. Executive Director and employee pay is reviewed based on role and experience and determined through the application of appropriate market data usually with input from a compensation consultant.

All employees receive a competitive benefit package in line with Georgian market practice and participate in the mandatory state pension scheme effective from 1 January 2019. According to the scheme, the Company pays 2% of the employee's total remuneration as pension contribution to the State.

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 normal timetable (on cessation of employment as a 'good leaver' or on the occurrence of corporate events);
- whether, and to what extent, pro-rata 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, JSC TBC Bank, proportionate to the time spent working on the respective entity's Boards and committees.

Fees

Purposes and link to the strategy of the Group	To provide appropriate compensation for a Non-Executive Directors of the Group, sufficient to attract, retain and motivate high calibre individuals with the relevant skills, knowledge and experience to further the Group's strategy.
Operation	The Group pays fees to Non-Executive Directors. The fees are determined by the Board. The Chairman is paid an all-inclusive fee for all Board responsibilities. The other Non-Executive Directors receive a basic Board fee, with additional fees where individuals serve as the Senior Independent Director, member or Chairman of a Committee of the Board. The Board (excluding the executive directors) reserves the right to structure the Non-Executive Directors' fees differently in its absolute discretion. The Board's (excluding the executive directors) discretion will be exercised fairly and reasonably and with regard to appropriate comparable market practice and business strategy. Fees are generally paid monthly in cash. However, the Board reserves the right to pay the fees on a different basis. Fees are periodically reviewed and adjusted by the Board, having regard to external comparators such as the Group's peer group, the chair or committee roles and responsibilities and other market factors.
Maximum Opportunity	The Board will review the amount of each component of fees periodically to assess whether, individually and in aggregate, they remain competitive and appropriate in light of changes in roles, responsibilities and/or time commitment of the Non-Executive Directors, and to ensure that individuals of the appropriate calibre are retained or appointed. Current fee levels are set out in the Annual Report of Remuneration.
Performance measures	Not performance based.
Malus / clawback	Malus and clawback provisions are not applicable.
Amendments to previous policy	N/A

Benefits and Expenses

Purposes and link to the strategy of the Group	To compensate Non-Executive Directors for expenses incurred in connection with the performance of their Non-Executive Directors duties and to ensure the Group has the appropriate Non-Executive Directors input as and when required.
Operation	The Group may reimburse Non-Executive Directors for their expenses incurred in connection with the performance of their duties including attending Board and committee meetings (such as, for example, travel, accommodation, other subsistence expenses and personal security arrangements), Board/committee dinners and functions, Board training sessions, Director's and officers' liability insurance, advice in respect of professional duties and corporate hospitality events (or the Group may pay such expenses directly).
Maximum Opportunity	The maximum amount payable depends on the cost of providing such expenses in the location at which the Non-Executive Director is based. Shareholders should note that the cost of providing comparable expenses in different jurisdictions may vary widely.
Performance measure	N/A
Malus / clawback	N/A
Amendments to previous policy	N/A

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 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 Di rectors & 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, salary (with cash and share components), discretionary Annual Bonuses (deferred shares) (up to 135% of salary), LTIP (up to 161% of salary), pension (up to 2% of salary) and employee benefits; for Non-Executive Directors, 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 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 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. In any case, total value of "buy out" award, should not exceed 100% of the salary (including cash and share salary) paid for the comparable executive position the year immediately preceding to the recruitment.

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

The following paragraphs describe the Group's general 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 the terms of any service contract between the Group and the Executive, as well as the relevant rules governing outstanding deferred share awards, Annual Bonus deferred shares), awards under the LTIP and this 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 must return all Annual Bonus shares awarded for which applicable holding period requirement has not been met (or as directed by the Company) and/or any nil cost options awarded will lapse and any unvested awards under the LTIP will lapse. Depending on the circumstances, the Remuneration Committee may, at its sole discretion and with regard to any recommendation made by the CEO of the Company (as applicable), allow the Executive Director to partially or fully retain such Annual Bonus shares and/or LTIP awards.

If the Executive Director is determined by the Remuneration Committee to be a good leaver, the Executive Director is entitled to receive an award of deferred salary and deferred Annual Bonus shares pro-rated for both time and performance during the performance year. All outstanding awards of deferred salary and Annual Bonus (deferred shares) will continue to vest on their initial terms. Subject to the achievement of the relevant performance criteria, a portion of any outstanding awards under the LTIP may vest, subject to a reduction pro rata to reflect shortened period of employment between grant and the end of the holding 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 dismissal of the Executive Director 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 more than one year and not less than seven months' notice and the Group will reserve the right to terminate without notice in certain circumstances. Notice periods will be reviewed by the Board and the Remuneration Committee when contracts are due for renewal with consideration given to busi ness continuity and potential candidates in the market, amongst other factors.

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 termination payments 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 PLC's registered office):

a. ***Service contracts of the Group's current Executive Director Service contracts with TBC PLC***

On 12 May 2016, TBC 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 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.

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 would have ordinarily received, provided those events did not occur.

Service contracts with TBC JSC

Vakhtang Butskhrikidze also serves as CEO of TBC JSC. Although it is not strictly required under UK law, we have described the service contract that the Group's Executive Director has with TBC JSC below for completeness.

The current service agreement provides for Mr Butskhrikidze to act as CEO of TBC 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 could be found in their biographies on pages 152 to 156. 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 as 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 incurred 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 Policy set out above, where the terms of that payment were agreed before the Policy came into effect (including, without limitation, pursuant to awards granted before the 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, in 2019, the Board appointed Tsira Kemularia as the designated Non-Executive Director to enhance the dialogue between the workforce and the Board and to further strength employee engagement on the topic of executive remuneration.

In accordance with prevailing commercial practice, the Remuneration Committee evaluates the compensation and conditions of employees of the Group in determining the Policy with respect to Executive Directors. The Remuneration Committee may engage external advisors to assist in analysing remuneration in the Group. Consistent with practice in the industry in which the Group operates, it is not the Group's policy to consult with staff on the pay of its directors.

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.

DATA & TECHNOLOGY COMMITTEE REPORT

Members of the Committee

- Rajeev Sawhney* (Chairman of the Committee)
- Eran Klein*
- Thymios P. Kyriakopoulos*

The Data & Technology Committee was established in 2022, and the first meeting was held in February 2022. During the year, the Committee set strategic technology, data and cybersecurity goals and ensured that the critical success factors of these are clear and transparent. Alongside this, the Committee has augmented awareness among the Supervisory 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.

The Committee has also steered the improvement of cybersecurity resilience across the Group's subsidiaries by unifying IT processes and frameworks with the common technology strategy and frameworks of the Group.

Activities of the Committee during the year include:

- increasing Director awareness of the data, technology and infosecurity landscape by reviewing the current position and the three-year Target Operating Model
- Approval of four major policies – Group Technology Policy, Group Information Security Policy, Group Global Data Protection Policy and the Data Governance Policy.
- recommending a three-year technology strategy for the Group and ensuring alignment with the overall business strategy supported through the IT Group Governance framework
- monitoring of risk metrics relating to software incidents, which led to the approval of a plan to mitigate the risks of service disruption
- execution of the plan led to a significant reduction of software incidents since Q2 2022
- undertook an analysis of technology investments and identified areas for improvement
- Reviewed and supported the vision of future data architecture and the decision to move analytics in the cloud environment.
- Reviewed the cybersecurity systems of the Group and the state of preparedness against potential threats
- Worked jointly with the Risk Committee where overlaps exist.

In addition, the Committee undertook a deep-dive analysis of the Business Continuity Plan and Disaster Recovery capabilities and subsequently initiated a program focused on creating additional infrastructure for the critical systems of the Bank.

ESG & ETHICS COMMITTEE REPORT

Members of the Committee

- Eran Klein* (Chairman of the Committee)
- Tsira Kemularia*
- Rajeev Sawhney*

The ESG and Ethics Committee was established during 2022, and the first meeting was held in March 2022. During the year, the Committee has supported and provided steer on the implementation of strategy, policies and programmes in relation to Environmental, Social and Governance ("ESG") matters for the Group and its subsidiaries, ensuring that the Group's ESG Strategy is implemented effectively, meeting the set out objectives, across all business areas.

Activities of the Committee during the year include:

- Review of regular updates on the ESG Strategy, the development of the ESG framework and how behavioural change was being achieved
- 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 2021
- Review of the Diversity, Equality and Inclusion Policy and its subsequent recommendation for Board approval
- Set the training agenda for Ethics, ESG and Climate-related matters for 2022/23
- Review of updates on the National Bank of Georgia regulations in relation to sustainability matters
- 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

In addition, the Committee reviewed the 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.

Meeting attendance shown on page 161

**Independent Director*

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 240 to 371, for the financial year ended 31 December 2022.

This Directors' Report, set out on pages 220 to 225, coupled with the Strategic Report, set out on pages 4 to 149, form the Management Report, as required by article 4.1.5R of the Disclosure Guidance and Transparency Rules.

Additional 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 2023 Annual General Meeting.

As noted earlier in this Annual Report, Janet Heckman was appointed to the Board as a Non-Executive Director on 23 February 2023 and will stand for election by the shareholders at the 2023 AGM.

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.

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

Directors' Indemnities and Insurance

The Group maintains Directors' and Officers' liability insurance, which provides appropriate cover for legal action brought against its Directors. The Company has also granted indemnities to each of its Directors to the extent permitted by the Companies Act 2006. Neither the indemnity nor insurance cover provide cover in the event that a director, officer or company secretary is proven to have acted fraudulently or dishonestly. The above referred liability insurance and indemnities were in force during the financial year ended 31 December 2022 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 202.

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 247 to 250. 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 2022, the Company's issued share capital comprised 55,102,766 ordinary shares (2021: 55,155,896) carrying a nominal value of £0.01 each, of which 434,276 shares are held in treasury. Therefore, the total number of voting rights in the Company is 54,668,490. 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 page 314-316.

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 16 June 2022 (the "2022 AGM"), for the Company to allot ordinary shares in the capital of the Company up to an aggregate nominal value of £137,889. This authority will apply until the conclusion of the 2023 AGM or at close of business on 16 September 2023, if earlier. Shareholders will be requested to renew these authorities at the 2023 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. As at 31 December 2022, the Company has repurchased 434,276 shares for employee compensation purposes at an average price of 17.52 and 599,693 shares for share cancellation purposes at an average price of 21.09, both under the share buyback programme. As at 31 December 2022, 434,276 shares are being held in treasury and 589,645 shares being already cancelled, while the remaining 10,048 shares will be cancelled in early 2023.

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 2022, the profit attributable to the Company's shareholders, after taxation, was GEL 995 million (2021: GEL 801 million). The Board declared an interim dividend of GEL 2.5 per TBC Bank Group share on 12 August 2022, which was paid by the Company on 14 October 2022. The Board intends to recommend a final dividend of GEL 2.95 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 19 May 2023 will be the average exchange rate of the National Bank of Georgia for the period of 15 May 2023 to and including of 19 May 2023 (5 days average). Distribution of dividend is subject to shareholders' approval at the 2023 AGM. If approved, the final dividend will be paid on 14 June 2023 to shareholders on the Register of Members at the close of business in the UK (i.e. 6pm London time) on 12 May 2023. 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 2022, 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	16.04%	8,768,847
Dunross & Co.	6.58%	3,598,963
Allan Gray Investment Management	5.66%	3,096,816
BlackRock	3.99%	2,183,814
Vanguard Group	3.91%	2,139,844
Fidelity International	3.88%	2,122,072
JPMorgan Asset Management	3.86%	2,109,728
European Bank for Reconstruction and Development	3.54%	1,936,406

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 2022.

CHARITABLE DONATIONS

Please refer to page 329.

ANNUAL GENERAL MEETING

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

At the 2023 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. Prior to LDC Nominee Secretary Limited's appointment, the appointed Company Secretary was Keti Khukhunashvili, to include for the period 17 June 2021 to 15 August 2022. The appointment and removal of the Company Secretary are at the discretion of the Board.

Arne Berggren
Chairman
17 April 2023

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 wiht 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 and loss of the Group for that period. In preparing the financial statements, the Directors are required to:

- select suitable accouting 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 accurancy at any time the financial position of the Group and Compay and enable them to ensure that the financial statements and 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 1606/2022 as it applies in the European Union, give a true and fair view of the assets, liablities and 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, liablities 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

17 April 2023

Financial Statements

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 2022 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 2022; 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, which include a description of the significant accounting policies.

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)

Materiality

- Overall group materiality: GEL 62.3m (2021: GEL 46.1m) based on 5% of profit before tax.
- Overall company materiality: GEL 19.2m (2021: GEL 17.0m) based on 1% of total assets.
- Performance materiality: GEL 46.7m (2021: GEL 34.6m) (group) and GEL 14.4m (2021: GEL 12.8m) (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.

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) 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. Some of the criteria applied by management for such an assessment are highly judgemental and involve qualitative assessment of borrowers' creditworthiness. It is also necessary to consider the impact of future macroeconomic conditions in the determination of ECLs. The economic outlook is stable despite the inflationary pressures. Management has designed and implemented a number of models to achieve compliance with the requirements of IFRS 9. 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: – Highly 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'); – Assessment of model limitations and use of post model adjustments ('PMAs'), if required to address such risks; and – Assessment of the key assumptions related to forward-looking information ('FLI') including the appropriateness of scenario weightings and macroeconomic variables.	We understood and evaluated the design 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; – Review and approval of the key judgements and assumptions used for determining LGDs, PDs and FLI; – Controls over key parameters (such as PD, LGD) by the calculation engine; – Controls over regular monitoring of the financial standing of the borrowers; – Controls over ECL calculation and analysis of results; 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 IFRS 9 ECL model methodologies developed by management are appropriate, engaging our credit risk modelling specialists and based on our industry knowledge. This included an evaluation of the judgemental criteria set by management for determining whether there had been a SICR (applicable to Corporate and SME portfolios), and the critical assumptions applied in determination of LGDs, PDs and FLI. We concluded that management's judgements and assumptions in deriving SICR, LGDs, PDs and FLI were reasonable. We independently verified the calculation of ECL and assessed whether the 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. Where relevant, model methodologies were updated to address the results of backtesting. We challenged management in respect of the appropriateness of the macroeconomic models as well as weightings applied to each macroeconomic scenario. We are satisfied that macroeconomic assumptions and scenario weightings used by the Bank are reasonable. We challenged management in respect of the completeness of PMAs. We have assessed the completeness of the PMAs applied including related judgements and assumptions used by management. Taking into account the latest backtest results and the economic outlook, we concluded that no circumstances exist that would indicate that existing models are not able to capture the emerging risks and additional PMAs are required. Hence we believe that management's judgements are reasonable.

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 four segments for which it manages and reports its operating results and financial position, namely Retail, Corporate, Micro Small and Medium Enterprises ('MSME') and Corporate Centre and other operations.

JSC TBC Bank is the largest subsidiary of the group. Respresenting 96% of the group's assets and 89% of the Group's revenue. We performed audit procedures over this component which is considered financially significant in the context of the group, using an overall materiality of GEL 59.2m (2021: GEL 43.8m).

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 scoping/coverage accounted for 95% of revenue and 98% of total assets of the group.

The impact of climate risk on our audit

Climate change risk is expected to have a significant impact on the financial services industry. As explained in the Strategic report, the group is mindful of its responsibilities as a responsible lender and is focused on ways to meet the objectives of the Paris Agreement on climate change and to support the Georgian market's transition to a climate-resilient, net-zero economy. For the direct environmental impact, the group has set out its own commitments to be a net zero bank by 2025. Further information on this commitment is provided in the Task Force on Climate-Related Financial Disclosures ("TCFD") on page 120. The disclosure also includes the details of the governance oversight procedures to support the group's commitments in relation to climate change.

In planning and executing our audit, we considered the group's governance framework and preliminary risk assessment processes as outlined in the Governance, Strategy and Risk Management sections of the TCFD disclosures. This, together with our risk assessment procedures, has provided us with an understanding of the potential impact of climate change on the financial statements. We specifically considered managements' assessment as regards to the potential impacts of climate change on the group's loan portfolios which has been further detailed on page 127. 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 and future cash flows to those loan portfolios. In the current reporting period, the group has concluded that impact of the climate risk does not give rise to a material financial impact on those line items and the more notable impacts of climate change on the business are expected to arise in the medium to long term.

We discussed with management and the Audit Committee that the estimated financial impacts of climate change will need to be frequently reassessed and our expectation is that climate change disclosures will continue to evolve as greater understanding of the actual and potential impacts on the group's future operations are obtained.

We have challenged the completeness of management's climate risk assessment by reading external reporting issued by management, including the Carbon Disclosure Project submissions and checking the consistency of management's climate impact assessment with internal climate plans and board minutes.

Whilst the group is targeting net zero carbon emissions by 2025, they are continuing to refine their plans to achieve this. The group is starting to quantify some of the impacts that may arise; however, the future financial impacts are clearly uncertain given the medium to long term time horizon. We discussed with management and the Audit Committee that the estimated financial impacts of climate change will need to be frequently reassessed and our expectation is that climate change disclosures will continue to evolve as greater understanding of the actual and potential impacts on the group's future operations are obtained.

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 2022.

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 62.3m (2021: GEL 46.1m).	GEL 19.2m (2021: GEL 17.0m).
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 debt and therefore it is appropriate to use a profit oriented benchmark for the calculation of materiality.	The parent company is a holding company with investments in the subsidiaries within the group. The parent 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 59.2m and GEL 62.3m.

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% (2021: 75%) of overall materiality, amounting to GEL 46.7m (2021: GEL 34.6m) for the group financial statements and GEL 14.4m (2021: GEL 12.8m) 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 3.1m (group audit) (2021: GEL 2.3m) and GEL 0.96m (company audit) (2021: GEL 0.9m) 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:

- 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;
- Evaluation of 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;
- Review of the group's regulatory correspondence and reports provided to governance forums such as 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 2022 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 Directors' Responsibilities Statement, 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:

- Enquiries of 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.
- Evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect fraud and errors in financial reporting.
- Assessment of matters reported on the group's whistleblowing helpline and the results of management's investigation of such matters.
- Attendance at and inquiry of selected key committees including audit committee, risk 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.
- Incorporated 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 7 years, covering the years ended 31 December 2016 to 31 December 2022.

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
17 April 2023

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in thousands of GEL	Note	31 December 2022	31 December 2021 (restated)	31 December 2020 (restated)
ASSETS				
Cash and cash equivalents	6	3,860,813	1,722,137	1,635,405
Due from other banks	7	41,854	79,142	50,805
Mandatory cash balances with National Bank of Georgia and the Central Bank of Uzbekistan	8	2,049,985	2,087,141	2,098,506
Loans and advances to customers	9	17,832,606	16,637,145	14,594,274
Investment securities measured at fair value through other comprehensive income	10	2,885,088	1,938,196	1,527,268
Bonds carried at amortised cost	11	37,392	49,582	1,089,801
Repurchase receivables	12	267,495	-	-
Finance lease receivables	14	312,334	262,046	271,660
Investment properties		22,154	22,892	68,689
Current income tax prepayment	36	430	194	69,888
Deferred income tax asset	36	16,705	12,357	2,787
Other financial assets	13	273,805	453,115	171,302
Other assets	15	429,121	397,079	266,960
Premises and equipment	16	442,886	392,506	372,956
Right of use assets	17	112,625	70,513	53,927
Intangible assets	16	383,198	319,963	239,523
Goodwill	18	59,964	59,964	59,964
Investments in associates		3,721	4,589	4,090
TOTAL ASSETS		**29,032,176**	**24,508,561**	**22,577,805**
LIABILITIES				
Due to credit institutions	19	3,940,660	2,984,176	4,486,373
Customer accounts	20	18,036,533	15,038,172	12,572,728
Other financial liabilities	23	275,781	139,811	227,432
Current income tax liability	36	1,647	86,762	853
Deferred income tax liability	36	112,877	10,979	13,088
Debt securities in issue	21	1,361,573	1,710,288	1,496,497
Provision for liabilities and charges	22	34,988	25,358	25,335
Other liabilities	24	149,920	130,972	87,842
Lease liabilities	37	84,770	66,167	58,983
Subordinated debt	25	590,148	623,647	672,740
Redemption liability	26	477,329	238,455*	51,813*
TOTAL LIABILITIES		**25,066,226**	**21,054,787***	**19,693,684***
EQUITY				
Share capital	26	1,681	1,682	1,682
Shares held by trust	26	(7,900)	(25,489)	(33,413)
Treasury shares	26	(25,541)	-	-
Share premium		269,938	283,430	283,430
Retained earnings		3,744,727	3,007,132	2,281,428
Merger reserve	26	402,862	402,862	402,862
Share based payment reserve	27	1,090	(5,135)	(20,568)
Fair value reserve for investment securities measured at fair value through other comprehensive income		5,467	(10,862)	11,158
Cumulative currency translation reserve		(35,858)	(9,450)	(2,124)
Other reserve	26	(477,329)	(238,455)*	(51,813)*
Equity attributable to owners of the parent		**3,879,137**	**3,405,715***	**2,872,642***
Non-controlling interest	40	86,813	48,059	11,479
TOTAL EQUITY		**3,965,950**	**3,453,774***	**2,884,121***
TOTAL LIABILITIES AND EQUITY		**29,032,176**	**24,508,561***	**22,577,805***

* Certain amounts do not correspond to the 2021 and 2020 consolidated financial statements as they reflect the certain restatements as described in Note 2.

The consolidated and the separate financial statements on pages 240 to 371 were approved by the Board of Directors on 17 April 2023 and signed on its behalf by:

Vakhtang Butskhrikidze
Chief Executive Officer

The notes set out on pages 247 to 371 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	2022	2021
Interest income	30	2,330,838	1,885,856
Interest income calculated using effective interest rate method	30	2,263,326	1,827,418
Other interest income	30	67,512	58,438
Interest expense	30	(1,075,497)	(911,267)
Net interest gains on currency swaps	30	34,711	28,143
Net interest income		**1,290,052**	**1,002,732**
Fee and commission income	31	543,099	412,032
Fee and commission expense	31	(220,433)	(164,032)
Net fee and commission income		**322,666**	**248,000**
Insurance premiums earned	33	111,598	80,712
Reinsurer's share in Insurance premiums earned	33	(17,035)	(14,722)
Insurance claims incurred and agents' commissions	33	(74,612)	(53,745)
Reinsurer's share in claims incurred	33	9,252	11,301
Insurance profit		**29,203**	**23,546**
Net gains from currency derivatives, foreign currency operations and translation	32	398,866	117,270
Net gains from disposal of investment securities measured at fair value through other comprehensive income		5,811	11,156
Other operating income		23,814	48,479
Share of profit of associates		352	837
Other operating non-interest income		**428,843**	**177,742**
Credit loss (allowance)/recovery for loans to customers	9	(118,943)	40,123
Credit loss allowance for finance lease receivables		(720)	(321)
Credit loss (allowance)/recovery for performance guarantees and credit related commitments	22	(2,721)	1,204
Credit loss allowance for other financial assets		(10,155)	(14,726)
Credit loss recovery for financial assets measured at fair value through other comprehensive income		862	2,602
Net impairment of non-financial assets		(1,223)	(11,982)
Operating income after expected credit and non-financial asset impairment losses		**1,937,864**	**1,468,920**
Staff costs	34	(374,816)	(309,302)
Depreciation and amortization	16,17	(101,197)	(79,891)
(Allowance)/recovery for provision for liabilities and charges	22	(2,200)	27
Administrative and other operating expenses	35	(213,107)	(156,668)
Operating expenses		**(691,320)**	**(545,834)**
Losses from modifications of financial instruments		-	(1,726)
Profit before tax		**1,246,544**	**921,360**
Income tax expense	36	(243,205)	(112,361)
Profit for the year		**1,003,339**	**808,999**
Other comprehensive (expense)/income for the year			
Items that may be reclassified subsequently to profit or loss:			
Movement in fair value reserve for investment securities measured at fair value through other comprehensive income	10	16,329	(22,020)
Exchange differences on translation to presentation currency		(26,355)	(7,326)
Other comprehensive expense for the year		**(10,026)**	**(29,346)**
Total comprehensive income for the year		**993,313**	**779,653**
Profit is attributable to:			
– Shareholders of TBCG		995,206	800,782
– Non-controlling interest		8,133	8,217
Profit for the year		**1,003,339**	**808,999**
Total comprehensive income is attributable to:			
– Shareholders of TBCG		985,180	771,436
– Non-controlling interest		8,133	8,217
Total comprehensive income for the year		**993,313**	**779,653**
Earnings per share for profit attributable to the owners of the Group:			
– Basic earnings per share (in GEL)	28	18.14	14.7
– Diluted earnings per share (in GEL)	28	17.86	14.3

The notes set out on pages 247 to 371 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 investment securities at FVTOCI	Cumulative currency translation reserve	Retained earnings	Total equity excluding non-controlling interest	Non-controlling interest	Total Equity
Balance as of 31 December 2020 (as originally presented)		**1,682**	**(33,413)**	**283,430**	**-**	**402,862**	**(20,568)**	**-**	**11,158**	**(2,124)**	**2,281,428**	**2,924,455**	**11,479**	**2,935,934**
Restatement effect*	2	-	-	-	-	-	-	(51,813)	-	-	-	**(51,813)**	-	**(51,813)**
Balance as of 1 January 2021 (restated)		**1,682**	**(33,413)**	**283,430**	**-**	**402,862**	**(20,568)**	**(51,813)**	**11,158**	**(2,124)**	**2,281,428**	**2,872,642**	**11,479**	**2,884,121**
Profit for the year		-	-	-	-	-	-	-	-	-	800,782	**800,782**	8,217	**808,999**
Other comprehensive loss for 2021:		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(22,020)**	**(7,326)**	**-**	**(29,346)**	**-**	**(29,346)**
Effect of change in business model		-	-	-	-	-	-	-	26,062	-	-	**26,062**	-	**26,062**
Other effects during the period		-	-	-	-	-	-	-	(48,082)	(7,326)	-	**(55,408)**	-	**(55,408)**
Total comprehensive income for 2021		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(22,020)**	**(7,326)**	**800,782**	**771,436**	**8,217**	**779,653**
Share based payment expense	27	-	-	-	-	-	24,991	-	-	-	-	**24,991**	-	**24,991**
Dividends declared	26	-	-	-	-	-	-	-	-	-	(81,772)	**(81,772)**	(5,951)	**(87,723)**
Delivery of SBP shares to employees		-	7,924	-	-	-	(9,558)	-	-	-	-	**(1,634)**	-	**(1,634)**
Purchase of additional interest from NCI		-	-	-	-	-	-	-	-	-	(13,241)	**(13,241)**	(2,975)	**(16,216)**
Sale of investment to NCI	40	-	-	-	-	-	-	-	-	-	19,125	**19,125**	37,914	**57,039**
Recognition/ remeasurement of redemption liability	26	-	-	-	-	-	-	(186,642)	-	-	-	**(186,642)**	-	**(186,642)**
Other movements		-	-	-	-	-	-	-	-	-	810	**810**	(625)	**185**
Balance as of 31 December 2021 (restated)		**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**
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		-	-	-	-	-	-	-	-	(53)	432	**379**	(379)	**-**
Remeasurement of redemption liability	26	-	-	-	-	-	-	(238,874)	-	-	-	**(238,874)**	-	**(238,874)**
Other movements		-	-	-	-	-	-	-	-	-	(611)	**(611)**	1,631	**1,020**
Balance as of 31 December 2022		**1,681**	**(7,900)**	**269,938**	**(25,541)**	**402,862**	**1,090**	**(477,329)**	**5,467**	**(35,858)**	**3,744,727**	**3,879,137**	**86,813**	**3,965,950**

* Certain amounts do not correspond to the 2021 and 2020 consolidated financial statements as they reflect the certain restatements as described in Note 2.
**For further details of merger reserve related information please refer to note 26.

The notes set out on pages 247 to 371 form an integral part of these consolidated and separate financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

in thousands of GEL	Note	2022	2021 (restated)
Cash flows from operating activities			
Interest received		2,265,887	1,981,768
Interest received on currency swaps	30	34,711	28,143
Interest paid		(1,087,748)	(867,209)
Fees and commissions received		531,049	414,505
Fees and commissions paid		(248,033)	(188,214)
Insurance premiums received		127,247	96,601
Insurance claims paid		(55,601)	(36,806)
Cash received from trading in foreign currencies		308,066	60,580
Other operating income received		23,761	75,378
Staff costs paid		(339,042)	(307,633)
Administrative and other operating expenses paid		(213,128)	(195,188)
Income tax paid		(243,787)	(13,756)
Cash flows from operating activities before changes in operating assets and liabilities		**1,103,382**	**1,048,169**
Net change in operating assets			
Due from other banks and mandatory cash balances with the National Bank of Georgia and Central Bank of Uzbekistan		(230,909)	393,174
Loans and advances to customers		(2,756,979)	(3,085,488)
Finance lease receivables		(4,718)	(499)
Other financial assets		48,290	(56,331)
Other assets		59,014	5,077
Net change in operating liabilities			
Due to other banks		390,402	132,826
Customer accounts		4,882,976	2,605,413
Other financial liabilities		10,700	(32,660)
Other liabilities and provision for liabilities and charges		317	36,791
Net cash flows from operating activities		**3,502,475**	**1,046,472**
Cash flows (used in)/from investing activities			
Acquisition of investment securities measured at fair value through other comprehensive income	10	(2,413,600)	(797,285)
Proceeds from disposal of investment securities measured at fair value through other comprehensive income	10	816,875	1,025,775
Proceeds from redemption at maturity of investment securities measured at fair value through other comprehensive income	10	391,341	412,204
Acquisition of bonds carried at amortised cost	11	(261,568)	(47,784)
Proceeds from redemption of bonds carried at amortised cost	11	267,904	26,296
Acquisition of premises, equipment and intangible assets		(226,395)	(163,222)
Proceeds from disposal of premises, equipment and intangible assets		17,454	20,826
Proceeds from disposal of investment properties		5,472	23,639
Purchase of additional interest from minority shareholders		(1,826)	(17,215)
Proceeds from sale of investment to NCI	40	-	57,039
Net cash flows (used in)/from investing activities		**(1,404,343)**	**540,273**
Cash flows from/(used in) financing activities			
Proceeds from other borrowed funds	37	2,553,646	1,750,443
Redemption of other borrowed funds	37	(1,731,799)	(3,338,139)
Repayment of principal of lease liabilities	37	(17,081)	(12,825)
Proceeds from subordinated debt		62,578	–
Redemption of subordinated debt	37	(13,710)	(12,562)
Cash paid for share buy-back		(65,114)	–
Capital injection from NCI shareholders		41,652	–
Proceeds from debt securities in issue	37	49,471	295,457
Redemption of debt securities in issue	37	(205,898)	–
Dividends paid		(238,975)	(87,723)
Net cash from/(used in) financing activities		**434,770**	**(1,405,349)**
Effect of exchange rate changes on cash and cash equivalents		(394,226)	(94,664)
Net increase in cash and cash equivalents		**2,138,676**	**86,732**
Cash and cash equivalents at the beginning of the year	6	**1,722,137**	**1,635,405**
Cash and cash equivalents at the end of the year	6	**3,860,813**	**1,722,137**

The notes set out on pages 247 to 371 form an integral part of these consolidated and separate financial statements.

SEPARATE STATEMENT OF FINANCIAL POSITION

in thousands of GEL	Note	31 December 2022	31 December 2021
ASSETS			
Cash and cash equivalents	6	90,757	15,391
Loans issued		-	10,862
Other financial assets	13	78,378	-
Investments in subsidiaries			
Investments in subsidiaries' equity		1,729,320	1,652,825
Contributions for subsidiaries' compensation scheme		29,428	22,781
Other assets		36	463
TOTAL ASSETS		**1,927,919**	**1,702,322**
LIABILITIES			
Due to credit institutions	19	44,983	-
Other financial liabilities		16,876	18,096
Debt securities in issue	21	152,018	126,930
TOTAL LIABILITIES		**213,877**	**145,026**
EQUITY			
Share capital	26	1,681	1,682
Shares held by trust	26	(7,900)	(25,489)
Treasury shares	26	(25,541)	-
Share premium		269,938	283,430
Merger reserve		565,029	565,029
Retained earnings		500,602	687,436
Profit for the year		424,186	72,030
Share based payment reserve	27	(13,953)	(26,822)
TOTAL EQUITY		**1,714,042**	**1,557,296**
TOTAL LIABILITIES AND EQUITY		**1,927,919**	**1,702,322**

The consolidated and the separate financial statements on pages 240 to 371 were approved by the Board of Directors on 17 April 2023 and signed on its behalf by:

Vakhtang Butskhrikidze
Chief Executive Officer

The notes set out on pages 247 to 371 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 2021		**1,682**	**(33,413)**	**–**	**283,430**	**565,029**	**(40,618)**	**769,202**	**1,545,312**
Profit for the year		–	–		–	–	–	72,030	**72,030**
Total comprehensive income for 2021		**–**	**–**	**–**	**–**	**–**	**–**	**72,030**	**72,030**
Dividends declared		–	–	–	–	–	–	(81,766)	**(81,766)**
Shares award to employees under share based payment scheme		–	7,924	–	–	–	(9,558)	–	**(1,634)**
Share based payment scheme accrual	27	–	–	–	–	–	23,354	-	**23,354**
Balance as of 31 December 2021		**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**

The notes set out on pages 247 to 371 form an integral part of these consolidated and separate financial statements.

in thousands of GEL	2022	2021
Cash flows used in operating activities		
Interest received	2,646	2,329
Interest paid	(8,023)	(7,207)
Fees and commissions paid	(11)	(11)
Staff costs paid	(3,985)	(3,916)
Administrative and other operating expenses paid	(5,858)	(4,725)
Other operating income received	72	-
Cash flows used in operating activities before changes in operating assets and liabilities	**(15,159)**	**(13,530)**
Net change in operating assets		
Other financial assets	-	8
Other assets	(301)	7
Loans issued	10,841	(10,841)
Net change in operating liabilities		
Other financial liabilities	(29,568)	(31)
Net cash flow used in operating activities	**(34,187)**	**(24,387)**
Cash flows from investing activities		
Investments in subsidiaries	(81,435)	(65,466)
Dividends received	376,936	94,615
Proceeds from sale of investment to NCI	775	-
Withdrawal of deposits	-	26,995
Net cash flows from investing activities	**296,276**	**56,144**
Cash flows used in financing activities		
Dividends paid	(228,841)	(81,766)
Cash paid for share buy-back	(40,312)	-
Proceeds from debt securities in issue	45,967	55,107
Proceeds from other borrowed funds	44,726	-
Net cash used in financing activities	**(178,460)**	**(26,659)**
Effect of exchange rate changes on cash and cash equivalents	(8,263)	(151)
Net increase in cash and cash equivalents	**75,366**	**4,947**
Cash and cash equivalents at the beginning of the year	**15,391**	**10,444**
Cash and cash equivalents at the end of the year	**90,757**	**15,391**

The notes set out on pages 247 to 371 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 2022 (2021: 99.88%), thus representing the Bank's ultimate parent company. The Group of companies incorporated mainly in Georgia, Uzbekistan and Azerbaijan, their primary business activities include providing banking, leasing, brokerage, insurance 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 in 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 2018, the Bank launched fully-digital bank, Space. In 2020, TBC Bank Group PLC established JSC TBC Bank Uzbekistan, which is operating through Space digital banking platform.

The Bank has 129 (2021:134) branches[1] within Georgia.

As at 31 December 2022 and 31 December 2021 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 2022 and 31 December 2021 the Group had no ultimate controlling party.

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

* Founders include direct and indirect ownerships of Mamuka Khazaradze, Badri Japaridze.
** Other includes individual as well as corporate shareholders.

1 Excluding pawnshop units.

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	2022	2021	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	Processing
TBC Invest-Georgia LLC	100.00%	100.00%	Ramat Gan, Israel	2011	Financial services
Index LLC	100.00%	100.00%	Tbilisi, Georgia	2009	Real estate management
TBC Asset Management LLC	100.00%	100.00%	Tbilisi, Georgia	2021	Asset management
TBC Insurance JSC	100.00%	100.00%	Tbilisi, Georgia	2014	Insurance
Redmed LLC	100.00%	100.00%	Tbilisi, Georgia	2019	Insurance
T net LLC[1]	100.00%	100.00%	Tbilisi, Georgia	2019	Asset management
Online Tickets LLC[2]	100.00%	55.00%	Tbilisi, Georgia	2015	Retail Trade
TKT UZ	100.00%	75.00%	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	51.00%	51.00%	Tashkent, Uzbekistan	2011	Processing
Marjanishvili 7 LLC	100.00%	100.00%	Tbilisi, Georgia	2020	Banking experience improving service
TBC Bank Uzbekistan JSC	60.24%	60.24%	Tashkent, Uzbekistan	2020	Banking
TBC Fin service LLC[3]	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	Software 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	2022	2021	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	2022	2021	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
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 In June 2022 TBC Net LLC legal name was changed to T Net LLC.
2 In May 2022 TBC Bank Group PLC finalized acquisition process of remaining 45% interest in Online Tickets LLC.
3 In April 2022 Vendoo Uz legal name was changed to TBC Fin service LLC and on April 22, 2022 TBC Bank Group PLC sold the full interest in TBC Fin service LLC to its subsidiary JSC TBC Bank Uzbekistan.
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 2021 the Georgian economy rebounded at 10.5%, mainly on the back of the recovery of inflows, as well as stronger domestic demand. As for 2022, despite the adverse impact of Russia's invasion of Ukraine, the expansion continued at a speed that exceeded initial expectations, with real GDP increasing by 10.1% in 2022. The main reasons behind the strong growth momentum are the resilience of Georgia's terms of trade at the time of rising commodity prices as well as Georgia's broadly balanced net exposure to oil prices. Moreover, while Russia's invasion of Ukraine tourism recovery has slowed compared to the pre-war dynamics, when adding the migration effect from citizens of Russia, Belarus and also to some extent Ukraine, the tourism recovery has even strengthened. Additionally, higher remittance inflows and recovering foreign direct investments (FDIs) were growth supportive throughout the year.

However, the baseline strongly depends on the global developments. While the Georgian economy is so far 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 COVID resurgence risks. The materialization of these risks could severely restrict 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. Although global market conditions have affected market confidence and consumer spending patterns, the Group remains well placed to continue displaying strong financial results. 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 2022. See more details outlined in risk management disclosures in note 38.

2. SIGNIFICANT ACCOUNTING POLICIES

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" has 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 standalone 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 Group, 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).

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 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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Presentation currency. These consolidated financial statements are presented in thousands of Georgian Lari ("GEL thousands"), except per-share amounts and unless otherwise indicated.

Restatement to recognise the redemption liability for put option with non-controlling interest. In 2019 and 2021 the TBC Bank Group PLC has entered into an option agreements with minority shareholders of Inspired LLC and TBC Bank Uzbekistan JSC, respectively. According to the option agreements above, the parties are granted call and put options to acquire or sell the non-controlling interest shares, within pre-defined periods at an agreed price.

The terms of call and put options are symmetrical to each other.

As far as the businesses in Uzbekistan continue growing, the Group has reassessed the accounting treatment for put options granted to minority shareholders under the option agreements. After the careful consideration, the Group has identified that according to IAS 32 requirements, the present value of the put option exercise price should have been recognised as a redemption liability, which may arise in future for potential acquisition of NCI shares, since the decision to do so is wholly at the discretion of the minority shareholders. The standard requirement holds, even if the put option is out of the money and NCI shareholders are not expected to exercise the option in future.

As a result of above, the Group has restated previous year balances by recognising redemption liability for put options at initial recognition. Considering that the ownership interest has been retained by minority shareholders, the non-controlling interest has not been derecognised in the statement of financial position and the offsetting effect of redemption liability has been recognised in the other reserves. The redemption liability has been subsequently remeasured for the end of each reporting period, the effects of which has been reflected by adjusting redemption liability and other reserve balances, respectively.

in thousands of GEL	31 December 2021 (As originally presented)	Restatement	31 December 2021 (as restated)
Redemption liability	-	238,455	238,455
Other reserves	-	(238,455)	(238,455)

in thousands of GEL	31 December 2020 (As originally presented)	Restatement	31 December 2020 (as restated)
Redemption liability	-	51,813	51,813
Other reserves	-	(51,813)	(51,813)

Changes in presentation of the consolidated statement of cash flows of TBC Bank Group PLC within operating activity

To correct the presentation of cash flow items related to foreign exchange differences within the operating activities of consolidated statements of cash flows of TBC Bank Group PLC, the management corrected certain financial statement line items. For details refer to the table below and for further information refer to note 32:

in thousands of GEL	31 December 2021 (As originally presented)	Restatement	31 December 2021 (as restated)
Cash received from trading in foreign currencies	113,043	(52,463)	60,580
Other financial assets	(213,126)	156,795	(56,331)
Customer accounts	2,821,952	(216,539)	2,605,413
Other financial liabilities	(144,867)	112,207	(32,660)

2. SIGNIFICANT ACCOUNTING POLICIES CONTINIUED

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because it (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. 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. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an 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. SIGNIFICANT ACCOUNTING POLICIES CONTINIUED

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.

Disposals of subsidiaries, associates or joint ventures. When the Group ceases to have control or significant influence, any retained interest in the entity is re-measured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

Financial instruments – key measurement terms. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is the price in an active market. An active market is one in which transactions for the asset or the liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity owned by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (ie an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure the fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not solely based on observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for expected credit losses. Accrued interest includes the amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated statement of financial position. Repayments for loans are accounted for penalties in the first place, then accrued interest and after that principal amount.

The effective interest method is a method of allocating interest income or interest expense over the term of the financial instrument so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate (refer to income and expense recognition policy). For assets that are purchased or originated defaulted ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

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. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL (expected credit loss) allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame set by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

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.

Financial assets – classification and subsequent measurement – business model. The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Group considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Group assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Group's control, is not recurring and could not have been anticipated by the Group, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. The judgements applied by the Group in performing the SPPI test for its financial assets is discussed below:

The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument's underlying base interest rate, for example a loan pays three months interbank rate but the rate is reset every month. The effect of the modified time value of money was assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The Group applied a threshold of 10% to determine whether differences against a benchmark instruments are significantly different. In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument's cash flows are not SPPI and the instrument is then carried at FVTPL.

The Group identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, ie instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (iii) the fair value of the prepayment feature is immaterial at initial recognition.

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. The Group change its business model in 2020 in relation to the securities held at amortised cost, which took effect from 1 January 2021 in these financial statements as required by IFRS 9.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

Gross carrying amount and write offs. Gross carrying amount of a financial asset is the amortised cost of a financial asset, before adjusting for any loss allowance. The Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The latter includes penalties under the local regulation requirements. The loans are collectively assessed for write off based on overdue days criteria or are individually evaluated, depending on the loan segment and product type.

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 significant (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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

If the risks and rewards do not change, the modified asset will not be substantially different (exceed 10% test) from the original asset and the 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.

Financial liabilities – derecognition and modification. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value. Cash and cash equivalents include cash on hand, amounts due from the National Bank of Georgia (NBG), excluding mandatory reserves, and all interbank placements and interbank receivables with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

The payments or receipts presented in the statement of cash flows represent the Group's transfers of cash and cash equivalents, including amounts charged or credited to current accounts of the Group's counterparties held with the Group, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represent cash or cash equivalent from the customer's perspective.

Mandatory cash balances with the National Bank of Georgia and the Central Bank of Uzbekistan . Mandatory cash 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).

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss. Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Group may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

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. When the FVOCI election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value. Dividends continue to be recognised in profit or loss when the Group's right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

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. Based on the business model and the cash flow characteristics, the Group classifies loans and advances to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL.

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.

Loan commitments. The Group issues commitments to provide loans. These commitments are irrevocable or revocable only in response to a material adverse change. Such commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans 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; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at (i) the remaining unamortised balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability.

Financial guarantees. Financial guarantees require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the statement of financial position as an asset.

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts transfer non-financial performance risk in addition to credit risk. Performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the contract. Where the Group has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as an asset upon transfer of the loss compensation to the guarantee's beneficiary. These fees are recognised within fee and commission income in profit or loss. The Group applies IFRS 9 for measurement of performance guarantees.

Sale and repurchase agreements. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. The lender provides funds to the borrower and receives security as collateral. Securities sold under such sale and repurchase agreements are not derecognized. The securities are not reclassified in the statement of financial position unless the transferee has, by contract, the right or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to credit institutions. The repurchase agreements are short-term in nature. Investment securities at fair value through other comprehensive income or bonds carried at amortised cost reclassified to repurchase receivables continue to be carried at fair value or amortised cost respectively in accordance with the accounting policies for these categories of assets.

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Group, are recorded as Cash and cash equivalents (If the maturity of placement is less than 3 months), due from other banks or loans and advances to customers, as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds. Based on classification of securities sold under the sale and repurchase agreements, the Group classifies repurchase receivables into one of the following measurement categories: AC, FVOCI, and FVTPL.

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

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 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.

Receivables from terminated leases. The Group recognizes receivables from terminated contracts at the moment of lease contract termination. These receivables are recognized at amount comprising difference between fair value of repossessed assets and outstanding balance of finance lease receivables. Receivables are accounted for at AC less ECL.

Prepayment for purchase of leasing assets. Prepayment for purchase of leasing assets comprises of advance payments made to purchase assets for transfer into leases. Such advances are accounted for as non-financial assets. On commencement of the leases, advances towards lease contracts are transferred into finance lease receivables.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Due to credit institutions. Amount due to credit institutions are recorded when counterparty banks advance money or other assets to the Group. The non-derivative liability is carried at AC. If the Group purchases its own debt, it is 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 or losses arising from retirement of debt.

Customer accounts. Customer accounts are non-derivative 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 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. Changes in the fair value of derivative instruments are included in profit or loss. The Group does not apply hedge accounting. Certain derivative instruments embedded in other financial liabilities are treated as separate derivative instruments when their risks and characteristics are not closely related to those of the host contract.

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.

Goodwill. Goodwill is carried at cost less accumulated impairment losses, if any. 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.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised and the replaced part is retired.

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, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).If impaired, premises and equipment are written down to the higher of their value in use and fair value less costs to sell. The decrease in carrying amount is charged to profit or loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINIUED

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:

Asset	Useful life
Premises	30 – 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 the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. 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 property that the Groups owns to earn rental income or for capital appreciation, or both, and that it does not occupy.

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. 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. The carrying amount of an investment property is written down to its recoverable amount through a charge to profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount.

Land included in investment property is not depreciated. Depreciation on other items of investment properties is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 30 to 50 years. Residual values of investment properties are estimated to be nil.

Earned rental income is recorded in profit or loss for the year within other operating income.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred. If an investment property becomes owner-occupied, it is reclassified to premises and equipment.

Intangible assets. The Group's intangible assets other than goodwill have definite useful lives and primarily include capitalised computer software. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs and direct overheads of the software development team. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. 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:

2. SIGNIFICANT ACCOUNTING POLICIES CONTINIUED

- 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.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

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).

The Group applied the Amendment to IFRS 16 to COVID-19 related rent concessions granted by lessors 2020 and extension of this amendment in 2021, respectively. These concessions were recorded as a reduction in the lease liability and variable rent in the period in which they were granted. The amount was not material to the financial statements.

Accounting for operating leases by the Group as a lessor. When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Insurance and reinsurance receivables. Insurance and reinsurance receivables are recognised based on insurance policy terms and measured at cost. The carrying value of insurance and reinsurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with any impairment loss recorded in the consolidated statement of income. Reinsurance receivables primarily include balances due from both insurance and reinsurance companies for ceded insurance liabilities. Insurance premiums are recognised as revenue (earned premiums) proportionally over the period of coverage of respective insurance contracts. Premiums are shown before deduction of commission and are gross of any taxes or duties levied on premiums. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance receivables are impaired only if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract that this can be measured reliably.

Liability adequacy test. Liability adequacy tests are performed at each balance sheet date to ensure the adequacy of recognised insurance liabilities net of related deferred acquisition costs. In performing the tests, current best estimates of future contractual cash flows, claims handling and administration costs in respect of claims, as well as investment income from assets backing such liabilities, are used. Where tests highlight a deficiency, insurance liabilities are increased with any deficiency being recognised in the consolidated statement of comprehensive income.

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. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax liabilities are not recorded for temporary differences on initial recognition of goodwill and subsequently for goodwill that is not deductible for tax 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 tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can 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.

Uncertain tax positions. The Group's uncertain tax positions are reassessed by the management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by the management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on the management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Material provisions include provision for performance guarantees, credit related commitments.

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.

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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 agreement 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 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.

Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the territories where the Bank and its subsidiaries operate, at the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates are recognised in profit or loss. Translation at year-end rates does not apply to non-monetary items, including equity investments. The effects of exchange rate changes on the fair value of equity securities are recorded as part of the fair value gain or loss.

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. At 31 December 2022 the closing rate of exchange used for translating foreign currency balances was GBP 1 = GEL 3.2581 (2021: GBP 1 = GEL 4.1737; 2020: GBP 1 = GEL 4.4529); USD 1 = GEL 2.7020 (2021: USD 1 = GEL 3.0976; 2020: USD 1 = GEL 3.2766); EUR 1 = GEL 2.8844 (2021: EUR 1 = GEL 3.5040;

2. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

2020: EUR 1 = GEL 4.0233); UZS 1,000 = GEL 0.2406 (2021: UZS 1,000 = GEL 0.2861; 2020: UZS 1,000 = GEL 0.3127); AZN 1 = GEL 1.5924 (2021 AZN 1 = GEL 1.8222; 2020 AZN 1 = GEL 1.9288).

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

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. A share-based payment arrangement is an agreement between the entity and another party (including an employee) that entitles the other party to receive cash or other assets of the entity for amounts that are based on the price (or value) of equity instruments (including shares) of the entity or another group entity, or equity instruments (including shares or share options) of the entity or another group entity, provided the specified vesting conditions, if any, are met. 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 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.

3.CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

Critical Judgements and Estimates

The Bank 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 an also an essential part of calculating expected credit losses.

Management considers the significant 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 indic ating the borrower's unlikeliness-to-pay.

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".

On a quantitative basis the Bank assess 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. Quantitative indicator of SICR is applied to retail and micro segments, where the Bank has sufficient number of observations.

The table below represents the sensitivity analysis of (i) 20% decrease of SICR thresholds (quantitative criteria applied for retail and micro exposures described above. (ii) 10% increase in total number of stage 2 borrowers.

In thousands of GEL	31 December 2022	31 December 2021
20% decrease in SICR thresholds	Increase credit loss allowance on loans and advances by GEL 2,106. Change of the Bank's cost of credit risk ratio by 1 basis points	Increase credit loss allowance on loans and advances by GEL 2,470. Change of the Bank's cost of credit risk ratio by 2 basis points.
10% increase in Number of Stage 2 Contracts	Increase credit loss allowance on loans and advances by GEL 1,639. Change of the Bank's cost of credit risk ratio by 1 basis points.	Increase credit loss allowance on loans and advances by GEL 2,511. Change of the Bank's cost of credit risk ratio by 2 basis points.

Judgements used for calculation of credit risk parameters namely exposure at default (EAD), 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.

3.CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES CONTINUED

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 2022	31 December 2021
10% increase (decrease) in PD estimates	Increase (decrease) credit loss allowance on loans and advances by GEL 19,891 (GEL 18,843). Change of the Bank's cost of credit risk ratio by 12 (11) basis points	Increase (decrease) credit loss allowance on loans and advances by GEL 25,043 (GEL 18,905). Change of the Bank's cost of credit risk ratio by 16 (12) basis points
10% increase (decrease) in LGD estimates	Increase (decrease) credit loss allowance on loans and advances by GEL 31,635 (GEL (31,770). Change of the Bank's cost of credit risk ratio by 19 (19) basis points.	Increase (decrease) credit loss allowance on loans and advances by GEL 39,900 (GEL 35,129).Change of the Bank's cost of credit risk ratio by 26 (22) basis points.

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 2022 the weights remained the same as at 31 December 2021 - 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 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 table below describes the unweighted ECL for each economic scenario as at 31 December 2021:

In thousands of GEL	Baseline	Upside	Downside	Weighted
Corporate	48,220	46,752	59,640	50,731
MSME	112,592	104,856	122,768	113,101
Consumer	182,881	179,516	186,478	182,928
Mortgage	63,080	59,464	68,491	63,486
Total	**406,773**	**390,588**	**437,377**	**410,246**

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 following table describes the key macroeconomic variables under each scenario for future 3-year period as at 31 December 2021:

	Baseline			Upside			Downside		
Growth rates YoY, %	2022	2023	2024	2022	2023	2024	2022	2023	2024
GDP	6.0%	5.5%	5.0%	7.8%	8.2%	8.3%	4.1%	2.8%	1.7%
USD/GEL rate (EOP)	3.30	3.25	3.20	2.95	2.87	2.80	3.55	3.55	3.52
RE Price (in USD)	1.6%	2.1%	2.6%	4.6%	6.3%	7.7%	-1.6%	-2.5%	-3.5%
Employment (EOP)	1.0%	1.0%	0.5%	1.5%	1.7%	1.3%	0.6%	0.4%	-0.2%
Monetary policy rate (EOP, Level)	8.5%	7.5%	7.0%	8.0%	6.8%	6.1%	9.4%	8.7%	8.4%

The Bank assessed the impact of changes in GDP growth, unemployment and monetary policy rate variables on ECL as a most critical 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 scenarios. 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 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)

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 2021:

	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	(9,036)	10,359	4,805	(4,541)	4,045	(3,493)

3.CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES CONTINUED

Individual assessment: Individual assessment is mainly used for stage 2 and stage 3 individually significant borrowers.

For selecting individually significant exposures[1], the management uses the following estimated thresholds above which exposures are selected for individual review: for stage 2 - to GEL 10 million and for stage 3 - GEL 4 million. Additionally, the Bank may arbitrarily designate selected exposures to individual measurement of ECL based on the Bank'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.

Post model adjustments

PMAs are a specific set of management adjustments to address known model limitations, either in model methodology or model inputs. PMAs are made based on analysis of model inputs and parameters to determine the required modifications in order to improve model accuracy.

Post model overlays

Post model overlays (PMOs) reflect management judgement that mainly rely on expert judgement and are applied directly to expected credit losses at an aggregated level.

Once implemented, post model overlays and adjustments are re-assessed at each reporting date to determine the validity of the adjustments. The appropriateness of PMAs and PMOs is subject to rigorous review and challenge. Post model overlays and adjustments review and approval process goes through same phases as made for ECL process governance.

As a result of COVID-19 pandemic, the Bank applied expert judgement to the measurement of the expected credit losses in the form of post model adjustments (PMAs). The adjustments made were all in model adjustments, which means that we made adjustments either to model inputs or its parameters and run the models based on the updated adjustments. No post model overlays has been processed.

As at 31 December 2022 Bank introduced a PMA for clients affected by the Russian invasion in Ukraine. Specifically, the default definition was modified for restructured, war-affected exposures amounting to GEL 8,174 thousand. Restructured exposures are transferred to stage 2 instead of stage 3, however, for that particular exposures a lower number of days past due ('DPD') will be used for default recognition: namely, instead of applying a standard 90 DPD, default will be recognised earlier at 30 DPD after the end of grace period. The effect of this PMA on staging shares amount to 0.05 pp. while the effect on ECL amounted GEL 2,340 thousand as at 31 December 2022 in case those exposures were in stage 3.

As of 31 December 2022 all the COVID-19 related PMAs are no longer in place. Effect of PMAs on expected credit losses as at 31 December 2021 is summarized below:

- **Loss given default (LGD) – Recovery rate:** As reported at 31 December 2021, the Bank had applied a downward adjustment on recovery rates in stage 3 to reflect the expected impact of the COVID- 19 pandemic. The effect of LGD related PMA on ECL as at 31 December 2021 amounted to GEL 12,835 thousand;
- **Loss given default (LGD) – AWT:** As reported at 31 December 2021, the Bank had extended AWT (average workout period) from 1 Year to 2 years for SME and non-significant corporate portfolios, in order to reflect delayed recoveries, mainly driven by COVID-19 pandemic. An adjustment was applied across all stages. The effect of this PMA on ECL as at 31 December 2021 amounted to GEL 2,754 thousand.
- **Full prepayment ratio (FPR):** As reported at 31 December 2021, the Bank had applied downward adjustment to FPR ratio which is used for exposure at default modeling (EAD). The adjustment was made based on the expectations that full prepayments will be lower compared to the pre-pandemic levels. The effect of this PMA on ECL as at 31 December 2021 amounted to GEL 0.512 thousand.

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS

Financial effect of IBOR reform. The reform and replacement of various inter-bank offered rates ('IBORs') has become a priority for regulators. Many IBOR rates stopped being published on 31 December 2021, while certain USD LIBOR rates will stop being published by 30 June 2023.

The Group applied the practical expedients of Interest Rate Benchmark Reform – Phase 2 amendments to IFRS 9 to reflect changes to the basis for determining the contractual cash flows by adjusting the effective interest rate to the financial assets and liabilities that have been subject to the index change. The Group is using a secured overnight financing rate (SOFR, Term SOFR), which is selected as an alternative rate for USD LIBOR. The newly signed contracts are in most cases already formed in SOFR or Term SOFR to reflect the anticipated change and therefore are not subject to the transition process. A few contracts have already been changed from LIBOR to economically equivalent SOFR in 2022 (as a direct consequence of IBOR reform), hence the change effect has not resulted in material effect for the Group.

The table below discloses amounts of non-derivative financial assets and liabilities and derivative contracts on 31 December 2022 that are to be transitioned to alternative interest rate benchmarks in 2023:

In thousands of GEL			**Non derivative financial assets**	**Non derivative financial liabilities**		**Contingencies and commitments**		**Derivatives**
Index	Currency	Cessation Date	Loans and advances to customers	Subordinated debt	Due to credit instit utions	Letters of credit	Undrawn credit lines	Derivative liabilities
3M Libor	USD	30-Jun-23	-	-	1,671	-	-	22,978
6M Libor	USD	30-Jun-23	3,719,416	248,069	268,754	1,593	256,892	-
Total			**3,719,416**	**248,069**	**270,425**	**1,593**	**256,892**	**22,978**

The table below discloses amounts of non-derivative financial assets and liabilities and derivative contracts on 31 December 2021 that are to be transitioned to alternative interest rate benchmarks in 2022:

In thousands of GEL			**Non derivative financial assets**	**Non derivative financial liabilities**		**Contingencies and commitments**		**Derivatives**
Index	Currency	Cessation Date	Loans and advances to customers	Subordinated debt	Due to credit institutions	Letters of credit	Undrawn credit lines	Derivative assets
6M Euro Libor	EUR	31-Dec-21	-	-	88,761	-	-	-
1M Libor	USD	TBD	24,831	-	-	-	1,032	-
3M Libor	USD	30-Jun-23	26,139	-	2,858	-	11	3,613
6M Libor	USD	30-Jun-23	5,432,142	281,604	361,360	4,771	909,315	-
12M Libor	USD	30-Jun-23	1,460	-	30,992	-	-	-
Total			**5,484,572**	**281,604**	**483,971**	**4,771**	**910,358**	**3,613**

The Group is exposed to a risk that the liquidity of the above financial instruments would start to decrease, as the volume of operations with traditional IBOR-based financial instruments are shrinking. The Group may also expose to a risk, that reference rate structure for funds attracted and loans disbursed may differ after moving to different reference rates, hence the change effect has not resulted in material financial effect for the Group.

1 Total exposure of the bank toward the borrower or group of interconnected borrowers

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS CONTINUED

The Group is working with its customers and other counterparties, such as international financial institutions to perform a transition of legacy IBOR-based financial instruments to alternative benchmark interest rates and develop new financial products for its customers. The Group is also enhancing its IT systems and internal processes to ensure smooth transition from IBOR to alternative benchmark interest rates.

The continued orderly transition from LIBOR is going to be the Group's key objective through 2023 and is grouped into two work streams:

1. The development of alternative rate and risk free rate product capabilities.
2. The transition of legacy LIBOR contracts.

The Groups initiatives in connection with LIBOR transition include:

a. Impementing rate fall back provisions, where appropriate;
b. The Group continues to engage with market participants and the regulator to address market-wide challenges associated with USD LIBOR transition, including the efforts to introduce forward-looking term rates linked to SOFR;
c. To educate and inform clients on LIBOR transition and the necessity to prepare for the cessation of LIBOR;

The following amended standards became effective from 1 January 2022, but did not have any material impact on the Group:

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

- The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of property, plant or equipment any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity has to use IAS 2 to measure the cost of those items. Cost does not include depreciation of the asset being tested because it is not yet ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.
- The amendment to IAS 37 clarifies the meaning of 'costs to fulfill a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.
- IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.
- The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.
- Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

4. ADOPTION OF NEW OR REVISED STANDARDS AND INTERPRETATIONS CONTINUED

- IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.
- The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis.

5. NEW ACCOUNTING PRONOUNCEMENTS

The Group has not early adopted any of the amendments effective after 31 December 2022. 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.

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately.

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard. The following amendments to IFRS 17 were made:

- Effective date: The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- Expected recovery of insurance acquisition cash flows: An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- Contractual service margin attributable to investment services: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an 'investment-return service' under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.

5. NEW ACCOUNTING PRONOUNCEMENTS CONTINUED

- Reinsurance contracts held – recovery of losses: When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- Other amendments: Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

Transition option to insurers applying IFRS 17 – Amendments to IFRS 17 (issued on 9 December 2021 and effective for annual periods beginning on or after 1 January 2023). The amendment to the transition requirements in IFRS 17 provides insurers with an option aimed at improving the usefulness of information to investors on initial application of IFRS 17. The amendment relates to insurers' transition to IFRS 17 only and does not affect any other requirements in IFRS 17. The transition requirements in IFRS 17 and IFRS 9 apply at different dates and will result in the following one-time classification differences in the comparative information presented on initial application of IFRS 17: accounting mismatches between insurance contract liabilities measured at current value and any related financial assets measured at amortised cost; and if an entity chooses to restate comparative information for IFRS 9, classification differences between financial assets derecognised in the comparative period (to which IFRS 9 will not apply) and other financial assets (to which IFRS 9 will apply). The amendment will help insurers to avoid these temporary accounting mismatches and, therefore, will improve the usefulness of comparative information for investors. It does this by providing insurers with an option for the presentation of comparative information about financial assets. When initially applying IFRS 17, entities would, for the purpose of presenting comparative information, be permitted to apply a classification overlay to a financial asset for which the entity does not restate IFRS 9 comparative information. The transition option would be available, on an instrument-by-instrument basis; allow an entity to present comparative information as if the classification and measurement requirements of IFRS 9 had been applied to that financial asset, but not require an entity to apply the impairment requirements of IFRS 9; and require an entity that applies the classification overlay to a financial asset to use reasonable and supportable information available at the transition date to determine how the entity expects that financial asset to be classified applying IFRS 9.

The Group is currently assessing the impact of IFRS 17 and related amendments on its financial statements.

The Group analyzed portfolio of insurance contracts and concluded that all our groups of contracts are eligible for premium allocation approach. Main basis for this conclusion was that the Group do not have any onerous groups and contract boundaries for all groups are less than 1 year. Group also performed run-off analysis and concluded that current IFRS 4 insurance reserves can serve as the best estimate of liability for incurred claims. Therefore the only measure that affects the Group's profit or loss and equity is risk adjustment, which is estimated to be immaterial at transition date (net of re-insurance).

Unless otherwise described above, the new standards and interpretations below are not expected to affect significantly 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.

5. NEW ACCOUNTING PRONOUNCEMENTS CONTINUED

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.

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.

Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance.

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.

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. Currently we are assessing the scale of impact on the consolidated financial statements of the Group and the separate financial statements of TBC Bank Group PLC.

6. CASH AND CASH EQUIVALENTS

In thousands of GEL	31 December 2022	31 December 2021
Cash on hand	1,243,238	839,821
Cash balances with the National Bank of Georgia and Central Bank of Uzbekistan (other than mandatory reserve deposits)	334,823	244,303
Correspondent accounts and overnight placements with other banks	1,446,565	632,376
Placements with and receivables from other banks with original maturities of less than three months	466,596	5,767
Reverse sale and repurchase agreements with other banks with original maturities of less than three months	370,022	-
Total gross amount of cash and cash equivalents	**3,861,244**	**1,722,267**
Less: credit loss allowance by stages	(431)	(130)
Stage 1	(431)	(130)
Total cash and cash equivalents	**3,860,813**	**1,722,137**

As of 31 December 2022, 95% 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 2021: 94%).

As of 31 December 2022, GEL 303,206 thousand was placed on interbank term deposits with one OECD bank and none with non-OECD (as at 31 December 2021, GEL 5,767 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 2022, 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 18,395 thousands (2021: GEL 11,610 thousands).

As of 31 December 2022 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 72,362 thousands (2021: GEL 3,781 thousands).

The credit-ratings of correspondent accounts and overnight placements with other banks are as follows:

In thousands of GEL	31 December 2022	31 December 2021
AA	280,732	69,943
AA-	207,873	2,117
A+	705,316	425,553
A	–	1,795
A-	86,538	23,766
BBB+	102,814	70,886
BBB	2,360	7
BBB-	–	12,569
BB+	647	367
BB	5,457	1,524
BB-	23,631	13,376
B+	30,460	8,343
B	42	2,130
B-	695	–
Total correspondent accounts and overnight placements with other banks	**1,446,565**	**632,376**

6. CASH AND CASH EQUIVALENTS CONTINUED

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 2022	31 December 2021
AAA	1,085	–
BBB+	303,364	–
BB	9,541	–
BB-	144,803	5,722
B	7,803	–
Not rated	–	45
Total placements with and receivables from other banks with original maturities of less than three months	**466,596**	**5,767**

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 there were GEL 374,255 thousand investment securities held as collateral against reverse sale and repurchase agreements with other banks with original maturities of less than three months (2021: nil). 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 original maturities of more than three months that are not collateralised and represent neither past due nor impaired amounts at the end of 2022 and 2021. 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 2022	31 December 2021
A+	–	13,099
BBB+	–	21
BBB	1,298	–
BBB-	–	2,943
BB	4,326	5,652
BB-	16,641	19,828
B+	19,589	37,599
Total placements with and receivables from other banks with original maturities of more than three months and restricted cash	**41,854**	**79,142**

As at 31 December 2022 the Group had no placements, with original maturities of more than three months and with aggregated amounts above GEL 5,000 thousand (2021: GEL 54,526 thousand). The total aggregated amount of placements with and receivables from other banks with original maturities of more than three months was GEL 41,161 thousand (2021: GEL 65,333 thousand) or 98.4% of the total amount due from other banks (2021: 82.6%).

As at 31 December 2022 GEL 693 thousand (2021: GEL 13,819 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 at 31 December 2022 is GEL 18.9 thousand (2021: GEL 9.9 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 10.88%, 2.17% and (0.7%) annual interest in GEL, USD and EUR, respectively, on mandatory reserve with NBG during the year 2022 (2021: 10.5%, (0.25%) and (0.7%) in GEL, USD and EUR, respectively).

Mandatory cash balances with the Central Bank of Uzbekistan ("CBU") represents of 20% amount placed and frozen on special account with Central Bank of Uzbekistan ("CBU") 80% of amount maintained on corresponding account with CBU. Resident financial institutions are required to keep non-interest-earning obligatory balances with the CBU, the amount of which depends on the level of clients' accounts. The amount placed in CBU are denominated in UZS.

In July 2022, Fitch Ratings has affirmed Georgia's Long-Term Foreign and Local Currency Issuer Default Rating (IDRs) at 'BB', the stable outlook. The Country Ceiling Rating is affirmed at 'BBB-', while short-term foreign and local-currency IDRs are kept at 'B'.

9. LOANS AND ADVANCES TO CUSTOMERS

in thousands of GEL	**31 December 2022**	**31 December 2021**
Corporate loans	6,282,469	6,547,741
Loans to micro, small and medium enterprises	4,809,415	4,141,305
Consumer loans	2,859,915	2,245,904
Mortgage loans	4,253,172	4,112,441
Total gross loans and advances to customers at amortised cost (AC)	**18,204,971**	**17,047,391**
Less: credit loss allowance	(372,365)	(410,246)
Stage 1	(107,353)	(104,058)
Stage 2	(99,162)	(120,832)
Stage 3	(165,850)	(185,356)
Total loans and advances to customers at amortised cost (AC)	**17,832,606**	**16,637,145**

As at 31 December 2022 loans and advances to customers carried at GEL 958,530 thousand have been pledged to local banks or other financial institutions as collateral with respect to other borrowed funds (2021: GEL 843,006 thousand).

Total credit loss allowance includes PMAs amounted to GEL 2,340 thousand and GEL 16,107 thousand for YE 2022 and YE 2021 respectively.

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

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 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[1]	-	-	-	-	(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

	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 2021	**11,860,559**	**2,448,126**	**891,835**	**15,200,520**	**130,228**	**142,915**	**333,103**	**606,246**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(1,737,251)*	*2,102,702*	*(365,451)*	-	*(66,517)*	*163,161*	*(96,644)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(367,693)*	*(262,234)*	*629,927*	-	*(84,339)*	*(39,902)*	*124,241*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*1,950,513*	*(1,780,706)*	*(169,807)*	-	*143,565*	*(93,518)*	*(50,047)*	-
New originated or purchased	7,471,638	-	-	**7,471,638**	118,272	-	-	**118,272**
Derecognised or fully repaid during the period	(2,161,851)	(162,437)	(192,679)	**(2,516,967)**	22,759	(16,651)	(50,522)	**(44,414)**
Net repayments	(1,818,506)	(268,428)	(66,236)	**(2,153,170)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(158,517)	(33,483)	122,661	**(69,339)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(193,678)	**(193,678)**	-	-	(193,678)	**(193,678)**
Changes in accrued interest	11,271	(3,229)	1,870	**9,912**	-	-	-	-
Modification	5,346	1,930	2,466	**9,742**	-	-	-	-
Foreign exchange movements	(611,624)	(140,354)	(28,628)	**(780,606)**	(1,393)	(1,690)	(3,758)	**(6,841)**
At 31 December 2021	**14,602,402**	**1,935,370**	**509,619**	**17,047,391**	**104,058**	**120,832**	**185,356**	**410,246**

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 52,366 thousands in 2022 (2021: GEL 44,642 thousands) The amount of recoveries include recoveries from sale of written off portfolio in the amount of GEL 12,688 thousands sold In January 2022 and GEL 5,946 thousands sold in September 2022 (2021: GEL 11,649 thousands).

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			
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 2021	**4,574,134**	**955,187**	**161,428**	**5,690,749**	**53,995**	**8,194**	**45,452**	**107,641**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(260,069)*	*331,488*	*(71,419)*	-	*(6,701)*	*12,127*	*(5,426)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(93,919)*	*(25,017)*	*118,936*	-	*(30,508)*	*(391)*	*30,899*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*461,963*	*(405,275)*	*(56,688)*	-	*27,590*	*(8,265)*	*(19,325)*	-
New originated or purchased	2,604,204	-	-	**2,604,204**	39,357	-	-	**39,357**
Derecognised or fully repaid during the period	(1,034,926)	(10,074)	(35,273)	**(1,080,273)**	(3,172)	102	(16,258)	**(19,328)**
Net repayments	(414,977)	(82,387)	(32,038)	**(529,402)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(55,960)	(10,378)	(12,081)	**(78,419)**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	213,296	29,590	6,401	**249,287**	476	314	2,897	**3,687**
Write-offs	-	-	(340)	**(340)**	-	-	(340)	**(340)**
Changes in accrued interest	1,988	(3,035)	3,917	**2,870**	-	-	-	-
Modification	719	608	996	**2,323**	-	-	-	-
Foreign exchange movements	(308,969)	(78,537)	(4,171)	**(391,677)**	(673)	(393)	(801)	**(1,867)**
At 31 December 2021	**5,743,444**	**712,548**	**91,749**	**6,547,741**	**24,404**	**1,310**	**25,017**	**50,731**

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 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

	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 2021	**2,661,786**	**631,347**	**262,951**	**3,556,084**	**24,490**	**46,853**	**88,567**	**159,910**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(466,965)*	*534,711*	*(67,746)*	-	*(10,917)*	*29,516*	*(18,599)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(71,234)*	*(94,868)*	*166,102*	-	*(14,450)*	*(10,455)*	*24,905*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*570,554*	*(537,576)*	*(32,978)*	-	*36,444*	*(28,030)*	*(8,414)*	-
New originated or purchased	2,023,430	-	-	**2,023,430**	16,667	-	-	**16,667**
Derecognised or fully repaid during the period	(522,685)	(44,334)	(33,607)	**(600,626)**	(688)	(1,613)	(11,988)	**(14,289)**
Net repayments	(475,809)	(61,832)	(30,299)	**(567,940)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(26,678)	(3,534)	32,293	**2,081**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	(80,868)	6,542	(4,803)	**(79,129)**	(3,824)	78	(4,898)	**(8,644)**
Write-offs	-	-	(40,086)	**(40,086)**	-	-	(40,086)	**(40,086)**
Changes in accrued interest	14,130	1,126	1,449	**16,705**	-	-	-	-
Modification	1,208	369	424	**2,001**	-	-	-	-
Foreign exchange movements	(133,705)	(22,146)	(13,283)	**(169,134)**	(557)	(581)	(1,400)	**(2,538)**
At 31 December 2021	**3,519,842**	**413,339**	**208,124**	**4,141,305**	**20,487**	**32,234**	**60,380**	**113,101**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

Consumer loans *in thousands of GEL*	Gross carrying amount Stage 1 (12-months ECL)	Gross carrying amount Stage 2 (lifetime ECL for SICR)	Gross carrying amount Stage 3 (lifetime ECL for defaulted)	Gross carrying amount Total	Credit loss allowance Stage 1 (12-months ECL)	Credit loss allowance Stage 2 (lifetime ECL for SICR)	Credit loss allowance Stage 3 (lifetime ECL for defaulted)	Credit loss allowance 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

Consumer loans *in thousands of GEL*	Gross carrying amount Stage 1 (12-months ECL)	Gross carrying amount Stage 2 (lifetime ECL for SICR)	Gross carrying amount Stage 3 (lifetime ECL for defaulted)	Gross carrying amount Total	Credit loss allowance Stage 1 (12-months ECL)	Credit loss allowance Stage 2 (lifetime ECL for SICR)	Credit loss allowance Stage 3 (lifetime ECL for defaulted)	Credit loss allowance Total
At 1 January 2021	**1,556,559**	**267,296**	**187,730**	**2,011,585**	**48,372**	**66,352**	**127,101**	**241,825**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(407,063)*	*471,869*	*(64,806)*	*-*	*(46,449)*	*83,450*	*(37,001)*	*-*
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(108,020)*	*(99,591)*	*207,611*	*-*	*(22,882)*	*(25,955)*	*48,837*	*-*
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*319,163*	*(287,805)*	*(31,358)*	*-*	*57,187*	*(45,306)*	*(11,881)*	*-*
New originated or purchased	1,513,078	-	-	**1,513,078**	60,443	-	-	**60,443**
Derecognised or fully repaid during the period	(408,992)	(55,937)	(87,562)	**(552,491)**	23,943	(14,452)	(11,487)	**(1,996)**
Net repayments	(500,500)	(54,128)	29,507	**(525,121)**	-	-	-	**-**
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	**-**	(67,672)	541	94,612	**27,481**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	(30,782)	491	2,390	**(27,901)**	3,400	348	2,861	**6,609**
Write-offs	-	-	(151,635)	**(151,635)**	-	-	(151,635)	**(151,635)**
Changes in accrued interest	(1,447)	(1,248)	(4,446)	**(7,141)**	-	-	-	**-**
Modification	2,098	437	828	**3,363**	-	-	-	**-**
Foreign exchange movements	(13,949)	(2,144)	(1,740)	**(17,833)**	23	230	(52)	**201**
At 31 December 2021	**1,920,145**	**239,240**	**86,519**	**2,245,904**	**56,365**	**65,208**	**61,355**	**182,928**

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

	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 2021	**3,068,080**	**594,296**	**279,726**	**3,942,102**	**3,371**	**21,516**	**71,983**	**96,870**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
– *to lifetime (from Stage 1 and Stage 3 to Stage 2)*	*(603,154)*	*764,634*	*(161,480)*	-	*(2,450)*	*38,068*	*(35,618)*	-
– *to defaulted (from Stage 1 and Stage 2 to Stage 3)*	*(94,520)*	*(42,758)*	*137,278*	-	*(16,499)*	*(3,101)*	*19,600*	-
– *to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)*	*598,833*	*(550,050)*	*(48,783)*	-	*22,344*	*(11,917)*	*(10,427)*	-
New originated or purchased	1,330,926	-	-	**1,330,926**	1,805	-	-	**1,805**
Derecognised or fully repaid during the period	(195,248)	(52,092)	(36,237)	**(283,577)**	2,676	(688)	(10,789)	**(8,801)**
Net repayments	(427,220)	(70,081)	(33,406)	**(530,707)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(8,207)	(20,112)	7,837	**(20,482)**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	(101,646)	(36,623)	(3,988)	**(142,257)**	(52)	(740)	(860)	**(1,652)**
Write-offs	-	-	(1,617)	**(1,617)**	-	-	(1,617)	**(1,617)**
Changes in accrued interest	(3,400)	(72)	950	**(2,522)**	-	-	-	-
Modification	1,321	516	218	**2,055**	-	-	-	-
Foreign exchange movements	(155,001)	(37,527)	(9,434)	**(201,962)**	(186)	(946)	(1,505)	**(2,637)**
At 31 December 2021	**3,418,971**	**570,243**	**123,227**	**4,112,441**	**2,802**	**22,080**	**38,604**	**63,486**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

The credit quality of loans to customers carried at amortised cost is as follows at 31 December 2022:

	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**
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**
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**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

The credit quality of loans to customers carried at amortised cost is as follows at 31 December 2021:

	31 December 2021			
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	5,491,018	4,275	–	**5,495,293**
- Low	246,591	598,209	–	**844,800**
- Moderate	5,835	110,064	–	**115,899**
- Default	–	–	91,749	**91,749**
Gross carrying amount	**5,743,444**	**712,548**	**91,749**	**6,547,741**
Credit loss allowance	(24,404)	(1,310)	(25,017)	**(50,731)**
Carrying amount	**5,719,040**	**711,238**	**66,732**	**6,497,010**
Consumer loans risk category				
- Very low	1,270,400	16,310	–	**1,286,710**
- Low	542,853	57,392	–	**600,245**
- Moderate	106,892	138,339	–	**245,231**
- High	–	27,199	–	**27,199**
- Default	–	–	86,519	**86,519**
Gross carrying amount	**1,920,145**	**239,240**	**86,519**	**2,245,904**
Credit loss allowance	(56,365)	(65,208)	(61,355)	**(182,928)**
Carrying amount	**1,863,780**	***174,032***	**25,164**	**2,062,976**
Mortgage loans risk category				
- Very low	3,069,543	78,659	–	**3,148,202**
- Low	328,538	353,765	–	**682,303**
- Moderate	20,890	122,855	–	**143,745**
- High	–	14,964	–	**14,964**
- Default	–	–	123,227	**123,227**
Gross carrying amount	**3,418,971**	**570,243**	**123,227**	**4,112,441**
Credit loss allowance	(2,802)	(22,080)	(38,604)	**(63,486)**
Carrying amount	**3,416,169**	**548,163**	**84,623**	**4,048,955**
Loans to MSME risk category				
- Very low	2,836,336	41,741	–	**2,878,077**
- Low	673,872	250,173	–	**924,045**
- Moderate	9,634	86,859	–	**96,493**
- High	–	34,566	–	**34,566**
- Default	–	–	208,124	**208,124**
Gross carrying amount	**3,519,842**	**413,339**	**208,124**	**4,141,305**
Credit loss allowance	(20,487)	(32,234)	(60,380)	**(113,101)**
Carrying amount	**3,499,355**	**381,105**	**147,744**	**4,028,204**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

The contractual amounts outstanding on loans to customers that have been written off partially or fully but are still subject to enforcement activity was principal amount GEL 22,535 thousand (31 December 2021: GEL 19,238 thousand), accrued interest GEL 4,160 thousand (31 December 2021: GEL 4,963 thousand) and accrued off balance sheet penalty GEL 2,814 thousand (31 December 2021: GEL 2,113 thousand).

Economic sector risk concentrations within the customer loan portfolio are as follows:

	31 December 2022		31 December 2021	
in thousands of GEL	**Amount**	**%**	**Amount**	**%**
Individual	7,199,092	40%	6,500,009	38%
Real Estate	1,564,352	9%	1,591,277	9%
Hospitality,Restaurants & Leisure	1,147,098	6%	1,350,184	8%
Construction	1,073,761	6%	1,041,416	6%
Food Industry	1,060,058	6%	994,780	6%
Trade	1,054,958	6%	860,286	5%
Energy & Utilities	947,441	5%	1,095,387	7%
Agriculture	822,779	5%	838,719	5%
Healthcare	451,304	2%	406,608	2%
Services	388,517	2%	348,738	2%
Automotive	297,558	2%	309,043	2%
Financial Services	262,675	1%	112,937	1%
Transportation	240,535	1%	224,066	1%
Pawn Shops	196,489	1%	159,851	1%
Metals and Mining	179,365	1%	43,132	0%
Communication	30,758	0%	41,191	0%
Other	1,288,231	7%	1,129,767	7%
Total gross loans and advances to customers	**18,204,971**	**100%**	**17,047,391**	**100%**

As of 31 December 2022, the Group had 177 borrowers (2021: 188 borrowers) with aggregated gross loan amounts above GEL 10,000 thousand. The total aggregated amount of these loans was GEL 4,510,504 thousand (2021: GEL 5,017,758 thousand) or 24.8% of the gross loan portfolio (2021: 29.4%).

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 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**

The effect of collateral as at 31 December 2021:

	31 December 2021			
	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	3,929,725	8,578,057	2,618,016	878,667
Consumer loans	648,355	3,117,799	1,597,549	23,910
Mortgage loans	3,672,323	9,877,124	440,118	156,248
Loans to micro, small and medium enterprises	3,098,087	7,035,782	1,043,218	419,978
Total	**11,348,490**	**28,608,762**	**5,698,901**	**1,478,803**

As at 31 December 2022 loans and advances to customers which were 1. over-collateralised and 2. credit loss allowance was nil, amounted to GEL 1,525,046 thousand (2021: GEL 1,576,220 thousand).

The effect of collateral by classes 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**

9. LOANS AND ADVANCES TO CUSTOMERS CONTINUED

The effect of collateral by classes as at 31 December 2021:

	31 December 2021			
	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	271,396	310,681	207,788	147,871
Gold	91,525	115,404	15,917	15,657
Inventory	331,047	1,313,628	253,934	138,523
Real Estate	10,654,522	26,869,049	1,861,299	1,176,752
Unsecured and secured solely by third party guarantees	-	-	3,359,963	-
Total	**11,348,490**	**28,608,762**	**5,698,901**	**1,478,803**

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 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**

Stage 3 loans presented by segments and collateral classes as at 31 December 2021 are the following:

	31 December 2021			
in thousands of GEL	Corporate	Consumer	Mortgage	Loans to micro, small and medium enterprises
Cash Cover	19	6	13	267
Gold	-	-	-	294
Inventory	8,359	-	-	527
Real Estate	62,463	32,281	117,443	189,533
Unsecured and secured solely by third party guarantees	20,908	54,232	5,771	17,503
Total	**91,749**	**86,519**	**123,227**	**208,124**

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 2022	31 December 2021
Stage 1	354,308	487,742
Stage 2	184,044	431,160
Stage 3	49,975	50,792
Total	**588,327**	**969,694**

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 387,356 thousand and GEL 857,891 thousand as of 31 December 2022 and 2021, 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 2022 amortised cost of loans with lifetime ECL immediately before contractual modification that was not a derecognition event was GEL 1,796,668 thousand (31 December 2021: GEL 2,110,117 thousand). During 2022, gains less losses recognised in profit or loss on modifications of loans with lifetime ECL that did not lead to derecognition was GEL (14) thousand (2021: GEL 205 thousand)

For the year ended 31 December 2022 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 1,063,796 thousand (31 December 2021: GEL 994,526 thousand).

10. INVESTMENT SECURITIES MEASURED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

in thousands of GEL	31 December 2022	31 December 2021
Corporate bonds	1,291,719	707,253
Ministry of Finance of Georgia treasury bills	1,559,867	1,231,024
Foreign government treasury bills	35,617	1,683
Less: credit loss allowance by stages	(3,140)	(2,818)
Stage 1	(3,140)	(2,818)
Stage 2	-	-
Stage 3	-	-
Total investment securities measured at fair value through other comprehensive income excluding corporate shares	**2,884,063**	**1,937,142**
Corporate shares – unquoted	1,025	1,054
Total investment securities measured at fair value through other comprehensive income	**2,885,088**	**1,938,196**

All debt securities in 2022 and 2021 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 stable outlook (as assigned by Fitch rating agency in July 2022). Latest country rating for Uzbekistan stands at BB-. 87.6% of corporate bonds are issued by triple A rated international financial institutions, 0.2% of corporate bonds are issued by BB- rated financial institutions, 9.5% of corporate bonds are issued by BB rating and 2.7% 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 2022 investment securities measured at fair value through other comprehensive income carried at GEL 475,259 thousand have been pledged with local banks or financial institutions as a collateral for other borrowed funds (2021: GEL 383,790 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	2022	2021
Carrying amount as of 1 January	**1,938,196**	**2,613,276**
Purchases	2,413,600	797,285
Disposals	(816,875)	(1,025,775)
Redemption at maturity	(391,341)	(412,204)
Revaluation	16,329	(45,696)
Interest income accrued	196,114	185,424
Interest income received	(178,128)	(169,068)
Effect of translation to presentation currency	(24,990)	(5,486)
Transfer to repurchase receivables	(267,495)	-
Changes in credit loss allowance	(322)	440
Carrying amount as of 31 December	**2,885,088**	**1,938,196**

11. BONDS CARRIED AT AMORTISED COST

in thousands of GEL	31 December 2022	31 December 2021
Certificates of deposit of Central Bank of Uzbekistan	33,640	48,045
Corporate bonds	3,753	1,537
Total gross amount of bonds carried at amortised cost	**37,393**	**49,582**
Less: credit loss allowance by stages	(1)	-
Stage 1	(1)	-
Stage 2	-	-
Stage 3	-	-
Total bonds carried at amortised cost	**37,392**	**49,582**

As at 31 December 2022 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	2022	2021
Carrying amount at 1 January	**49,582**	**29,855**
Purchases	261,568	54,124
Redemption at maturity	(267,904)	(32,906)
Interest income accrual	8,227	2,224
Interest income received	(6,967)	(2,073)
Effect of translation to presentation currency	(7,113)	(1,642)
Changes in credit loss allowance	(1)	-
Carrying amount as of 31 December	**37,392**	**49,582**

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 2022 none of the bonds carried at amortised cost have been pledged to local banks or financial institutions as collateral for other borrowed funds (2021: nil). Refer to Note 19.

None of the bonds carried at amortised cost as at 31 December 2022 and 2021 were either overdue or defaulted.

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 2022	31 December 2021
Investment securities measured at FVOCI sold under sale and repurchase agreements	267,495	-
Total repurchase receivables	**267,495**	**-**

For the end of 2022 the total balance of repurchase receivables gross portfolio were under stage 1 for credit loss allowance purposes and respectively, the ECL amounted nil (2021: nil). Meanwhile credit risk category of total portfolio is classified as very low.

13. OTHER FINANCIAL ASSETS

in thousands of GEL	31 December 2022	31 December 2021
Derivative financial assets	57,887	185,710
Receivables on credit card services and money transfers	46,724	62,881
Insurance and reinsurance receivables	45,069	32,474
Receivable on terminated leases	40,103	46,346
Receivables from plastic card service providers	28,081	14,472
Receivables on guarantees and letters of credit	23,140	9,766
Advances paid to promotional service provider	19,733	17,681
Investment held at fair value through profit or loss	9,704	11,125
Trade receivables	7,763	7,715
Government subsidy related receivables	3,981	1,949
Prepayments for purchase of leasing assets	2,794	2,073
Receivables for rental income	666	1,349
Receivables from sales of non-financial assets	657	72,650
Other	41,918	38,731
Total gross amount of other financial assets	**328,220**	**504,922**
Less: credit loss allowance	(54,415)	(51,807)
Total other financial assets	**273,805**	**453,115**

For the year end of 2022 other financial asset gross portfolio with related credit loss allowance (excluding insurance and reinsurance receivables) represented: stage 1 - GEL 218,661 thousand and GEL 9,899 thousand (2021: GEL 395,121 thousand and GEL 3,955 thousand); stage 2 - GEL 412 thousand and GEL 66 thousand (2021: GEL 3,730 thousand and GEL 1,706 thousand); stage 3 - GEL 64,078 thousand and GEL 44,450 thousand (2021: GEL 73,597 thousand and GEL 46,146 thousand).

13.OTHER FINANCIAL ASSETS CONTINUED

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 thousands (2021: nil). The value of the call option has been recognised only for separate reporting purposes.

14. FINANCE LEASE RECEIVABLES

As at 31 December 2022 finance lease receivables of GEL 312,334 thousand (2021: GEL 262,046 thousand) are represented by leases of fixed assets excluding land and buildings.

The Company 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 Company holds title to the leased assets during the lease term. The title to the asset under finance lease contract is transferred to the lessees at the end of the contractual term subject to full payment of lease obligations. 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.

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 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**

Finance lease payments receivable and their present values as of 31 December 2021 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	141,346	101,270	55,545	28,065	11,848	6,868	**344,942**
Unearned finance income	(34,834)	(20,518)	(9,778)	(4,332)	(1,460)	(1,078)	**(72,000)**
Credit loss allowance	(4,731)	(3,224)	(1,769)	(699)	(304)	(169)	**(10,896)**
Present value of lease payments receivable	**101,781**	**77,528**	**43,998**	**23,034**	**10,084**	**5,621**	**262,046**

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 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**

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 2021	**171,649**	**60,841**	**50,012**	**282,502**	**3,013**	**3,457**	**4,372**	**10,842**
Transfers								
– to lifetime (from Stage 1 and Stage 3 to Stage 2)	(29,446)	31,607	(2,161)	-	(406)	419	(13)	-
– to defaulted (from Stage 1 and Stage 2 to Stage 3)	(9,135)	(2,629)	11,764	-	(83)	(320)	403	-
– to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	47,278	(38,439)	(8,839)	-	1,318	(1,042)	(276)	-
New originated or purchased	121,657	9,178	2,456	**133,291**	2,156	2,374	559	**5,089**
Derecognised or fully repaid during the period	(58,767)	(11,429)	(21,386)	**(91,582)**	(1,054)	(597)	(3,398)	**(5,049)**
Net repayments	(37,623)	(4,853)	(5,540)	**(48,016)**	-	(42)	(61)	**(103)**
Foreign exchange movements	(3,110)	(1,353)	(1,096)	**(5,559)**	-	-	-	**-**
Other movements	(1,832)	977	3,161	**2,306**	-	(42)	(54)	**(96)**
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	**-**	(1,843)	(738)	2,794	**213**
At 31 December 2021	**200,671**	**43,900**	**28,371**	**272,942**	**3,101**	**3,469**	**4,326**	**10,896**

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**

14. FINANCE LEASE RECEIVABLES CONTINUED

As at 31 December 2021, credit quality of finance lease receivables is analysed below

in thousands of GEL	31 December 2021 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	170,782	4,397	-	175,179
– Low	29,889	8,993	-	38,882
– Moderate	-	15,900	-	15,900
– High	-	14,610	-	14,610
– Default	-	-	28,371	28,371
Gross carrying amount	**200,671**	**43,900**	**28,371**	**272,942**
Credit loss allowance	(3,101)	(3,469)	(4,326)	(10,896)
Carrying amount	**197,570**	**40,431**	**24,045**	**262,046**

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**

The effect of collateral as at 31 December 2021:

	31 December 2021			
	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	221,676	366,792	51,266	42,661
Total	**221,676**	**366,792**	**51,266**	**42,661**

15. OTHER ASSETS

in thousands of GEL	31 December 2022	31 December 2021
Current other assets		
Repossessed collateral	268,374	255,766
Prepayments for other assets	51,404	62,724
Prepayments for purchase of leasing assets	28,595	28,829
Other inventories	17,091	10,849
Prepaid taxes other than income tax	6,283	6,634
Total current other assets	**371,747**	**364,802**
Non-current other assets		
Assets repossessed from terminated leases	16,531	10,224
Prepayments for construction in progress	22,460	5,757
Reinsurance receivable	10,351	8,834
Prepaid insurance of leasing assets	-	2,038
Assets purchased for leasing purposes	1,049	313
Other	6,983	5,111
Total non-current other assets	**57,374**	**32,277**
Total other assets	**429,121**	**397,079**

Repossessed collateral represents tangible assets acquired by the Group in settlement of overdue 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 2022, collaterals repossessed for settlement of impaired loans amounted to GEL 98,289 thousand (2021: GEL 131,917 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 2022, the carrying value of the repossessed collaterals subjected to the repurchase agreement was GEL 143,780 thousand (2021: 124,687 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 2021	**212,398**	**263,989**	**103,756**	**580,143**	**336,804**	**916,947**
Additions	10,837	43,374	11,806	66,017	144,492	**210,509**
Transfers within premises and equipment	2,888	-	(2,888)	-	-	**-**
Disposals	(12,371)	(12,646)	(1,694)	(26,711)	(30,124)	**(56,835)**
Impairment (charge)/reversal	(7,787)	354	(491)	(7,924)	(399)	**(8,323)**
Effect of translation to presentation currency	(73)	(503)	-	(576)	(291)	**(867)**
31 December 2021	**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 reversal/(charge)	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**
Accumulated depreciation / amortisation						
1 January 2021	**(48,651)**	**(158,536)**	**-**	**(207,187)**	**(97,281)**	**(304,468)**
Depreciation/amortisation charge	(5,725)	(22,390)	-	(28,115)	(34,874)	**(62,989)**
Elimination of accumulated depreciation/amortisation on disposals	8,180	8,515	-	16,695	1,572	**18,267**
Effect of translation to presentation currency	52	112	-	164	64	**228**
31 December 2021	**(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)**
Carrying amount						
31 December 2021	**159,748**	**122,269**	**110,489**	**392,506**	**319,963**	**712,469**
31 December 2022	**158,833**	**154,278**	**129,775**	**442,886**	**383,198**	**826,084**

*Office and other equipment include furniture and fixtures, computer and office equipment, motor vehicles as well as other equipment.

16. PREMISES, EQUIPMENT AND INTANGIBLE ASSETS CONTINUED

On 18 June 2021, the Group sold land and buildings, where some of its back office functions were located, for cash consideration of USD 25 million. USD 25 million (GEL 79.7 million) was received by 30 April 2022. Selling of those assets was part of the Group's plan to gradually prepare for relocation to new headquarter, which is in the process of construction. Under the plan, the Group gradually discharged the occupied part of the buildings by 30 April 2022 and staff have been distributed to existing offices before the new headquarter will be completed. During this period the property was being leased back using IFRS 16 exemption for short term leases. Net carrying amount of disposed properties was GEL 37,416 thousand, out of which net balance disposed from premises and equipment were GEL 5,442 thousand, while the remaining part was disposed from investment property. Net gain on disposal from the sale was recognised as part of other operating income in the 2021 consolidated financial statements of profit or loss in the amount of GEL 26,294 thousand. Depreciation and amortisation charge presented on the face of the statement of profit or loss and other comprehensive income include depreciation and amortisation charge of premises and equipment, investment properties and intangible assets.

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 right of use assets represents premises and is analysed as follows:

in thousands of GEL	2022	2021
Carrying amount at 1 January	**70,513**	**53,927**
Additions of new contracts	36,200	16,424
Increases in value from substantial changes in contractual terms	5,199	9,601
Reclassification from premises and equipment	11,564	-
Disposals	(3,759)	(1,234)
Depreciation charge	(21,582)	(16,153)
Elimination of depreciation	14,490	7,948
Carrying amount at 31 December	**112,625**	**70,513**

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 3,038 thousand during 2022 (2021: GEL 6,757 thousand) and expenses relating to leases of low-value assets amounted GEL 6,025 thousand during 2022 (2021: GEL 7,125 thousand). These expenses are included in administrative and other operating expenses.

18. GOODWILL

As at 31 December 2022 carrying amount of Goodwill represented GEL 59,964 thousand (2021: 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 Management and which are not larger than a segment) as follows:

in thousands of GEL	31 December 2022	31 December 2021
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.

Key assumptions used for value-in-use calculations is following:

in thousands of GEL	31 December 2022	31 December 2021
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	14.7% p.a.	17.1% 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	29.3% p.a.	19.2% p.a.
Inspired LLC		
Growth rate applied to free cash flow to equity beyond three years	5.0% p.a.	5.5% p.a
Pre-tax discount rate	20.5% p.a.	17.3% 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 percent higher than the management's estimates or growth rate beyond three years of free cash flow to equity had been 10 percent 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 3,253,314 thousand (2021: 2,269,542 GEL thousand). The CGU's carrying amount would equal its value in use at a discount rate of 35.72% p.a. (2021: 41.86% p.a.).

18. GOODWILL CONTINUED

If the revised estimated pre-tax discount rate applied to the discounted cash flows of CGU Bank Republic Corporate had been 10 percent higher than the management's estimates or growth rate beyond three years of free cash flow to equity had been 10 percent 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 3,793,123 thousand (2021: GEL 1,744,639 thousand). The CGU's carrying amount would equal its value in use at a discount rate of 34.99% p.a. (2021: 29.47% p.a.).

If the revised estimated pre-tax discount rate applied to the discounted cash flows of CGU Bank Republic MSME had been 10 percent higher than the management's estimates or growth rate beyond three years of free cash flow to equity had been 10 percent 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 1,073,190 thousand (2021: GEL 611,733 thousand). The CGU's carrying amount would equal its value in use at a discount rate of 25.00% p.a. (2021: 28.41% p.a.).

If the revised estimated pre-tax discount rate applied to the discounted cash flows of LLC My.ge had been 10 percent higher than the management's estimates or growth rate beyond three years of free cash flow to equity had been 10 percent 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 25,847 thousand (2021: 25,105 GEL thousand). The CGU's carrying amount would equal its value in use at a discount rate of 41.84% p.a. (2021: 30.44% p.a.).

If the revised estimated pre-tax discount rate applied to the discounted cash flows of Inspired LLC had been 10 percent higher than the management's estimates or growth rate beyond three years of free cash flow to equity had been 10 percent 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 553,323 thousand (2021: GEL 379,264 thousand). The CGU's carrying amount would equal its value in use at a discount rate of 176.39% p.a. (2021: 114.38%p.a.).

19. DUE TO CREDIT INSTITUTIONS

in thousands of GEL	31 December 2022	31 December 2021
Due to other banks		
Correspondent accounts and overnight placements	334,081	181,905
Deposits from banks	41,957	142,752
Sale and repurchase agreements with other banks	262,415	-
Total due to other banks	**638,453**	**324,657**
Other borrowed funds		
Borrowings from foreign banks and international financial institutions	2,192,451	1,653,245
Borrowings from other local banks and financial institutions	79,222	24,855
Borrowings from National Bank of Georgia	1,030,534	981,419
Total other borrowed funds	**3,302,207**	**2,659,519**
Total amounts due to credit institutions	**3,940,660**	**2,984,176**

As of 31 December 2022, for the purposes of maturity analysis of financial liabilities (Note 38) the above-mentioned due to other banks are included within the amounts for which repayment is expected within 3 months.

As of 31 December 2022 borrowings from other local banks and financial institutions in the amount of GEL 44,983 thousands is attributable to separate TBC Bank Group PLC (2021: nil).

20. CUSTOMER ACCOUNTS

in thousands of GEL	31 December 2022	31 December 2021
State and public organisations		
Current/settlement accounts	1,053,255	577,020
Term deposits	553,743	364,121
Other legal entities		
Current/settlement accounts	5,752,571	4,830,093
Term deposits	1,236,063	914,824
Individuals		
Current/settlement accounts	5,375,570	4,574,537
Term deposits	4,065,331	3,777,577
Total customer accounts	**18,036,533**	**15,038,172**

State and public organisations include government owned profit orientated businesses. Economic sector concentrations within customer accounts are as follows:

	31 December 2022		31 December 2021	
in thousands of GEL	Amount	%	Amount	%
Individuals	9,432,022	52%	8,352,114	55%
Trade	1,568,181	9%	1,237,656	8%
Financial services	1,164,373	6%	1,178,046	8%
Energy & utilities	1,073,229	6%	542,425	4%
Services	828,692	5%	713,164	5%
Construction	773,603	4%	598,856	4%
Government sector	623,953	3%	480,046	3%
Real estate	545,959	3%	418,062	3%
Transportation	452,229	3%	403,248	3%
Hospitality & leisure	223,906	1%	155,778	1%
Healthcare	169,611	1%	194,648	1%
Agriculture	77,068	1%	78,810	1%
Metals and mining	26,514	0%	32,675	0%
Other	1,077,193	6%	652,644	4%
Total customer accounts	**18,036,533**	**100%**	**15,038,172**	**100%**

As of 31 December 2022, the Group had 154 customers (2021: 141 customers) with balances above GEL 10,000 thousand. Their aggregate balance was GEL 6,275,976 thousand (2021: GEL 4,754,533 thousand) or 34.8% of total customer accounts (2021: 32%).

As of 31 December 2022, included in customer accounts are deposits of GEL 72,591 thousand and GEL 188,699 thousand (2021: GEL 28,379 thousand and GEL 109,404 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 2022, deposits held as collateral for loans to customers amounted to GEL 478,295 thousand (2021: GEL 576,261 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 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**			

in thousands of GEL	Currency	Carrying amount as of 31 December 2021	Maturity Date	Coupon rate	Effective interest rate
Bonds issued on Irish Stock Exchange	USD	918,504	6/19/2024	5.80%	6.40%
Bonds issued on Irish Stock Exchange	USD	391,484	10/3/2024	10.80%	11.40%
Bonds issued on Irish Stock Exchange	USD	228,174	2/4/2027	8.90%	9.90%
Private placement	USD	96,723	8/18/2024	5.00%	5.40%
Bonds issued on Georgian Stock Exchange JSC	GEL	38,532	3/20/2023	TIBR 3M+3.25%	12.50%
Private placement	USD	31,222	3/19/2023	6.50%	7.10%
Baku Stock Exchange CJSC	AZN	5,649	9/23/2023	12.00%	12.40%
Total debt securities in issue		**1,710,288**			

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%.

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.

21. DEBT SECURITIES IN ISSUE CONTINUED

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 20 March 2020, TBC Leasing JSC with the help of TBC Capital LLC placed senior secured bonds of amount GEL 58.4 million on the Georgian Stock Exchange JSC. The percentage of securities is variable, 3.25% added to the 3-month Tbilisi Interbank Interest rate. Fitch rates the bonds 'BB-'.

On 19 March 2020 the TBC Bank Group PLC completed the transaction of a USD 10 million 3-year 6.45% senior unsecured bonds issue. The private placement is direct, unsecured and unsubordinated obligations of the Group.

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 1 January 2021	**4,427**	**5,424**	**7,979**	**7,505**	**25,335**
Charges/(releases) recorded in profit or loss	384	(1,588)	(27)	1,526	**295**
Effect of translation to presentation currency	(191)	(212)	–	131	**(272)**
Carrying amount as of 31 December 2021	**4,620**	**3,624**	**7,952**	**9,162**	**25,358**
Charges/(releases) recorded in profit or loss	2,931	(210)	2,200	3,658	**8,579**
Effect of translation to presentation currency	(345)	(237)	-	1,633	**1,051**
Carrying amount as of 31 December 2022	**7,206**	**3,177**	**10,152**	**14,453**	**34,988**

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 3 guarantees are assessed individually. Non-significant stage 3 as well as all stage 1 and stage 2 guarantees and 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 2022	31 December 2021
Derivative financial liabilities	72,188	9,727
Trade payables	50,299	29,988
Transfers in transit	43,905	15,136
Liabilities for leasing activities	38,747	18,295
Payables to plastic card service providers	22,785	28,963
Insurance contract liabilities	12,846	7,825
Payable to deposit insurance agency	1,365	1,033
Prepayments related to guarantees	804	516
Liabilities related to co-financing of hotels and restaurants sectors	550	1,638
Security deposits for finance lease receivables	137	906
Other accrued liabilities	32,155	25,784
Total other financial liabilities	**275,781**	**139,811**

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 2022	31 December 2021
Accrued employee benefit costs	61,713	51,075
Taxes payable other than on income	5,532	17,938
Advances received	15,003	13,595
Unearned insurance premium	48,184	37,323
Other	19,488	11,041
Total other liabilities	**149,920**	**130,972**

All of the above liabilities are expected to be settled within twelve months after the year-end.

25. SUBORDINATED DEBT

As of 31 December 2022, subordinated debt comprised of:

in thousands of GEL	Grant Date	Maturity Date	Currency	Outstanding amount in original currency	Outstanding amount in GEL
Asian Developement Bank	10/18/2016	12/31/2026	USD	51,001	137,804
Private lenders	6/8/2017-12/6/2022	1/25/2023-3/31/2028	USD	36,271	98,008
Global Climate Partnership Fund	11/20/2018	11/20/2028	USD	25,097	67,813
European Fund for Southeast Europe	12/21/2018	12/21/2028	USD	20,079	54,252
Green for Growth Fund	12/18/2015	12/16/2030	USD	15,359	41,501
BlueOrchard Microfinance Fund	12/14/2018	12/15/2025	USD	14,986	40,492
BlueOrchard Microfinance Fund	12/14/2018	12/14/2028	USD	14,968	40,443
European Fund for Southeast Europe	12/18/2015	12/16/2030	USD	7,679	20,749
European Fund for Southeast Europe	3/15/2016	3/17/2031	USD	7,678	20,745
ResponsAbility SICAV (Lux) Micro and SME Finance Leaders	4/7/2022	4/7/2032	USD	6,080	16,428
ResponsAbility SICAV (Lux) Micro and SME Finance Fund	11/30/2018	11/30/2028	USD	5,955	16,091
ResponsAbility SICAV (Lux) Micro and SME Finance Fund	4/7/2022	4/7/2032	USD	5,168	13,964
ResponsAbility SICAV (Lux) - Financial Inclusion Fund	4/7/2022	4/7/2032	USD	3,952	10,679
ResponsAbility SICAV (Lux) - Financial Inclusion Fund	11/30/2018	11/30/2028	USD	3,128	8,453
ResponsAbility SICAV (Lux) - Microfinance Leaders	11/30/2018	11/30/2028	USD	1,009	2,726
Total subordinated debt					**590,148**

25. SUBORDINATED DEBT CONTINUED

As of 31 December 2021, subordinated debt comprised of:

in thousands of GEL	Grant Date	Maturity Date	Currency	Outstanding amount in original currency	Outstanding amount in GEL
Asian Developement Bank	10/18/2016	12/31/2026	USD	50,486	156,386
Private lenders	6/8/2017-12/19/2018	1/30/2022-12/19/2024	USD	35,304	109,427
Global Climate Partnership Fund	11/20/2018	11/20/2028	USD	25,097	77,739
European Fund for Southeast Europe	12/21/2018	12/21/2028	USD	20,079	62,195
Green for Growth Fund	12/18/2015	12/16/2030	USD	15,189	47,048
BlueOrchard Microfinance Fund	12/14/2018	12/15/2025	USD	14,966	46,360
BlueOrchard Microfinance Fund	12/14/2018	12/14/2028	USD	14,954	46,321
European Fund for Southeast Europe	12/18/2015	12/16/2030	USD	7,594	23,523
European Fund for Southeast Europe	3/15/2016	3/17/2031	USD	7,592	23,517
ResponsAbility SICAV (Lux) Micro and SME Finance Fund	11/30/2018	11/30/2028	USD	5,930	18,369
ResponsAbility SICAV (Lux) - Financial Inclusion Fund	11/30/2018	11/30/2028	USD	3,115	9,649
ResponsAbility SICAV (Lux) - Microfinance Leaders	11/30/2018	11/30/2028	USD	1,005	3,113
Total subordinated debt					**623,647**

The debt ranks after all other creditors in case of liquidation, except AT1 Notes.

Refer to Note 43 for the disclosure of the fair value of subordinated debt.

26. EQUITY

Share capital

in thousands of GEL, unless otherwise indicated	Number of ordinary shares	Share Capital
As of 1 January 2021	**55,155,896**	**1,682**
As of 31 December 2021	**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**

As of 31 December 2022 the total authorised number of ordinary shares was 55,102,766 shares (31 December 2021: 55,155,896 shares). Each share has a nominal value of one British Penny. All issued ordinary shares are fully paid and entitled to dividends.

Treasury shares

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. As at 31 December 2022, the Company has repurchased 434,276 shares for employee compensation purposes and 599,693 shares for share cancelation purposes both under the share buyback programme. As at 31 December 2022, 434,276 shares being held in treasury and 589,645 shares being already cancelled, while the remaining 10,048 shares are temporarily held in treasury will be cancelled in first half of January.

Dividends

in thousands of GEL	2022	2021
Dividends payable at 1 January	**-**	**-**
Interim dividend:		
Dividends declared during the year	137,629	81,772
Dividends paid during the year:	(137,629)	(81,772)
Scrip dividends	(12,075)	-
Dividends paid in cash	(125,554)	(81,772)
Prior year final dividend:		
Dividends declared during the year	118,653	-
Dividends paid during the year:	(118,653)	-
Scrip dividends	(15,366)	-
Dividends paid in cash	(103,287)	-
Dividends payable at 31 December	**-**	**-**

All dividends declared in GEL and paid in GBP.

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.

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.

On 12 August 2021, TBC Bank Group PLC's Board of directors declared an interim dividend of GEL 1.5 per share. The record date was on 20 August 2021 and dividend was paid on 17 September 2021.

26. EQUITY CONTINUED

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 2021	**778,183**	**33,413**
Delivery of bonus shares to employees via trust shares	(136,792)	(7,924)
As of 31 December 2021	**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**

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.

in thousands of GEL	2022	2021	2020
Other reserves at the beginning of the year	**238,455**	**51,813**	**16,660**
Recognition/remeasurement of redemption liability during the year	238,874	186,642	35,153
Other reserves at the end of the year	**477,329**	**238,455**	**51,813**

26. EQUITY CONTINUED

Other reserve

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. During 2022 the Group has challenged the proper accounting treatment for put options granted to minority shareholders applied in previous periods, which has been revised and as a result caused the restatement of previous year balances (for more details please refer to Note 2). According to revisited accounting treatment, 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 355,424 thousand as at 31 December 2022 (31 December 2021: 161,800 thousand). For more details please refer to Note 2.

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. During 2022 the Group has challenged the proper accounting treatment for put options granted to minority shareholders applied in previous periods, which has been revised and as a result caused the restatement of previous year balances (for more details please refer to Note 2). According to revisited accounting treatment, 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 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.

The redemption liability and other reserve balances represented GEL 121,905 thousand as at 31 December 2022 (31 December 2021: 76,655 thousand). For more details, please refer to Note 2.

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 CEO's 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.

2019-2021 remuneration system:

The compensation system was approved by shareholders at the AGM on 21 May 2018 and came into effect on 1 January 2019 and it covers the period 2019-2021 inclusive.

Deferred share salary 2019-2021

Part of the top management salary was paid with shares with the objective of closely promoting the long-term success of the Group and aligning senior executive directors' and shareholders' interests. Shares were usually delivered during the first quarter of the second year (i.e. the year after the performance year). 50% of the shares had 1 year deferral period and the remaining 50% were deferred for 2 years from the delivery date. The shares were registered in the trustees name as nominee for the participants and the participants were entitled to receive dividends. Starting from 2021, deferred share salary is no longer subject to the deferral and will be vested immediately upon delivery.

Deferred Bonus plan 2019-2021

The annual bonus for the top management was determined as to the extent that the annual KPIs have been met. Shares were usually delivered during the first quarter of the second year (i.e. the year after the performance year) and the exact date was determined by the Board. 50% of the shares had 1 year deferral period and the remaining 50% was deferred for 2 years from the delivery date. The shares were registered in the trustees name as nominee for the participants and the participants were entitled to receive dividends.

Annual KPIs were set by the Remuneration Committee at the beginning of each year in relation to that year and approved by the Board. To the extent that the KPIs were achieved, the Remuneration Committee may recommend to the Board whether an award may be made and the amount of such award. The Group did not pay guaranteed bonuses to executive directors. The nature of the KPIs with their specific weightings and targets is disclosed in the published annual report. Awards are subject to the Group's malus and clawback policies until the end of the relevant holding period. If at any time after making the award there is a material misstatement in the financial results for the year in respect of which the award was formally granted, the Remuneration Committee can recommend to the Board that 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).

The number of shares was calculated based on the average share price of the last 10 days preceding the committee decision date.

Long Term Incentive Plan (LTIP) 2019-2021

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. In order for the shares to be delivered, the executive directors need to meet rolling performance conditions over the 3 year performance period.

27. SHARE BASED PAYMENTS CONTINUED

Tabular information on the schemes is given below:

	31 December 2022	31 December 2021
Number of unvested shares at the beginning of the period	**2,125,246**	**3,028,818**
Number of shares granted		
Number of shares granted - Deferred salary	36,659	–
Number of shares granted - Deferred bonus	286,301	–
Number of shares granted - LTIP	424,114	–
Number of shares granted - Middle management, subsidiaries' management and other eligible employees	-	321,453
Number of shares granted	**747,074**	**321,453**
Change in estimates for 2019-2021 awards	-	(361,739)
Change in estimates of number of shares expected to be granted	**-**	**(361,739)**
Change in estimate of number of shares expected to vest based on changes in share price and exchange rate	(35,879)	(169,753)
Number of shares vested		
2017 year award – 80% vesting	–	(451,251)
2018 year award – 10% vesting	–	(57,102)
2018 year award – 80% vesting	(456,815)	–
2019 year award – MM 33% vesting	(47,401)	(47,401)
2019 year award – TM 50% vesting	(137,779)	(137,779)
2020 year award – MM 33% vesting	(14,846)	–
2020 year award – TM 50% vesting	(45,902)	–
2021 year award - TM 100% vesting	(89,094)	–
Number of shares vested	**(791,837)**	**(693,533)**
Number of unvested shares at the end of the period	**2,044,604**	**2,125,246**

*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 26,283 thousand (31 December 2021: GEL 22,115 thousand).

Tax part of the existing bonus system is accounted for on an equity settled basis.

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.

In 2019 the Group established 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 2022 the share number held by Trustee was 226,126 (31 December 2021: 641,391), which represents 0.4% of total outstanding shares (31 December 2021: 1.2%).

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	2022	2021
Profit for the period attributable to the owners of the Bank	995,206	800,782
Weighted average number of ordinary shares in issue	54,852,641	54,483,399
Basic earnings per ordinary share attributable to the owners of the Group (expressed in GEL per share)	**18.14**	**14.7**

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	2022	2021
Profit for the period attributable to the owners of the Bank	995,206	800,782
Weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares during the period	55,723,499	55,865,829
Diluted earnings per ordinary share attributable to the owners of the Group (expressed in GEL per share)	**17.86**	**14.3**

29. SEGMENT ANALYSIS

The Management Board (the “Board”) is the chief operating decision maker and it reviews the Group’s internal reporting in order to assess the performance and to allocate resources. In 2022 the Group made following re-segmentations:

- Standard annual re-segmentation after which some of the clients were reallocated to different segments – GEL 106,315 thousand of loans and GEL 87,359 thousand of customer accounts were transferred from micro, small and medium enterprises to Corporate segment.

For corporate segment annual revenue and granted facility limits have been increased to GEL 15.0 million and GEL 6.0 million, respectively.

The definition has been updated starting from January 1 2022. The updated changes are reflected in segments’ definitions below.

29. SEGMENT ANALYSIS CONTINUED

The operating segments according to the definition are determined as follows:

- Corporate – a legal entity/group of affiliated entities with an annual revenue exceeding GEL 15 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 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; or individual customers of the fully digital bank, Space, TBC Bank Uzbekistan JSC;
- Micro, small and medium enterprises – business customers who are not included in the CIB segment;
- Corporate centre and other operations - comprises the Treasury, other support and back office functions, and non-banking subsidiaries of the Group.

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 2022 and 2021.

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 if 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).

Intersegment transfer pricing methodology is internally created tool, which is based on matched maturity logics. It is used to manage liquidity and interest rate risks. Corporate centre borrows monetary amounts (deposits) from business segments, therefore, each of segment is compensated on each deposit based on its currency, duration, type and liquidity requirements. Business segments then borrow money from corporate centre, to fund loans, on which each segment pays agreed price to corporate centre, based on each loans currency, type (fixed or floating), duration, capital requirement.

29. SEGMENT ANALYSIS CONTINUED

A summary of the Group's reportable segments for the years ended 31 December 2022 and 2021 is provided below:

Segment disclosure below is prepared with the effect of 2022 re-segmentations as described above:

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate centre and other operations	Total
2022					
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**
Insurance profit	-	-	-	29,203	**29,203**
Net gains 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 (loss)/profit of associate	(232)	-	-	584	**352**
Other operating non-interest income and insurance profit	**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)**
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

For comparison purposes segment disclosure below is prepared with the effect of 2022 re-segmentations as described above:

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate centre and other operations	Total
2021					
Interest income	568,062	691,257	378,330	248,207	**1,885,856**
Interest expense	(274,839)	(131,233)	(10,597)	(494,598)	**(911,267)**
Net interest gains on currency swaps	-	-	-	28,143	**28,143**
Inter-segment interest income /(expense)	70,380	(169,947)	(153,799)	253,366	**-**
Net interest income	**363,603**	**390,077**	**213,934**	**35,118**	**1,002,732**
Fee and commission income	76,439	275,820	25,191	34,582	**412,032**
Fee and commission expense	(11,172)	(128,042)	(13,552)	(11,266)	**(164,032)**
Net fee and commission income	**65,267**	**147,778**	**11,639**	**23,316**	**248,000**
Insurance profit	-	-	-	23,546	**23,546**
Net gains/(losses) from derivatives, foreign currency operations and translation	58,880	35,946	25,718	(3,274)	**117,270**
Net gains from disposal of investment securities measured at fair value through other comprehensive income	1,412	-	-	9,744	**11,156**
Other operating income	2,677	8,001	877	36,924	**48,479**
Share of profit of associate	-	-	-	837	**837**
Other operating non-interest income and insurance profit	**62,969**	**43,947**	**26,595**	**67,777**	**201,288**
Credit loss recovery/(allowance) for loans to customers	58,304	(26,795)	8,614	-	**40,123**
Credit loss recovery for performance guarantees and credit related commitments	636	369	199	-	**1,204**
Credit loss allowance for finance lease receivables	-	-	-	(321)	**(321)**
Credit loss allowance for other financial assets	(513)	(3,307)	-	(10,906)	**(14,726)**
Credit loss recovery for financial assets measured at fair value through other comprehensive income	1,104	-	-	1,498	**2,602**
Net impairment of non-financial assets	(7,954)	(59)	(1,373)	(2,596)	**(11,982)**
Operating income after expected credit and non-financial asset impairment losses	**543,416**	**552,010**	**259,608**	**113,886**	**1,468,920**
Staff costs	(50,727)	(135,918)	(53,828)	(68,829)	**(309,302)**
Depreciation and amortization	(5,339)	(51,558)	(11,663)	(11,331)	**(79,891)**
Recovery for provision for liabilities and charges	-	-	-	27	**27**
Administrative and other operating expenses	(18,459)	(75,295)	(20,221)	(42,693)	**(156,668)**
Operating expenses	**(74,525)**	**(262,771)**	**(85,712)**	**(122,826)**	**(545,834)**
Losses from modifications of financial instruments	(945)	(688)	(93)	-	**(1,726)**
Profit/(loss) before tax	**467,946**	**288,551**	**173,803**	**(8,940)**	**921,360**
Income tax expense	(53,273)	(29,137)	(19,782)	(10,169)	**(112,361)**
Profit/(loss) for the year	**414,673**	**259,414**	**154,021**	**(19,109)**	**808,999**
Total gross loans and advances to customers reported	6,654,056	6,358,345	4,034,990	-	**17,047,391**
Total customer accounts reported	7,417,902	5,837,333	1,471,317	311,620	**15,038,172**
Total credit related commitments and performance guarantees	3,204,851	178,556	377,428	-	**3,760,835**

29. SEGMENT ANALYSIS CONTINUED

Segment disclosure below is prepared without the effect of 2022 re-segmentations as described above:

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate centre and other operations	Total
2021					
Interest income	562,055	691,257	384,337	248,207	**1,885,856**
Interest expense	(274,093)	(131,233)	(11,343)	(494,598)	**(911,267)**
Net interest gains on currency swaps	-	-	-	28,143	**28,143**
Inter-segment interest income /(expense)	71,408	(169,947)	(154,827)	253,366	**-**
Net interest income	**359,370**	**390,077**	**218,167**	**35,118**	**1,002,732**
Fee and commission income	111,777	212,867	52,806	34,582	**412,032**
Fee and commission expense	(80,717)	(38,191)	(33,858)	(11,266)	**(164,032)**
Net fee and commission income	**31,060**	**174,676**	**18,948**	**23,316**	**248,000**
Insurance profit	-	-	-	23,546	**23,546**
Net gains/(losses) from derivatives, foreign currency operations and translation	57,102	35,946	27,496	(3,274)	**117,270**
Net gains from disposal of investment securities measured at fair value through other comprehensive income	1,412	-	-	9,744	**11,156**
Other operating income	2,677	8,001	877	36,924	**48,479**
Share of profit of associate	-	-	-	837	**837**
Other operating non-interest income and insurance profit	**61,191**	**43,947**	**28,373**	**67,777**	**201,288**
Credit loss recovery/(allowance) for loans to customers	59,743	(26,795)	7,175	-	**40,123**
Credit loss recovery for performance guarantees and credit related commitments	636	369	199	-	**1,204**
Credit loss allowance for finance lease receivables	-	-	-	(321)	**(321)**
Credit loss allowance for other financial assets	(513)	(3,307)	-	(10,906)	**(14,726)**
Credit loss recovery for financial assets measured at fair value through other comprehensive income	1,104	-	-	1,498	**2,602**
Net impairment of non-financial assets	(7,954)	(59)	(1,373)	(2,596)	**(11,982)**
Operating income after expected credit and non-financial asset impairment losses	**504,637**	**578,908**	**271,489**	**113,886**	**1,468,920**
Staff costs	(50,727)	(135,918)	(53,828)	(68,829)	**(309,302)**
Depreciation and amortization	(5,339)	(51,558)	(11,663)	(11,331)	**(79,891)**
Recovery for provision for liabilities and charges	-	-	-	27	**27**
Administrative and other operating expenses	(18,459)	(75,295)	(20,221)	(42,693)	**(156,668)**
Operating expenses	**(74,525)**	**(262,771)**	**(85,712)**	**(122,826)**	**(545,834)**
Losses from modifications of financial instruments	(945)	(688)	(93)	-	**(1,726)**
Profit/(loss) before tax	**429,167**	**315,449**	**185,684**	**(8,940)**	**921,360**
Income tax expense	(48,857)	(32,200)	(21,135)	(10,169)	**(112,361)**
Profit/(loss) for the year	**380,310**	**283,249**	**164,549**	**(19,109)**	**808,999**
Total gross loans and advances to customers reported	6,547,741	6,358,345	4,141,305	-	**17,047,391**
Total customer accounts reported	7,330,543	5,837,333	1,558,676	311,620	**15,038,172**
Total credit related commitments and performance guarantees	3,201,078	178,556	381,201	-	**3,760,835**

29. SEGMENT ANALYSIS CONTINUED

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate centre and other operations	Total
2022					
– Fee and commission income	86,170	356,829	33,404	66,696	**543,099**
– Other operating income	1,613	6,513	1,412	14,276	**23,814**
Total	**87,783**	**363,342**	**34,816**	**80,972**	**566,913**
Timing of revenue recognition:					
– At point in time	87,448	362,230	34,763	80,972	**565,413**
– Over a period of time	335	1,112	53	-	**1,500**

in thousands of GEL	Corporate	Retail	Micro, small and medium enterprises	Corporate centre and other operations	Total
2021					
– Fee and commission income	111,777	212,867	52,806	34,582	**412,032**
– Other operating income	2,677	8,001	877	36,924	**48,479**
Total	**114,454**	**220,868**	**53,683**	**71,506**	**460,511**
Timing of revenue recognition:					
– At point in time	114,435	219,365	53,683	71,506	**458,989**
– Over a period of time	19	1,503	-	-	**1,522**

30. INTEREST INCOME AND EXPENSE

in thousands of GEL	2022	2021
Interest income calculated using effective interest method		
Loans and advances to customers	1,997,732	1,614,374
Investment securities measured at fair value through other comprehensive income	196,114	185,424
Repurchase receivables	2,449	-
Due from other banks	54,823	20,856
Bonds carried at amortised cost	8,227	2,224
Other financial assets	3,981	4,540
Other interest income		
Finance lease receivables	67,512	58,438
Total interest income	**2,330,838**	**1,885,856**
Interest expense		
Customer accounts	(625,664)	(477,429)
Due to credit institutions	(266,828)	(256,912)
Subordinated debt	(53,889)	(53,338)
Debt securities in issue	(124,617)	(120,167)
Other interest expense		
Lease Liabilities	(4,499)	(3,421)
Total interest expense	**(1,075,497)**	**(911,267)**
Net interest gains on currency swaps	34,711	28,143
Net interest income	**1,290,052**	**1,002,732**

During 2022 interest accrued on defaulted loans amounted to GEL 32,339 thousand (2021: 36,105 GEL thousand).

During 2022 capitalized interest expense in the amount of GEL 1,794 thousand (2021: GEL 1,756 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: 8.7% in GEL, 2.3% in USD and 0.6% in EUR. (2021: 7.7% in GEL, 2.9% in USD and 1.3% in EUR).

31. FEE AND COMMISSION INCOME AND EXPENSE

in thousands of GEL	2022	2021
Fee and commission income in respect of financial instruments not at fair value through profit or loss:		
– Card operations	249,067	188,413
– Settlement transactions	185,880	139,383
– Guarantees issued	40,559	42,124
– Cash transactions	12,008	8,195
– Issuance of letters of credit	6,816	2,896
– Foreign exchange operations	5,234	3,257
– Other	43,535	27,764
Total fee and commission income	**543,099**	**412,032**
Fee and commission expense in respect of financial instruments not at fair value through profit or loss:		
– Card operations	154,017	118,050
– Settlement transactions	22,221	18,065
– Cash transactions	18,443	6,085
– Guarantees received	3,235	2,653
– Letters of credit	1,256	1,594
– Foreign exchange operations	930	407
– Other	20,331	17,178
Total fee and commission expense	**220,433**	**164,032**
Net fee and commission income	**322,666**	**248,000**

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	2022	2021
Net gains from trading in foreign currencies	117,779	329,582
Net gains/(losses) from foreign exchange translation	280,952	(212,601)
Net gains from derivative financial instruments other than derivatives on foreign currency	135	289
Total net gains from currency derivatives, foreign currency operations and translation	**398,866**	**117,270**

Management has corrected the presentation of translation gains/losses from derivatives on foreign currency. Gains of GEL 216,539 thousand was presented as "Net gains/(losses) from foreign exchange translation" in 2021 accounts and was reclassified to "Net gains from trading in foreign currencies" in 2022, comparatives and consolidated statement of cash flows has been restated accordingly

in thousands of GEL	31 December 2021 (As originally presented	Reclassification	31 December 2021 (as restated)
Net gains from trading in foreign currencies	113,043	216,539	329,582
Net gains/(losses) from foreign exchange translation	3,938	(216,539)	(212,601)

33. INSURANCE PROFIT

Insurance profit for the following years are as follows:

in thousands of GEL	2022	2021
Premium written on life insurance contracts	38,873	32,267
Premium written on general insurance contracts	83,221	60,297
Total premiums written	**122,094**	**92,564**
Change in gross reserves for life unearned premiums	(450)	(216)
Change in gross reserves for general unearned premiums	(10,046)	(11,636)
Total earned premiums	**111,598**	**80,712**
Reinsurers' earned premium on life insurance contracts	(7,426)	(5,944)
Reinsurers' earned premium on general insurance contracts	(9,609)	(8,778)
Total net earned premiums	**94,563**	**65,990**
Life insurance claims settled	(8,580)	(10,629)
General insurance claims settled	(57,454)	(39,365)
Reinsurer's share of life insurance claims settled	6,747	7,954
Reinsurer's share of general insurance claims settled	3,668	1,619
Total net claims settled	**(55,619)**	**(40,421)**
Gross change in reported but not settled claims	(5,154)	(3,723)
Incurred but not reported claims	(318)	27
Reinsurer's share of change in reported but not settled claims	587	1,728
Subrogation and recoveries	4,292	5,497
Expenses associated with claims	(1,750)	-
Net claims incurred	**(57,962)**	**(36,892)**
Agent's commissions/acquisition costs	(7,398)	(5,552)
Net claims incurred and agents' commissions	**(65,360)**	**(42,444)**
Insurance Profit	**29,203**	**23,546**

34. STAFF COSTS

in thousands of GEL	2022	2021
Wages and salaries*		
– Salaries and bonuses	333,839	271,649
– Share based compensation	26,283	22,115
– Other compensation cost	14,694	15,538
Salaries and other employee benefits	**374,816**	**309,302**

*Pension costs are not separately disclosed due to immateriality.

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.

34. STAFF COSTS CONTINUED

Breakdown of monthly average number of employees by categories is as follows:

	2022	2021
Headquarters*	4,513	3,917
Branches*	4,085	3,889
Other administrative staff **	1,471	1,259

* 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 2022 monthly average number of employees in TBC Bank Group PLC, as a stand-alone entity, was 10 individuals (2021: 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	2022	2021
Advertising and marketing services	42,382	32,519
Professional services	35,786	23,228
Intangible asset maintenance	28,229	22,223
Taxes other than on income	13,485	10,759
Rent*	9,862	13,883
Premises and equipment maintenance	9,560	7,808
Utilities services	8,830	8,327
Communications and supply	8,665	7,398
Stationery and other office expenses	7,791	5,472
Representative expenses	6,144	559
Personnel training and recruitment	4,850	2,740
Transportation and vehicle maintenance	3,092	2,508
Business trip expenses	2,703	520
Insurance	2,450	2,092
Security services	1,669	1,843
Loss on disposal of repossessed collateral	1,635	682
Loss on disposal of premises and equipment	1,138	1,239
Charity	854	418
Other	23,982	12,450
Total administrative and other operating expenses	**213,107**	**156,668**

*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
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**
2021				
Fees payable to the company's auditors and its associates for the audit of parent company and consolidated financial statements	2,179	-	-	**2,179**
Audit of the financial statements of the company's subsidiaries	608	-	-	**608**
Audit-related assurance services*	-	613	-	**613**
Other assurance services	-	-	932	**932**
Total auditors' remuneration	**2,787**	**613**	**932**	**4,332**

*Audit-related assurance services represent fees for the review of the interim financial information of the Group.

Fees presented in the tables above are exclusive of taxes. For the year ended 31 December 2021, GEL 910 thousands (included in the table in other services) is attributable to the services in relation to issuance of AT1 Notes in October 2021. The mentioned amount is not part of the administrative expenses as it was integral to the transaction and has been included in the effective interest rate of the instrument.

36. INCOME TAXES

Income tax credit/(expense) comprise of the following:

in thousands of GEL	2022	2021
Current tax charge	148,304	124,040
Effect of change in tax legislation	112,877	-
Deferred tax credit	(17,976)	(11,679)
Total income tax expense for the year	**243,205**	**112,361**

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.

36. INCOME TAXES CONTINUED

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 calculation differences caused by differences in tax and IFRS bases. On the other hand, the effects of the equalizing of tax and IFRS bases for interest income and expense items are still under consideration by tax authorities.

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 will be 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 weighted average income tax rate is 2022: 15% (2021: 15%), when the income tax rate applicable to the majority of subsidiaries income ranged from 15% - 20% (2021: 15% - 20%).

Reconciliation between the expected and the actual taxation (credit)/expense is provided below.

in thousands of GEL	2022	2021
Statutory rate	**15% – 20%**	**15% – 20%**
Profit before tax	**1,246,544**	**921,360**
Theoretical tax charge at statutory rate (15%-20%)	187,504	137,852
Tax effect of items which are not deductible or assessable for taxation purposes:		
– Income which is exempt from taxation	(38,693)	(25,435)
– Non-deductible expenses	(285)	(314)
– Expected effects of change in tax legislation	94,716*	343
– Other differences	(37)	(85)
Total income tax expense for the year	**243,205**	**112,361**

*The amount represents the impact of 2022 tax legislation change, reduced by the deferred income tax that would have been accrued in 2022 if the tax legislation change had not occurred.

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 15% (2021: 15%) for Georgia, 20% (2021: 20%) for Azerbaijan, 20% (2021: 20%) for Uzbekistan and 20% (2021: 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.

36. INCOME TAXES CONTINUED

Deferred tax assets/liabilities as of 31 December 2022 and 31 December 2021 are the following:

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	(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)**

36. INCOME TAXES CONTINUED

in thousands of GEL	1 January 2021	Credited/ (charged) to profit or loss	31 December 2021
Tax effect of (taxable)/deductible temporary differences and tax loss carry forwards			
Premises and equipment	(3,344)	3,259	**(85)**
Loans and advances to customers	(18,617)	5,059	**(13,558)**
Other financial assets	2,602	1,606	**4,208**
Other assets	15	(820)	**(805)**
Due to credit institutions	(1,684)	1,316	**(368)**
Other financial liabilities	(920)	584	**(336)**
Other liabilities	(2,613)	2,128	**(485)**
Share based payment	1,368	1,327	**2,695**
Finance lease receivables	-	853	**853**
Tax loss carried forward	12,892	(3,633)	**9,259**
Net deferred tax (liability)/asset	**(10,301)**	**11,679**	**1,378**
Recognised deferred tax asset	2,787	9,570	**12,357**
Recognised deferred tax liability	(13,088)	2,109	**(10,979)**
Net deferred tax (liability)/asset	**(10,301)**	**11,679**	**1,378**

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 2021	**4,345,579**	**1,496,497**	**672,740**	**58,983**	**6,573,799**
Proceeds from principal	1,750,443	295,457	-	-	**2,045,900**
Redemption of principal	(3,338,139)	-	(12,562)	(12,825)	**(3,363,526)**
Net interest movement**	(29,257)	3,918	(191)	201	**(25,329)**
Other non-cash movements*	-	-	-	24,246	**24,246**
Foreign exchange adjustments	(69,107)	(85,584)	(36,340)	(4,438)	**(195,469)**
Liabilities from financing activities at 31 December 2021	**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**

* 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.

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 defines 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.

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.

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.

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

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 assess 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. Quantitative indicator of SICR is applied to retail and micro segments, where the Group has sufficient number of observations.

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.

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. 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 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:

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

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 Rate (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 describes 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 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 and availability of historical observations. 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. 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). The probability that an exposure defaults again in the cure scenario is involved in the estimation process. Risk parameters applicable to both scenarios, i.e. cure rates and recovery rates, are estimated by means of migration matrices approach, where risk groups are defined by consecutive months-in-default. For each LGD portfolio the Group defines the recovery horizon, since the default date 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.

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

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 Georgian 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 2022,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 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 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.

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

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 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 extremely 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 2022 in this regard.

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.

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	267,057	-	6,748	273,805
Total financial assets	**23,530,063**	**2,700,798**	**1,330,511**	**27,561,372**
Non-financial assets	1,401,988	257	68,559	1,470,804
Total assets	**24,932,051**	**2,701,055**	**1,399,070**	**29,032,176**
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	274,198	433	1,150	275,781
Provision related to insurance activities	14,453	-	-	14,453
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	**18,178,248**	**3,319,572**	**3,283,427**	**24,781,247**
Non-financial liabilities	267,499	1,168	16,312	284,979
Total liabilities	**18,445,747**	**3,320,740**	**3,299,739**	**25,066,226**
Net balance sheet position	**6,486,304**	**(619,685)**	**(1,900,669)**	**3,965,950**
Performance guarantees	900,970	565,669	56,881	1,523,520
Credit related commitments	1,670,769	2,898	10,538	1,684,205

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

The geographical concentration of the Group's assets and liabilities as of 31 December 2021 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 NBG and CBU	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	443,536	2,749	6,830	453,115
Total financial assets	**21,367,201**	**1,234,577**	**626,726**	**23,228,504**
Non-financial assets	1,226,898	-	53,159	1,280,057
Total assets	**22,594,099**	**1,234,577**	**679,885**	**24,508,561**
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	137,171	270	2,370	139,811
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	**16,033,692**	**3,000,159**	**1,766,865**	**20,800,716**
Non-financial liabilities	243,935	-	10,136	254,071
Total liabilities	**16,277,627**	**3,000,159**	**1,777,001**	**21,054,787**
Net balance sheet position	**6,316,472**	**(1,765,582)**	**(1,097,116)**	**3,453,774**
Performance guarantees	724,502	675,323	165,661	1,565,486
Credit related commitments	2,178,835	4,197	12,317	2,195,349

*Certain amounts do not correspond to the 2021 and 2020 consolidated financial statements as they reflect the certain restatements as described in Note 2.

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

The geographical concentration of the Group's assets and liabilities as at 31 December 2020 is set out below by country of incorporation:

in thousands of GEL	Georgia	OECD	Non-OECD	Total
Assets				
Cash and cash equivalents	940,076	686,110	9,219	1,635,405
Due from other banks	37,753	13,052	–	50,805
Mandatory cash balances with National Bank of Georgia	2,098,506	–	–	2,098,506
Loans and advances to customers	14,111,683	131,066	351,525	14,594,274
Investment securities measured at fair value through OCI	1,206,673	318,682	1,913	1,527,268
Bonds carried at amortised cost	1,089,801	–	–	1,089,801
Finance lease receivables	271,314	–	346	271,660
Other financial assets	167,163	3,978	161	171,302
Total financial assets	**19,922,969**	**1,152,888**	**363,164**	**21,439,021**
Non-financial assets	1,133,766	396	4,622	1,138,784
Total assets	**21,056,735**	**1,153,284**	**367,786**	**22,577,805**
Liabilities				
Due to credit institutions	2,363,147	2,110,307	12,919	4,486,373
Customer accounts	10,647,808	911,146	1,013,774	12,572,728
Debt securities in issue	1,496,497	-	-	1,496,497
Other financial liabilities	227,063	356	13	227,432
Lease liabilities	57,317	–	1,666	58,983
Subordinated debt	115,394	390,941	166,405	672,740
Redemption liability*	-	-	51,813	51,813
Total financial liabilities	**14,907,226**	**3,412,750**	**1,246,590**	**19,566,566**
Non-financial liabilities	122,684	63	4,371	127,118
Total liabilities	**15,029,910**	**3,412,813**	**1,250,961**	**19,693,684**
Net balance sheet position	**6,026,825**	**(2,259,529)**	**(883,175)**	**2,884,121**
Performance guarantees	745,511	746,871	258,659	1,751,041
Credit related commitments	1,868,011	4,678	8,627	1,881,316

*Certain amounts do not correspond to the 2021 and 2020 consolidated financial statements as they reflect the certain restatements as described in Note 2.

Market risk. The Bank follows the Basel Committee's definition of market risk as the risk of losses in on- and off-balance sheet positions arising from movements in market prices. This risk is principally made up of (a) risks pertaining to interest rate instruments and equities in the trading book and (b) foreign exchange rate risk (or currency risk) and commodities risk throughout the Bank. The Bank's strategy is not to be involved in trading book activity or investments in commodities. Accordingly, the Bank's exposure to market risk is primarily limited to foreign exchange rate risk in the structural book.

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 and Financial Risk Management Departments.

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

On 13 August 2018 the NBG introduced new regulation on changes to OCP ("open currency position") calculation method, according to this regulation, from March 2019 special reserves assigned to FC balance-sheet assets were deductible gradually for OCP calculation purposes.

The full application of the regulation was finalized in Q4 2022, following the suspended period due to the COVID-19 pandemic previously.

Currency risk management framework is governed through the Market 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 2022 *in thousands of GEL*	Monetary financial assets	Monetary financial liabilities	Derivatives*	Net position
Georgian Lari	13,494,507	10,856,256	528,501	3,166,752
US Dollar	9,149,857	10,981,156	1,826,759	(4,540)
Euro	4,211,097	1,934,507	(2,323,860)	(47,270)
Other	705,911	552,534	(31,929)	121,448
Total	**27,561,372**	**24,324,453**	**(529)**	**3,236,390**

*Starting from 2022 management presents the undiscounted gross amount of currency derivatives in currency risk management table above as it reflects Bank's actual risk management policy principles. Comparative figures have not been restated due to immateriality. The derivative amounts in the table above do not reconcile to note 42 as that one includes fair values of derivative financial instruments.

As of 31 December 2021 *in thousands of GEL*	Monetary financial assets	Monetary financial liabilities	Derivatives	Net position
Georgian Lari	10,265,265	7,401,028	(113,407)	2,750,830
US Dollar	8,106,000	11,108,986	3,014,476	11,490
Euro	4,422,716	1,686,664	(2,725,047)	11,005
Other	434,523	365,583	(39)	68,901
Total	**23,228,504**	**20,562,261**	**175,983**	**2,842,226**

US Dollar strengthening by 20% (weakening 20%) would decrease Group's profit or loss and equity in 2022 by GEL 908 thousand (increase by GEL 908 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).

US Dollar strengthening by 20% (weakening 20%) would increase Group's profit or loss and equity in 2021 by GEL 2,298 thousand (decrease by GEL 2,298 thousand). Euro strengthening by 20% (weakening 20%) would increase Group's profit or loss and equity in 2021 by GEL 2,201 thousand (decrease by GEL 2,201 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 the part of the loans are at fixed interest rates, while a portion of the Bank's borrowings is at a floating interest rate. In case of need, the Bank also applies for interest rate risk 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

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

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 and EBA guidelines developed for IRR management purposes.

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 financial risk management department 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. 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.

Following main assumptions under NBG IRR Regulation and EBA 2018 guidelines, at 31 December, 2022, if interest rates had been 200 basis points higher, with all other variables held constant, profit would have been GEL 84 million higher, mainly as a result of higher interest income on variable interest assets (2021: GEL 129 million). If interest rates at 31 December, 2022 had been 200 basis points lower with all other variables held constant, profit for the year would have been GEL 78 million lower, mainly as a result of lower interest income on variable interest assets (2021: GEL 40 million).

At 31 December, 2022, if interest rates had been 200 basis points lower, with all other variables held constant, other comprehensive income would have been GEL 35.6 million higher (2021: GEL 57 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, 2022 had been 200 basis points higher with all other variables held constant, Other comprehensive income would have been GEL 35.6 million lower (2021: GEL 60.8 million), as a result of decrease in the fair value of fixed rate financial assets measured at fair value through other comprehensive income.

The uptrend in downward shift effect is due to the updated IR yields by the regulator, which resulted into the higher downward shifts in FC. While downtrend in upward shift effect is the result of the NBG's new regulation, according to which no positive interest rate is accrued on FC mandatory reserves.

The Bank calculates the impact of changes in interest rates using both Net Interest Income and Economic Value sensitivity. Net Interest Income sensitivity measures the impact of a change of interest rates along the various maturities on the yield curve on the net interest revenue for the nearest year. Economic Value measures the impact of a change of interest rates along the various maturities on the yield curve on the present value of the Group's assets, liabilities and off-balance sheet instruments. When performing Net Interest Income and Economic Value sensitivity analysis, the Bank uses parallel shifts in interest rates as well as number of different scenarios. TBC Bank closely monitors the adverse effect of possible parallel yield curve shift scenarios on net interest income over a one-year period to ensure compliance with the predefined risk appetite of the Bank.

In order to manage interest rate risk the Bank establishes appropriate limits. The Bank monitors compliance with the limits and prepares forecasts. ALCO decides on actions that are necessary for effective interest rate risk management and follows up on the implementation. Periodic reporting is done to Management Board and the Board's Risk, Committee.

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

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 Financial Risk Management and Treasury Departments and is monitored by the ALCO.

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. With Liquidity Coverage Ratio ("NBG LCR"), in addition to Basel III guidelines conservative approaches are applied to the deposits' withdrawal rates depending on the clients group's concentration. 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.

The Bank's liquidity position was strong as of 31 December 2022, both LCR and NSFR ratios well 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 2022 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.

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	192,941	71,993	10,847	-	275,781
Provision related to insurance activities	3,361	10,084	1,008	-	14,453
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
Other credit related commitments	1,051,216	-	-	-	1,051,216
Total potential future payments for financial obligations	**18,197,869**	**3,985,471**	**6,698,843**	**1,001,738**	**29,883,921**

The maturity analysis of undiscounted financial liabilities as of 31 December 2021 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	128,667	11,096	48	-	139,811
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
Other credit related commitments	1,672,854	-	-	-	1,672,854
Total potential future payments for financial obligations	**16,145,881**	**2,903,276**	**5,567,271**	**1,536,146**	**26,152,574**

*Certain amounts do not correspond to the 2021 and 2020 consolidated financial statements as they reflect the certain restatements as described in Note 2.

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

The maturity analysis of undiscounted financial liabilities as of 31 December 2020 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	2,138,399	1,156,117	2,678,130	146,205	6,118,851
Customer accounts – individuals	4,275,412	1,828,748	1,282,427	53,445	7,440,032
Customer accounts – other	4,077,900	502,224	619,298	492,887	5,692,309
Other financial liabilities	210,061	16,834	537	-	227,432
Lease liabilities	3,098	9,029	35,298	5,849	53,274
Subordinated debt	13,998	75,845	1,441,419	1,635,831	3,167,093
Debt securities in issue	1,230	59,356	1,451,263	-	1,511,849
Redemption liability*	-	-	72,892	-	72,892
Gross settled swaps and forwards:					
– Inflows	(2,937,065)	(259,369)	(103,181)	-	(3,299,615)
– Outflows	3,045,427	262,302	113,820	-	3,421,549
Performance guarantees	1,751,075	-	-	-	1,751,075
Financial guarantees	318,935	-	-	-	318,935
Letters of credit	10,820	90,559	59,463	-	160,842
Other credit related commitments	1,401,539	-	-	-	1,401,539
Total potential future payments for financial obligations	**14,310,829**	**3,741,645**	**7,651,366**	**2,334,217**	**28,038,057**

*Certain amounts do not correspond to the 2021 and 2020 consolidated financial statements as they reflect the certain restatements as described in Note 2.

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 and issued guarantees are put in on demand bucket.

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	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
Insurance and reinsurance receivables	15,595	29,474	-	-	45,069
Other financial assets	156,397	70,531	1,808	-	228,736
Total financial assets	**10,992,548**	**3,421,329**	**7,556,405**	**5,591,090**	**27,561,372**
Due to credit institutions	1,785,023	438,183	1,557,982	159,472	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	190,991	61,097	10,847	-	262,935
Provision related to insurance activities	3,361	10,084	1,008	-	14,453
Lease liabilities	6,550	13,993	51,145	13,082	84,770
Insurance contract liabilities	1,950	10,896	-	-	12,846
Subordinated debt	16,171	70,244	254,624	249,109	590,148
Redemption liability	-	121,905	355,424	-	477,329
Total financial liabilities	**3,500,063**	**986,742**	**3,436,086**	**16,858,356**	**24,781,247**
Performance guarantees	7,206	-	-	-	7,206
Financial guarantees	3,177	-	-	-	3,177
Other credit related commitments*	93,839	-	-	-	93,839
Credit related commitments and performance guarantees	**104,222**	**-**	**-**	**-**	**104,222**
Net liquidity gap as of 31 December 2022	**7,388,263**	**2,434,587**	**4,120,319**	**(11,267,266)**	**2,675,903**
Cumulative gap as of 31 December 2022	**7,388,263**	**9,822,850**	**13,943,169**	**2,675,903**	

*Other credit related commitments represent credit line amounts, that is expected to be converted into on balance obligation based on historical expectations.

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

As at 31 December 2021 the analysis by expected maturities 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 NBG and CBU	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
Insurance and reinsurance Receivables	11,366	21,108	-	-	32,474
Other financial assets	415,852	2,410	2,379	-	420,641
Total financial assets	**7,707,034**	**3,457,790**	**6,872,747**	**5,190,933**	**23,228,504**
Due to credit institutions	1,418,250	509,471	1,049,362	7,093	2,984,176
Customer accounts	1,178,993	105,267	-	13,753,912	15,038,172
Debt securities in issue	5,261	100,349	1,454,896	149,782	1,710,288
Other financial liabilities	126,717	5,221	48	-	131,986
Lease liabilities	4,045	10,703	46,275	5,144	66,167
Insurance contract liabilities	1,950	5,875	-	-	7,825
Subordinated debt	2,357	19,067	179,989	422,234	623,647
Redemption liability*	-	-	76,656	161,799	238,455
Total financial liabilities	**2,737,573**	**755,953**	**2,807,226**	**14,499,964**	**20,800,716**
Performance guarantees	4,620	-	-	-	4,620
Financial guarantees	3,624	-	-	-	3,624
Other credit related commitments**	64,196	-	-	-	64,196
Credit related commitments and performance guarantees	**72,440**	**-**	**-**	**-**	**72,440**
Net liquidity gap as of 31 December 2021	**4,897,021**	**2,701,837**	**4,065,521**	**(9,309,031)**	**2,355,348**
Cumulative gap as of 31 December 2021	**4,897,021**	**7,598,858**	**11,664,379**	**2,355,348**	

*Certain amounts do not correspond to the 2021 and 2020 consolidated financial statements as they reflect the certain restatements as described in Note 2.
**Other credit related commitments represent credit line amounts, that is expected to be converted into on balance obligation based on historical expectations.

38. FINANCIAL AND OTHER RISK MANAGEMENT CONTINUED

As at 31 December 2020 the analysis by expected maturities 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	1,634,585	820	–	–	1,635,405
Due from other banks	11,736	14,600	24,469	–	50,805
Mandatory cash balances with National Bank of Georgia	2,098,506	–	–	–	2,098,506
Loans and advances to customers	1,555,793	2,512,140	6,117,469	4,408,872	14,594,274
Investment securities measures at fair value through OCI	1,527,268	–	–	–	1,527,268
Bonds carried at amortised cost	41,168	164,846	559,823	323,964	1,089,801
Finance lease receivables	23,675	73,284	168,447	6,254	271,660
Insurance and reinsurance Receivables	7,641	14,190	–	–	21,831
Other financial assets	135,716	2,094	11,652	9	149,471
Total financial assets	**7,036,088**	**2,781,974**	**6,881,860**	**4,739,099**	**21,439,021**
Due to credit institutions	2,116,391	1,007,235	1,322,468	40,279	4,486,373
Customer accounts	1,267,458	380,992	–	10,924,278	12,572,728
Debt securities in issue	121	56,031	1,440,345	–	1,496,497
Other financial liabilities	208,111	10,236	537	–	218,884
Lease liabilities	4,061	9,061	35,281	10,580	58,983
Insurance contract liabilities	1,950	6,598	–	–	8,548
Subordinated debt	11,747	16,369	258,110	386,514	672,740
Redemption liability*	–	–	51,813	–	51,813
Total financial liabilities	**3,609,839**	**1,486,522**	**3,108,554**	**11,361,651**	**19,566,566**
Performance guarantees	4,427	-	-	-	4,427
Financial guarantees	5,424	-	-	-	5,424
Other credit related commitments**	100,214	-	-	-	100,214
Credit related commitments and performance guarantees	**110,065**	**-**	**-**	**-**	**110,065**
Net liquidity gap as of 31 December 2020	**3,316,184**	**1,295,452**	**3,773,306**	**(6,622,552)**	**1,762,390**
Cumulative gap as of 31 December 2020	**3,316,184**	**4,611,636**	**8,384,942**	**1,762,390**	

*Certain amounts do not correspond to the 2021 and 2020 consolidated financial statements as they reflect the certain restatements as described in Note 2.
**Other credit related commitments represent credit line amounts, that is expected to be converted into on balance obligation based on historical expectations.

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, and 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. As of December 31, 2022, the results of the annual tax audit have resulted in the accrual of a total tax liability of 11.6 million GEL. Despite prior knowledge of the controversial tax issues and respective reserves having been established in previous financial reporting periods, a further 2 million GEL in tax reserve expenses has been recorded during the fiscal year of 2022.

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 2022 and 31 December 2021.

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 throughout the reporting period.

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

39. CONTINGENCIES AND COMMITMENTS CONTINUED

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 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**
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**

As of 31 December 2021, outstanding credit related commitments presented by stages are as follows:

in thousands of GEL	Stage 1	Stage 2	Stage 3
Undrawn credit lines	1,628,437	40,572	3,856
Letters of credit issued	170,174	208	-
Financial guarantees issued	343,536	8,510	56
Total credit related commitments (before provision)	**2,142,147**	**49,290**	**3,912**
Credit loss allowance for credit related commitments			
Undrawn credit lines	(1,961)	(578)	(22)
Letters of credit issued	(320)	-	-
Financial guarantees issued	(734)	(9)	-
Credit loss allowance for credit related commitments	**(3,015)**	**(587)**	**(22)**
Total credit related commitments	**2,139,132**	**48,703**	**3,890**

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**

39. CONTINGENCIES AND COMMITMENTS CONTINUED

The credit quality of contingencies and commitments is as follows at 31 December 2021:

	31 December 2021			
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	1,537,915	1,794	-	1,539,709
– Low	86,611	30,143	-	116,754
– Moderate	3,911	7,764	-	11,675
– High	-	871	-	871
– Default	-	-	3,856	3,856
Gross carrying amount	**1,628,437**	**40,572**	**3,856**	**1,672,865**
Credit loss allowance	(1,961)	(578)	(22)	(2,561)
Carrying amount	**1,626,476**	**39,994**	**3,834**	**1,670,304**
Letters of credit issued risk category				
– Very low	167,570	-	-	167,570
– Low	2,604	-	-	2,604
– Moderate	-	208	-	208
– High	-	-	-	-
– Default	-	-	-	-
Gross carrying amount	**170,174**	**208**	**-**	**170,382**
Credit loss allowance	(320)	-	-	(320)
Carrying amount	**169,854**	**208**	**-**	**170,062**
Financial guarantees issued risk category				
– Very low	331,437	1,733	-	333,170
– Low	12,099	1,367	-	13,466
– Moderate	-	5,108	-	5,108
– High	-	302	-	302
– Default	-	-	56	56
Gross carrying amount	**343,536**	**8,510**	**56**	**352,102**
Credit loss allowance	(734)	(9)	-	(743)
Carrying amount	**342,802**	**8,501**	**56**	**351,359**

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 2022 were 313,199 GEL thousand (2021: 251,903 GEL thousand).

Performance guarantees. Performance guarantees are contracts that provide compensation in case of another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under the performance guarantee contracts is the possibility that the insured event occurs (i.e. the failure to perform the contractual obligation by another party). The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts, relative to expectations.

Outstanding amount of performance guarantees and respective provision by stages as of 31 December 2022 is stage 1 – GEL 1,494,985 thousand and GEL 2,997 thousand (2021: GEL 1,529,643 thousand and GEL 3,239 thousand), stage 2 – GEL 12,704 thousand and GEL 4 thousand (2021: GEL 30,267 thousand and GEL 3 thousand), stage 3 – GEL 15,831 thousand and GEL 4,204 thousand (2021: GEL 5,576 thousand and GEL 1,378 thousand).

39. CONTINGENCIES AND COMMITMENTS CONTINUED

The credit quality of performance guarantees 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
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**

The credit quality of performance guarantees is as follows at 31 December 2021:

	31 December 2021			
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	1,519,727	-	-	1,519,727
– Low	8,733	29,660	-	38,393
– Moderate	1,183	-	-	1,183
– High	-	607	-	607
– Default	-	-	5,576	5,576
Gross carrying amount	**1,529,643**	**30,267**	**5,576**	**1,565,486**
Credit loss allowance	(3,239)	(3)	(1,378)	(4,620)
Carrying amount	**1,526,404**	**30,264**	**4,198**	**1,560,866**

Fair value of credit related commitments were GEL 3,176 thousand as of 31 December 2022 (2021: GEL 3,624 thousand). Total credit related commitments and performance guarantees are denominated in currencies as follows:

in thousands of GEL	2022	2021
Georgian Lari	1,457,283	897,969
US Dollar	1,195,206	901,092
Euro	484,040	220,068
Other	71,196	68,841
Total	**3,207,725**	**2,087,970**

Capital expenditure commitments. As of 31 December 2022, the Group has contractual capital expenditure commitments amounting to GEL 134,674 thousand (2021: GEL 104,162 thousand). Out of total amount as at 31 December 2022, contractual commitments related to the head office construction amounted GEL 105,623 thousand (2021: GEL 79,004 thousand).

40. NON-CONTROLLING INTEREST

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 thousands.

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**

The carrying value of the net assets of Online Tickets LLC was GEL 1,502 thousands, out of which NCI amounted to GEL 676 thousands. 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: Transaction with Non-Controlling Shareholders 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 thousands. 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 negative 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)**

40. NON-CONTROLLING INTEREST CONTINUED

Acquisition of remaining interest in My.ge LLC

In September 2021 TBC Bank Group PLC finalized acquisition process of remaining interest in My.ge LLC. The acquired interest amounted 35% of total shareholding. The consideration amounted to GEL 16,180 thousands.

The acquisition-date fair value of the total purchase consideration is following:

in thousands of GEL	
Cash consideration paid	16,180
Total purchase consideration	**16,180**

The carrying value of the net assets of My.ge LLC was GEL 8,421 thousands, out of which NCI amounted to GEL 2,947 thousands. Considering, that the Group has already owned 65% of stake in My.ge, the acquisition of remaining 35% has been treated as acquisition of NCI of controlled subsidiary. The consideration paid for acquiring 35% of stake, has exceeded the net assets acquired by GEL 13,233 thousand which has been recorded as equity transaction between the Group members.

The following table discloses the calculation of excess consideration paid for acquiring non-controlling interest in My.ge LLC:

in thousands of GEL	
Cash consideration paid	16,180
Carrying value of purchased interest (NCI)	(2,947)
Difference: Transaction with Non-Controlling Shareholders recognised in retained earnings	**13,233**

Sale of shares in TBC Bank Uzbekistan JSC

On 16 December 2021 TBC Bank Group PLC finalized selling of 39.8%* ownership interest in fully owned subsidiary JSC TBC Bank Uzbekistan. TBC Bank Uzbekistan JSC issued 174,215 thousands of additional shares, which was fully acquired by EBRD and IFC for the stake of 19.9% each. The control has still remained with the Group. The consideration received from EBRD and IFC amounted GEL 57,039 thousands. The carrying value of total net assets owned by TBC Bank Uzbekistan JSC at the point of selling the stake to EBRD and IFC has been GEL 95,359 thousand.

The following table discloses the calculation of excess consideration received for the disposed interest:

in thousands of GEL	
Cash consideration received	57,039
Carrying value of disposed interest (NCI)	(37,914)
Difference: Transaction with Non-Controlling Shareholders recognised in retained earnings	**19,125**

* For further details please refer to note 26.

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**

40. NON-CONTROLLING INTEREST CONTINUED

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	(Loss)/ profit	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)

The following table provides information for each subsidiary with a non-controlling interest as of 31 December 2021:

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%	(2,056)	37,914
TKT Online LLC	45%	(32)	617
TKT UZ	25%	(14)	(39)
Inspired LLC	49%	8,370	5,132
Billing solutions LLC	49%	(96)	(30)
Accumulated net income of NCI before disposal	-	980	-
TBC Bank JSC including:	0.12%	1,065	4,465
United Financial Corporation JSC	0.47%	16	93
Total Non-Controlling		**8,217**	**48,059**

The summarised financial information of these subsidiaries for the year ended 31 December 2021 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	210,512	105,427	132,100	90,908	1,876	(34,747)	(38,986)	92,613
TKT Online LLC	875	1,745	1,271	-	905	(58)	(58)	577
TKT UZ	94	9	3	-	3	(22)	(22)	(32)
Inspired LLC	14,262	2,078	1,976	-	28,826	17,989	17,989	(119)
Billing solutions LLC	12	412	4	464	95	(190)	(190)	(24)
TBC Bank JSC including:	11,268,120	12,771,392	3,627,610	16,821,847	1,399,104	858,266	835,938	(36,200)
United Financial Corporation JSC	4,173	16,352	1,838	3,593	16,691	3,113	3,113	(626)

41. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

As of 31 December 2022, 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						
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	-	-	46,724
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**	**262,415**	**-**	**22,785**

41. OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES CONTINUED

As of 31 December 2021, 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						
Other financial assets:						
– Receivables on credit card services and money transfers	70,501	7,620	62,881	-	-	62,881
Assets subject to offsetting, master netting and similar arrangement	**70,501**	**7,620**	**62,881**	**-**	**-**	**62,881**
Liabilities						
Other financial liabilities:						
– Payables on credit card services and money transfers	36,583	7,620	28,963	-	-	28,963
Liabilities subject to offsetting, master netting and similar arrangement	**36,583**	**7,620**	**28,963**	**-**	**-**	**28,963**

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	2022	2021
Fair value of foreign exchange forwards and gross settled currency swaps, included in other financial assets or due from other banks	57,887	185,710
Fair value of foreign exchange forwards and gross settled currency swaps, included in other financial liabilities	(72,188)	(9,727)
Total	**(14,301)**	**175,983**

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.

	2022		2021	
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 (-)	(899,550)	(111,350)	(301,500)	(528,905)
– USD receivable on settlement (+)	69,042	2,756,345	3,353,189	491,692
– GEL payable on settlement (-)	(52,430)	(396,583)	(112,743)	(476,267)
– GEL receivable on settlement (+)	846,710	130,514	269,936	205,667
– EUR payable on settlement (-)	(16,534)	(2,489,689)	(3,096,222)	(9,883)
– EUR receivable on settlement (+)	142,169	39,055	54,955	326,103
– Other payable on settlement (-)	(35,729)	(913)	(1,031)	(19,165)
– Other receivable on settlement (+)	4,209	433	19,126	1,031
Fair value of foreign exchange forwards and gross settled currency swaps	**57,887**	**(72,188)**	**185,710**	**(9,727)**
Net fair value of foreign exchange forwards and gross settled currency swaps		**(14,301)**	**175,983**	

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-22					31-Dec-21				
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	36,763	1,251,816	-	**1,288,579**	**1,288,579**	–	704,435	–	**704,435**	**704,435**
– Foreign government treasury bills	35,617	-	-	**35,617**	**35,617**	–	1,683	–	**1,683**	**1,683**
– Ministry of Finance of Georgia Treasury Bills	4,430	1,555,437	-	**1,559,867**	**1,559,867**	–	1,231,024	–	**1,231,024**	**1,231,024**
– Repurchase receivables	267,495	-	-	**267,495**	**267,495**	–	–	–	**–**	**–**
– Corporate shares	-	-	1,025	**1,025**	**1,025**	–	–	1,054	**1,054**	**1,054**
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	-	57,887	-	**57,887**	**57,887**	–	185,710	–	**185,710**	**185,710**
– Investment held at fair value through profit or loss	-	-	9,704	**9,704**	**9,704**	–	–	11,125	**11,125**	**11,125**
Total assets recurring fair value measurements	**344,305**	**2,865,140**	**10,729**	**3,220,174**	**3,220,174**	**–**	**2,122,852**	**12,179**	**2,135,031**	**2,135,031**
Liabilities carried at fair value										
Financial liabilities										
Foreign exchange forwards and gross settled currency swaps, included in other financial liabilities	-	72,188	-	**72,188**	**72,188**	-	9,727	-	**9,727**	**9,727**
Total liabilities recurring fair value measurements	**-**	**72,188**	**-**	**72,188**	**72,188**	**-**	**9,727**	**-**	**9,727**	**9,727**

43. FAIR VALUE DISCLOSURES CONTINUED

There were no transfers between levels 1 and 2 during the year ended 31 December 2022 (2021 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	2022	2021	Valuation technique	Inputs used
Assets carried at fair value				
– Ministry of Finance of Georgia Treasury Bills, foreign government treasury bills, corporate bonds	2,807,253	1,937,142	Discounted cash flows ("DCF")	Government bonds yield curve
– Foreign exchange forwards and gross settled currency swaps, included in due from banks	57,887	185,710	Forward pricing using present value calculations	Official exchange rate, risk-free rate
Total assets recurring fair value measurements at level 2	**2,865,140**	**2,122,852**		
Liabilities carried at fair value				
– Foreign exchange forwards included in other financial liabilities	72,188	9,727	Forward pricing using present value calculations	Official exchange rate, risk-free rate
Total liabilities recurring fair value measurements at level 2	**72,188**	**9,727**		

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	2022	2021	Valuation technique	Inputs used
Assets carried at fair value				
– Investment held at fair value through profit or loss	9,704	11,125	Discounted cash flows ("DCF")	Weighted average borrowing interest rate
– Corporate shares	1,025	1,054	Discounted cash flows ("DCF")	Government bonds yield curve
Total assets recurring fair value measurements at level 3	**10,729**	**12,179**		

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 2022 (2021: 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 291 thousand/ (GEL 291 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 2022				
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	-	-	206,214	**206,214**	**206,214**
Non-financial assets					
Investment properties, at cost	-	-	25,683	**25,683**	**22,154**
Total assets	**1,243,238**	**4,746,806**	**19,450,076**	**25,440,120**	**24,363,352**
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	-	-	288,363	**288,363**	**288,363**
Subordinated debt	-	-	587,218	**587,218**	**590,148**
Total liabilities	**1,340,444**	**12,181,397**	**10,653,143**	**24,174,984**	**24,217,277**

43. FAIR VALUE DISCLOSURES CONTINUED

	31 December 2021				
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	–	–	256,280	**256,280**	**256,280**
Non-financial assets					
Investment properties, at cost	–	–	29,493	**29,493**	**22,892**
Total assets	**839,821**	**3,098,181**	**18,083,329**	**22,021,331**	**21,116,365**
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	–	–	196,249	**196,249**	**196,249**
Subordinated debt	–	–	626,503	**626,503**	**623,647**
Total liabilities	**1,798,023**	**9,982,595**	**8,836,159**	**20,616,777**	**20,552,532**

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 2022 (2021: 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 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	206,214	-	67,591	**273,805**
Total financial assets subject to IFRS 9 measurement categories	**24,028,864**	**3,152,583**	**67,591**	**27,249,038**
Finance lease receivables	-	-	-	**312,334**
Non-financial assets	**-**	**-**	**-**	**1,470,804**
Total assets	**24,028,864**	**3,152,583**	**67,591**	**29,032,176**

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2021:

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	256,280	-	196,835	**453,115**
Total financial assets subject to IFRS 9 measurement categories	**20,831,427**	**1,938,196**	**196,835**	**22,966,458**
Finance lease receivables	-	-	-	**262,046**
Non-financial assets	**-**	**-**	**-**	**1,280,057**
Total assets	**20,831,427**	**1,938,196**	**196,835**	**24,508,561**

44. PRESENTATION OF FINANCIAL INSTRUMENTS BY MEASUREMENT CATEGORY CONTINUED

For the measurement purposes, IFRS 9, classifies financial assets into the categories discussed in Note 2.

As of 31 December 2022 and 2021 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 2022 and 2021) 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. Where these are eliminated on consolidation, they are not disclosed in the Group Financial Statements.

As at 31 December 2022 and 2021 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
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	55,380
2021				
Gross amount of loans and advances to customers	4.0%-36.0%	19	6,686	5,713
Credit loss allowance for loans and advances to customers	–	–	5	1
Customer accounts	0%-12.5%	9,663	10,923	22,494
Other borrowed funds from EBRD	0.86%-12.85%	360,889	–	–

45. RELATED PARTY TRANSACTIONS CONTINUED

The Group's income and expense items with related parties except from key management compensation for the year 2022 and 2021 were as follows:

in thousands of GEL	Significant shareholders	Key management personnel	Other related parties
2022			
Interest income - loans and advances to customers	-	287	93
Interest expense	10	366	1,081
Fee and commission income	6	21	136
Administrative and other operating expenses (excluding staff costs)	-	843	-
2021			
Interest income - loans and advances to customers	4	264	121
Interest expense	3	418	350
Interest expense with EBRD	36,819	–	–
Fee and commission income	2	19	78
Administrative and other operating expenses (excluding staff costs)	–	431	–

The aggregate loan amounts disbursed to and repaid by related parties during 2022 and 2021 were as follows:

in thousands of GEL	Significant shareholders	Key management personnel	Other related parties
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)
2021			
Amounts disbursed to related parties during the year	-	3,889	1,309
Amounts repaid by related parties during the year	(35)	(2,919)	(2,454)

As of 31 December 2022 and 2021 transactions and balances of TBC Bank Group PLC with subsidiaries were as follows:

in thousands of GEL	Contractual interest rate	Total
2022		
Cash and cash equivalents	–	90,358
Investment in subsidiary	–	1,758,748
Other financial assets	–	78,277
Foreign exchange forward contracts	–	12,124
2021		
Cash and cash equivalents	–	14,614
Loans issued	7.5%	10,862
Investment in subsidiary	–	1,675,606
Foreign exchange forward contracts	–	13,504

45. RELATED PARTY TRANSACTIONS CONTINUED

The income and expense items for TBC Bank Group PLC with subsidiaries except from key management compensation for the year 2022 and 2021 were as follows:

in thousands of GEL	2022	2021
Interest income	2,922	1,649
Interest expense	541	212
Fee and commission expense	4	1
Other operating income	78,078	166
Dividend income	378,017	95,252
Professional Expenses	16	12
Net losses from currency derivatives, foreign currency operations and translation	28,187	10,977

The compensation of the TBCG Board of Directors and the Bank's Management Board is presented below:

	2022		2021	
in thousands of GEL	Expense	Accrued liability	Expense	Accrued liability
Salaries and short-term bonuses	14,778	–	14,853	–
Equity-settled share-based compensation	19,682	–	13,013	–
Total	**34,460**	**–**	**27,866**	**–**

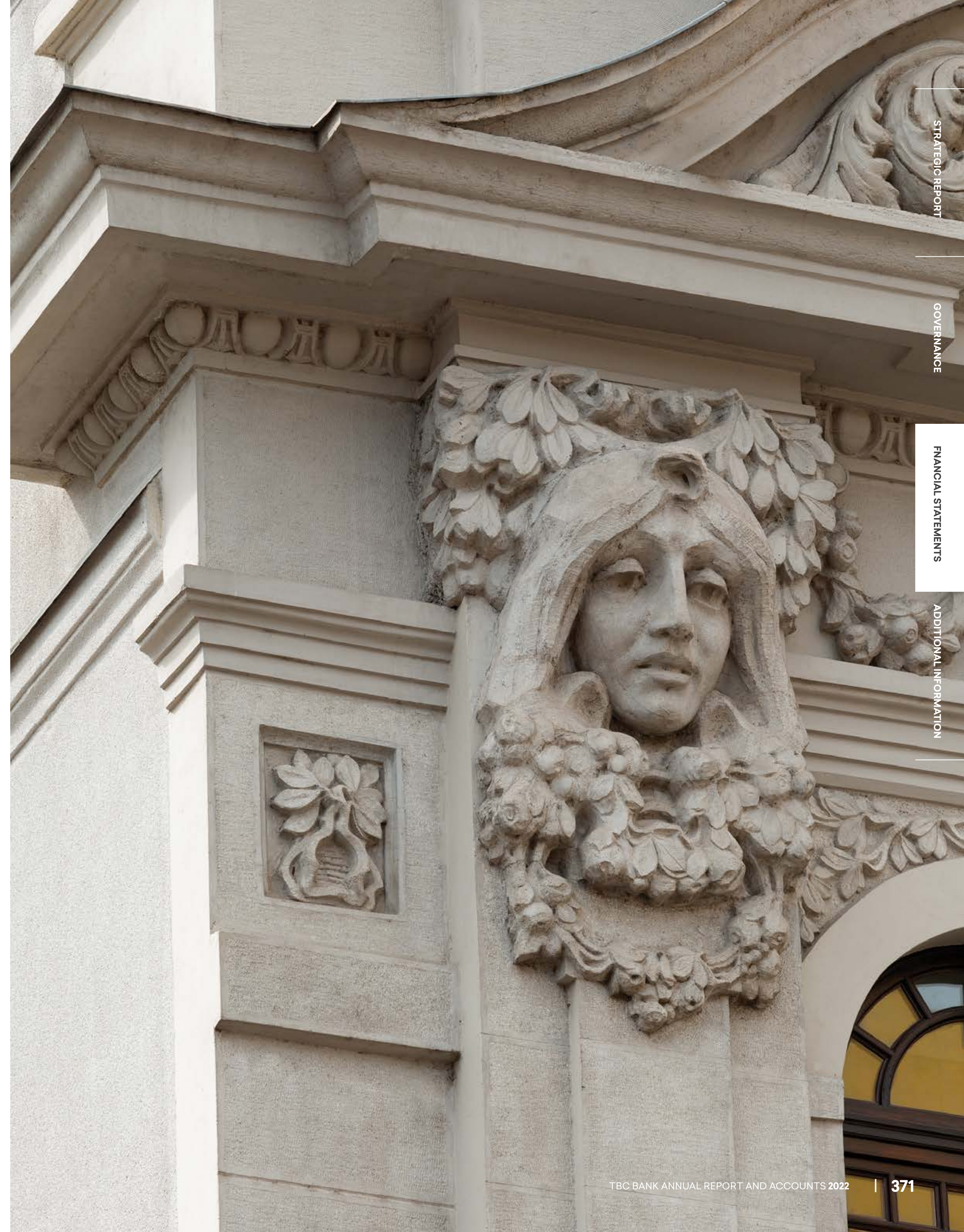
Included in salaries and bonuses for 2022, GEL 2,439 thousand (2021: GEL 2,758 thousand) relates to compensation for directors (2022: 8 persons, 2021: 8 persons) of TBCG paid by TBC Bank Group PLC. Details of director's compensation is discussed in the remuneration committee report.

46. EVENTS AFTER REPORTING PERIOD

On 20 March 2023, TBC Leasing JSC issued GEL 100 million secured bonds, out of which GEL 80 million was successfully placed while the remaining part is expected to be placed during 2023. Coupon rate of the bond is determined as 3% plus 3-month Tbilisi Interbank Interest Rate.

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



Additional Information

GLOSSARY

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.
Consumer loans offloading	Consumer loans offloading ratios includes the number of consumer loans disbursed via the remote channels divided by total number of such loans issued.
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 US$ 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.
Deposit offloading	Deposit offloading ratio includes the number of time and savings deposits opened via remote channels divided by total number of such deposits opened.
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.
Executive Management	Executive Management of Joint Stock Company TBC Bank.
Gross merchandise volume (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.
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 net profit attributable to owners divided by the monthly average of total shareholders' equity attributable to the PLC's equity holders for the same period; annualised where applicable.
Bank's standalone ROE		IFRS based	Bank's standalone ROE equals the Bank's net profit of the period divided by the monthly average of total shareholders' equity for the same period; For the ratio calculation all relevant group recurring costs are allocated to the bank; annualised where applicable.
ROA	2	IFRS based	Return on average total assets (ROA) equals net profit of the period divided by monthly average total assets for the same period; annualised where applicable.
Bank's standalone ROA		IFRS based	Bank's standalone ROA equals the Bank's net profit of the period divided by monthly average total assets for the same period; For the ratio calculation all relevant group recurring costs are allocated to the bank; 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).
Bank's standalone cost to income		IFRS based	Bank's standalone cost to income ratio equals the Bank's 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); For the ratio calculation all relevant group recurring costs are allocated to the bank; annualised where applicable.
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 concetration			
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		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, based on local standards.
Liquidity Coverage Ratio		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, based on local accounting standards.
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, based on local accounting standards.
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, based on local accounting standards.
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, based on local accounting standards.

These tables provide the reconciliation of the Group's IFRS based alternative performance measures with Financial Statements.

1	Reference to financial statements	FY 2022	FY 2021
Net profit attributable to owners	Consolidated statement of profit and loss and other comprehensive income	995,206	800,782
Total shareholders' equity attributable to owners	Consolidated statement of financial position	3,879,137	3,405,715
Adjusted to arrive at monthly balances		*-186,793*	*-195,757*
Monthly averages of total shareholders' equity attributable to owners		3,692,344	3,209,958
Return on average total equity (ROE)		**27.0%**	**24.9%**

2	Reference to financial statements	FY 2022	FY 2021
Net profit attributable to owners	Consolidated statement of profit and loss and other comprehensive income	995,206	800,782
Total assets	Consolidated statement of financial position	29,032,176	24,508,561
Adjusted to arrive at monthly balances		*-3,073,900*	*-1,251,670*
Monthly averages of total assets		25,958,276	23,256,891
Return on average total assets (ROA)		**3.8%**	**3.4%**

3	Reference to financial statements	FY 2022	FY 2021
Total operating expenses	Consolidated statement of profit and loss and other comprehensive income	691,320	545,834
Total revenue	Consolidated statement of profit and loss and other comprehensive income	2,070,764	1,452,020
Cost to income		**33.4%**	**37.6%**

4	Reference to financial statements	FY 2022	FY 2021
Net interest income	Consolidated statement of profit and loss and other comprehensive income	1,290,052	1,002,732
Total interest earning assets	Consolidated statement of financial position	23,159,259	21,053,252
– Investment securities measured at fair value through other comprehensive income		*2,885,088*	*1,938,196*
– Bonds carried at amortised cost		*37,392*	*49,582*
– Net investment in finance lease		*312,334*	*262,046*
– Net loans		*17,832,606*	*16,637,145*
– Mandatory cash balances with National Bank of Georgia		*2,049,985*	*2,087,141*
– Due from other banks		*41,854*	*79,142*
Adjusted to arrive at monthly balances		*(1,607,434)*	*(1,239,258)*
Monthly average interest earning assets		21,551,825	19,813,994
Net intrest margin (NIM)		**6.0%**	**5.1%**

5	Reference to financial statements	FY 2022	FY 2021
Interest income from loans	Note 30. Interest income and expense	1,997,732	1,614,374
Total loan portfolio	Note 9. Loans and advances to customers	18,204,971	17,047,391
Adjusted to arrive at monthly balances		*(917,947)*	*(1,376,579)*
Total monthly average loan portfolio		17,287,024	15,670,812
Loan yields		**11.6%**	**10.3%**

6 Returns	Reference to financial statements	FY 2022	FY 2021
Interest expense from customer accounts	Note 30. Interest income and expense	(625,664)	(471,972)
Total deposits portfolio	Note 20. Customer accounts	18,036,533	15,038,172
Adjusted to arrive at monthly balances		*2,125,214*	*1,130,292*
Total monthly average deposits portfolio		15,911,319	13,907,880
Deposit rates		**3.9%**	**3.4%**

7	Reference to financial statements	FY 2022	FY 2021
Total Interest expense	Consolidated statement of profit and loss and other comprehensive income	(1,040,786)	(883,124)
Total interest bearing liabilities	Consolidated statement of financial position	*24,013,684*	*20,422,450*
– Customer accounts		*18,036,533*	*15,038,172*
– Due to credit institutions		3,940,660	2,984,176
– Subordinated Debt		*590,148*	*623,647*
– Debt securities in issue		*1,361,573*	*1,710,288*
– Lease Liabilities		*84,770*	*66,167*
Adjusted to arrive at monthly balances		*(2,556,287)*	*(809,229)*
Monthly average interest bearing liabilities		21,457,397	19,613,221
Cost of fund		**4.9%**	**4.5%**

8	Reference to financial statements	FY 2022	FY 2021
Credit loss allowance for loans	Consolidated statement of profit and loss and other comprehensive income	(118,943)	40,123
Total loan portfolio	Note 9. Loans and advances to customers	18,204,971	17,047,391
Adjusted to arrive at monthly balances		*(917,947)*	*(1,376,579)*
Total monthly average loan portfolio		17,287,024	15,670,812
Cost of risks		**0.7%**	**-0.3%**

9	Reference to financial statements	FY 2022	FY 2021
Total principal or interest repayment is overdue for more than 90 days	Not available	224,391	195,857
Total gross loan portfolio	Note 9. Loans and advances to customers	18,204,971	17,047,391
Par 90 to gross loans		**1.2%**	**1.1%**

10	Reference to financial statements	FY 2022	FY 2021
NPLs to gross loans equals loans with 90 days past due on principal	Not available	397,445	410,853
Total gross loan portfolio	Note 9. Loans and advances to customers	18,204,971	17,047,391
NPLs to gross loans		**2.2%**	**2.4%**

11	Reference to financial statements	FY 2022	FY 2021
Total credit loss allowance for loans to customers	Note 9. Loans and advances to customers	372,366	410,246
NPL provision coverage	Not available	397,445	410,853
NPL provision coverage		**93.7%**	**99.9%**

ALTERNATIVE PERFORMANCE MEASURES CONTINUED

12	Reference to financial statements	FY 2022	FY 2021
NPL collatetal	*Not available*	*246,242*	*309,979*
NPL provision coverage	*Note 9. Loans and advances to customers*	*372,366*	*410,246*
Total		618,608	720,225
Total NPL exposure	Not available	397,445	410,853
Total NPL Coverage		**155.6%**	**175.3%**

13	Reference to financial statements	FY 2022	FY 2021
Total credit loss allowance for loans to customers	Note 9. Loans and advances to customers	372,366	410,246
Total gross loan portfolio	Note 9. Loans and advances to customers	18,204,971	17,047,391
Credit loss level to Gross Loans		**2.0%**	**2.4%**

14	Reference to financial statements	FY 2022	FY 2021
Related party loans	Note 45. Related party transactions	26,717	12,015
Total gross loan portfolio	Note 9. Loans and advances to customers	18,204,971	17,047,391
Related party loans to gross loans		**0.1%**	**0.1%**

15	Reference to financial statements	FY 2022	FY 2021
Top 10 borrowers	Not available	967,960	1,165,425
Total gross loan portfolio	Note 9. Loans and advances to customers	18,204,971	17,047,391
Top 10 borrowers		**5.3%**	**6.8%**

16	Reference to financial statements	FY 2022	FY 2021
Top 20 borrowers	Not available	1,511,447	1,796,675
Total gross loan portfolio	Note 9. Loans and advances to customers	18,204,971	17,047,391
Top 20 borrowers		**8.3%**	**10.5%**

17	Reference to financial statements	FY 2022	FY 2021
Net loans	Consolidated statement of financial position	17,832,606	16,637,145
Total Deposits portfolio	*Note 20. Customer accounts*	*18,036,533*	*15,038,172*
IFI funding	*Not available*	*2,115,335*	*1,455,723*
Deposits + IFI Funding		20,151,868	16,493,895
Net loans to deposits + IFI Funding		**88.5%**	**100.9%**

18	Reference to financial statements	FY 2022	FY 2021
Total assets	Consolidated statement of financial position	29,032,176	24,508,561
Total equity	Consolidated statement of financial position	3,965,950	3,453,774
Leverage		**7.3x**	**7.1x**

ABBREVIATIONS

ACCA	Association of Chartered Certified Accountants
AGM	Annual general meeting
ALCO	Asset-liability management committee
APM	Alternative performance measure
ATM	Automated teller machine
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
GDR	Global depositary receipt
GEL	Georgian lari, national currency of Georgia
GHG	Greenhouse gas
GMV	Gross merchandise volume
GWP	Gross written premium
NMF	Not meaningful figure
HNWI	High-net-worth individuals
HR	Human resources
IAS	International Accounting Standards
IDR	Issuer default rating
IFC	International Finance Corporation
IFI	International financial institution
IFRIC	International Financial Reporting Interpretations Committee
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
PTI	Payment to income
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
US$	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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