TBC BANK GROUP PLC

2Q AND 1H 2024 RESULTS REPORT

www.tbcbankgroup.com

TBC BANK GROUP PLC (“TBC Bank”)
2Q AND 1H 2024 UNAUDITED CONSOLIDATED FINANCIAL RESULTS

Forward-looking statements

This document contains forward-looking statements; such forward-looking statements contain known and unknown risks, uncertainties and other important factors, which may cause the actual results, performance or achievements of TBC Bank Group PLC (“the Bank” or “the Group”) to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are based on numerous assumptions regarding the Bank’s present and future business strategies and the environment in which the Bank will operate in the future. Important factors that, in the view of the Bank, could cause actual results to differ materially from those discussed in the forward-looking statements include, among others: the achievement of anticipated levels of profitability; growth, cost and recent acquisitions; the impact of competitive pricing; the ability to obtain the necessary regulatory approvals and licenses; the impact of developments in the Georgian and Uzbek economies; the impact of Russia-Ukraine war; the political and legal environment; financial risk management; and the impact of general business and global economic conditions.

None of the future projections, expectations, estimates or prospects in this document should be taken as forecasts or promises, nor should they be taken as implying any indication, assurance or guarantee that the assumptions on which such future projections, expectations, estimates or prospects are based are accurate or exhaustive or, in the case of the assumptions, entirely covered in the document. These forward-looking statements speak only as of the date they are made, and, subject to compliance with applicable law and regulations, the Bank expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained in the document to reflect actual results, changes in assumptions or changes in factors affecting those statements.

Certain financial information contained in this management report, which is prepared on the basis of the Group’s accounting policies applied consistently from year to year, has been extracted from the Group’s unaudited management accounts and financial statements. The areas in which the management accounts might differ from the International Financial Reporting Standards and/or generally accepted U.S. accounting principles could be significant; you should consult your own professional advisors and/or conduct your own due diligence for a complete and detailed understanding of such differences and any implications they might have on the relevant financial information contained in this presentation. Some numerical figures included in this report have been subjected to rounding adjustments. Accordingly, the numerical figures shown as totals in certain tables might not be an arithmetic aggregation of the figures that preceded them.

2Q and 1H 2024 consolidated financial results conference call details

TBC Bank Group PLC ("TBC PLC") has published its unaudited consolidated financial results for the 2Q and 1H 2024 on Friday, 9 August 2024 at 7.00 AM BST. The management team will host a conference call at 2.00 PM BST.

To participate in the conference call live video webinar, please register using the following link:
https://www.netroadshow.com/events/login?show=49b65e57&confId=69026

You will receive access details via email.

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1H 2024 profit of GEL 626 million, up by 14% YoY, with ROE at 26.0%.

European Union Market Abuse Regulation EU 596/2014 requires TBC Bank Group PLC to disclose that this announcement contains Inside Information, as defined in that Regulation.

Financial highlights

Income statement

In thousands of GEL	2Q'24	1Q'24	2Q'23	*Change YoY*	*Change QoQ*	1H'24	1H'23	*Change YoY*
Net interest income	458,111	442,844	399,338	*14.7%*	*3.4%*	900,955	766,129	*17.6%*
Net fee and commission income	123,398	104,303	105,636	*16.8%*	*18.3%*	227,701	198,074	*15.0%*
Other non-interest income	96,922	70,833	81,792	*18.5%*	*36.8%*	167,755	154,802	*8.4%*
Total operating income	**678,431**	**617,980**	**586,766**	***15.6%***	***9.8%***	**1,296,411**	**1,119,005**	***15.9%***
Total credit loss allowance	(31,565)	(45,131)	(33,934)	*-7.0%*	*-30.1%*	(76,696)	(87,102)	*-11.9%*
Operating expenses	(256,577)	(229,671)	(203,560)	*26.0%*	*11.7%*	(486,248)	(386,340)	*25.9%*
Profit before tax	**390,289**	**343,178**	**349,272**	***11.7%***	***13.7%***	**733,467**	**645,563**	***13.6%***
Income tax expense	(60,991)	(46,707)	(56,186)	*8.6%*	*30.6%*	(107,698)	(97,517)	*10.4%*
Profit for the period	**329,298**	**296,471**	**293,086**	***12.4%***	***11.1%***	**625,769**	**548,046**	***14.2%***

Balance sheet

In thousands of GEL	Jun'24	Mar'24	Jun'23	*Change YoY*	*Change QoQ*
Total assets	35,780,415	33,261,535	28,878,826	*23.9%*	*7.6%*
Gross loans	24,128,807	22,545,189	19,360,689	*24.6%*	*7.0%*
Customer deposits	21,464,578	20,838,768	18,992,492	*13.0%*	*3.0%*
Total equity	5,079,760	4,853,916	4,331,529	*17.3%*	*4.7%*
Number of ordinary shares	55,361,967	55,393,664	55,140,216	*0.4%*	*-0.1%*

Key ratios

	2Q'24	1Q'24	2Q'23	*Change YoY*	*Change QoQ*	1H'24	1H'23	*Change YoY*
ROE	27.1%	25.1%	28.1%	*-1.0 pp*	*2.0 pp*	26.0%	26.7%	*-0.7 pp*
ROA	3.8%	3.6%	4.2%	*-0.4 pp*	*0.2 pp*	3.7%	3.9%	*-0.2 pp*
NIM	6.4%	6.5%	6.8%	*-0.4 pp*	*-0.1 pp*	6.4%	6.6%	*-0.2 pp*
Cost to income	37.8%	37.2%	34.7%	*3.1 pp*	*0.6 pp*	37.5%	34.5%	*3.0 pp*
Cost of risk	0.5%	0.8%	0.6%	*-0.1 pp*	*-0.3 pp*	0.6%	0.9%	*-0.3 pp*
NPL to gross loans	2.0%	2.2%	2.1%	*-0.1 pp*	*-0.2 pp*	2.0%	2.1%	*-0.1 pp*
NPL provision coverage ratio	75.5%	74.4%	89.3%	*-13.8 pp*	*1.1 pp*	75.5%	89.3%	*-13.8 pp*
Total NPL coverage ratio	141.9%	140.3%	153.7%	*-11.8 pp*	*1.6 pp*	141.9%	153.7%	*-11.8 pp*
Leverage (x)	7.0x	6.9x	6.7x	*0.3x*	*0.1x*	7.0x	6.7x	0.3x
EPS (GEL)	5.94	5.39	5.33	*11.4%*	*10.2%*	11.33	9.90	*14.4%*
Diluted EPS (GEL)	5.91	5.36	5.25	*12.6%*	*10.3%*	11.28	9.76	*15.6%*
BVPS (GEL)	90.32	86.11	78.21	*15.5%*	*4.9%*	90.32	78.21	*15.5%*
Georgia								
CET 1 CAR	16.8%	16.6%	18.3%	*-1.5 pp*	*0.2 pp*	16.8%	18.3%	*-1.5 pp*
Tier 1 CAR	22.3%	18.8%	20.7%	*1.6 pp*	*3.5 pp*	22.3%	20.7%	*1.6 pp*
Total CAR	25.9%	21.5%	23.1%	*2.8 pp*	*4.4 pp*	25.9%	23.1%	*2.8 pp*
Uzbekistan								
CET 1 CAR	12.6%	12.7%	17.8%	*-5.2 pp*	*-0.1 pp*	12.6%	17.8%	*-5.2 pp*
Tier 1 CAR	12.6%	12.7%	17.8%	*-5.2 pp*	*-0.1 pp*	12.6%	17.8%	*-5.2 pp*
Total CAR	16.4%	16.2%	18.6%	*-2.2 pp*	*0.2 pp*	16.4%	18.6%	*-2.2 pp*

Operational highlights

Customer base

In thousands	Jun'24	Mar'24	Jun'23	Change YoY	Change QoQ
Total unique registered users	**19,051**	**17,884**	**14,260**	***34%***	***7%***
Georgia	*3,360*	*3,317*	*3,157*	*6%*	*1%*
Uzbekistan	*15,691*	*14,567*	*11,103*	*41%*	*8%*
Total monthly active customers	**6,378**	**6,331**	**4,996**	***28%***	***1%***
Georgia	*1,633*	*1,615*	*1,550*	*5%*	*1%*
Uzbekistan	*4,745*	*4,716*	*3,446*	*38%*	*1%*
Total digital monthly active users (digital MAU)	**5,695**	**5,646**	**4,295**	***33%***	***1%***
Georgia	*950*	*930*	*849*	*12%*	***2%***
Uzbekistan	*4,745*	*4,716*	*3,446*	*38%*	*1%*
Total digital daily active users (digital DAU)	**1,884**	**1,760**	**1,434**	***31%***	***7%***
Georgia	*441*	*413*	*381*	*16%*	***7%***
Uzbekistan	*1,443*	*1,347*	*1,053*	*37%*	***7%***
Digital DAU/MAU	**33%**	**31%**	**33%**	***0 pp***	***2 pp***
Georgia	*46%*	*44%*	*45%*	*1 pp*	*2 pp*
Uzbekistan	*30%*	*29%*	*31%*	*-1 pp*	*1 pp*

Uzbekistan – key highlights

In thousands of GEL	Jun'24	Mar'24	Jun'23	Change YoY	Change QoQ
Gross loans and advances to customers	1,122,400	928,553	526,843	*113.0%*	*20.9%*
Customer accounts	721,632	657,190	457,340	*57.8%*	*9.8%*

In thousands of GEL	2Q'24	1Q'24	2Q'23	Change YoY	Change QoQ	1H'24	1H'23	Change YoY
Total operating income	91,081	74,045	48,291	*88.6%*	*23.0%*	165,126	88,373	*86.9%*
Profit for the period	23,779	18,437	12,505	*90.2%*	*29.0%*	42,216	25,212	*67.4%*
ROE, %	27.8%	23.7%	22.1%	*5.7 pp*	*4.1 pp*	25.7%	25.1%	*0.6 pp*

Letter from the Chief Executive Officer[1]

I am pleased to announce that in 2Q 2024 we have continued to build on the strong momentum from 1Q 2024. Consequently, we achieved a record quarterly net profit of GEL 329 million, marking a 12% increase compared to the previous year, with a return on equity of 27.1%.

For 1H 2024, our net profit reached GEL 626 million, up by 14% year-on-year, and our return on equity was 26.0%. Notably, our digital banking ecosystem in Uzbekistan contributed 7% of the Group's net profit, with its return on equity reaching 25.7%. At the same time, our digital monthly active users ("MAU") reached 5.7 million at the Group level, up by 33% year-on-year. We have also added almost half a million digital daily active users ("DAU") over the past year, which is a great testament to the increasing breadth, quality and convenience of digital financial services that our Group offers.

2Q 2024 total operating income up by 16% year-on-year

In 2Q 2024, our total operating income increased by 16% year-on-year, reaching GEL 678 million. This growth was driven by a 15% rise in net interest income and a 17% increase in net fee and commission income, while the Group's net interest margin stood at 6.4%.

Strong growth dynamics in both Georgia and Uzbekistan

Our financial services in Georgia continued their robust and profitable growth in 2Q 2024 with our loan book increasing by 19% year-on-year on a constant currency basis, with net profit up 9% year-on-year and 26.9% ROE. During the same period, our deposits grew by 9% year-on-year on a constant currency basis. At the same time, our capital positions remained strong with CET1, Tier 1 and Total Capital ratios standing at 16.8%, 22.3% and 25.9%, respectively, significantly above the regulatory limits by 2.2 pp, 5.4 pp and 5.9 pp. This robust capital position was supported by the issuance of USD 300 million AT1 capital notes in April 2024.

I am particularly pleased with the performance of our digital banking ecosystem in Uzbekistan which continues to deliver remarkable results. In 2Q 2024, Uzbekistan generated GEL 91 million in total operating income and GEL 24 million in net profit, up 89% and 90% year-on-year, respectively, and contributing 13% and 7% of the Group totals. Over the same period, the ROE of our Uzbek operations amounted to 27.8%. In terms of the balance sheet, TBC UZ's retail loans amounted to GEL 1.1 billion, up by 113% year-on-year and accounting for 44% of the Group's consumer loans with a micro loan market share[2] of 15.8%. At the same time, TBC UZ retail deposits reached GEL 722 million, up by 58% year-on-year, representing 8% of the Group's retail deposits and capturing 3.3% retail deposit market share[3].

To support the rapid development of our Uzbekistan business, we invested an additional USD 23 million into TBC UZ capital, while the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) each invested USD 7.6 million. These capital injections provide a great platform for further growth of our core lending products in 2H 2024 and beyond.

Interim dividend of GEL 2.55 per share declared

As we look ahead, we remain confident in our ability to continue delivering a strong financial performance and maintaining our leadership position in Georgia, as well as capturing the immense growth opportunities in Uzbekistan.

Finally, given our robust capital position, I am pleased to report that the Board has declared an interim dividend of GEL 2.55 per share, payable in November 2024.

Vakhtang Butskhrikidze
CEO, TBC Bank Group PLC

[1] Note: For better presentation purposes, certain financial numbers are rounded to the nearest whole number.
[2] Based on data published by the CBU, as of 1 June 2024.
[3] Based on data published by the CBU, as of 1 July 2024.

Economic overview
Georgia

Economic growth stronger than expected
Economic activity accelerated in 2Q 2024, with real GDP increasing by 9.5%, following 7.5% growth in 2023 and 8.4% in 1Q 2024. One important driver of this growth has been tourism. Tourist revenues (excluding Russia, Ukraine and Belarus) increased by 13.8% YoY in 2Q 2024, while overall tourism including the migration impact, as estimated by the NBG, grew by 8.1%, given that migrants are gradually being counted as residents by the central bank and hence excluded from the tourism sector. Another positive driver has been remittances, which, according to the balance of payments (BOP) data increased by 14.9%[3] YoY in 1Q 2024 and by 16.2% in 2Q 2024, based on estimates.

On the other hand, the moderation in external sector activity continued in 2Q 2024, negatively affected by lower international commodity prices and reduced motor car re-exports, while domestic exports performed slightly better with a noticable recovery in ferro-alloys. Total exports of goods denominated in US dollars decreased by 4.4% YoY in 2Q 2024, with domestic exports reducing by 1.2%, while imports grew by 1.9% compared to the previous year. FDI in 1Q 2024 decreased by 64.5% YoY, however, this was primarily due to the base effect of one large transaction in the manufacturing sector last year.

Fiscal consolidation continues in 2Q
The government remains focused on fiscal consolidation by reducing the budget deficit relative to GDP. Following a sizable surplus in 1Q 2024, the cumulative budget balance[4] stood at 0.6% of GDP as of half year 2024. The government targets 2.5% deficit for the full year, similar to 2023.

Credit growth remains strong
Another driver of strong economic growth, bank credit growth remains very robust, increasing from 17.2% YoY as of March 2024 to 17.7% as of June 2024, at constant exchange rates[5]. At the same time, as low and stable inflation persisted, YoY growth in real credit also remained high at 15.2%. Credit growth remains stronger for legal entities, increasing by 20.5% YoY, while lending to individuals was up by 15.3% in 1Q 2024. The gradual dedollarization of bank lending continues, wth the share of FX loans slightly decreasing to 44.4% at the end of 2Q 2024, down from 45.0% at the end of 1Q 2024.

GEL recovering after brief weakening, while still low inflation slowly approaches the NBG target
Having remained stable throughout the first quarter and April 2024, worsened sentiment drove a slight GEL depreciation in May and June, with the USD/GEL exchange rate increasing from 2.7 at the end of March to 2.81 at the end of June 2024. However, while the NBG sold around USD 220 million on the FX market in May and June to curb excess volatility, the GEL also remained supported by strong foreign currency inflows, resulting in improved sentiment and the GEL returning to 2.7 GEL per USD level in mid-July.

CPI inflation is gradually approaching the NBG's 3% target, standing at 2.2% YoY in June, with relative acceleration evident in domestic and service inflation measures. Nevertheless, still low though increasing overall inflation led the NBG to deliver only one 25 pp rate cut in the second quarter, reducing the monetary policy rate (MPR) to 8.0%.

Uzbekistan

Continued strong economic performance
Strong expansion in economic activity was also evident in Uzbekistan, with 6.6% real GDP growth in 2Q 2024, following 6.2% growth in 1Q 2024. As for external trade, exports of goods in 2Q decreased by 8.8%[6] YoY due to high base effect of gold exports, while imports of goods increased by 15.1% boosted by higher energy imports. Retail credit growth continued to decelerate, driven by cooling growth in non-mortgage loans, although it still remained robust at 30%[6] YoY at the end of March, with mortgage credit expanding by 21% and non-mortgage credit by 36%.

Annual inflation in Uzbekistan increased from 8.0%[6] in March to 10.6% in June 2024, while the CBU kept its monetary policy rate unchanged at 14.0% (but has subsequently reduced the rate to 13.5% in July). The UZS stood at 12,555[6] relative to the USD at the end of June 2024, appreciating by around 0.5% in 2Q 2024, supported by slower credit growth, the CBU's tight stance to bring inflation down and higher gold prices.

Upgrading economic growth forecasts

Given the strong start to 2024 and even stronger second quarter, we recently upgraded our forecast for real GDP growth in Georgia to 7.4% (from 6.4%), while our projection for Uzbekistan now stands at 6.1% (instead of 5.6%).

More information on the Georgian economy and financial sector can be found at www.tbccapital.ge.

[3] Remittances from Russia are adjusted for double counting with tourism inflows and other similar effects, based on TBC Capital estimates.
[4] Per IMF program definition.
[5] Based on data published by NBG and FX-adjusted by TBC, based on Dec-2023 end of period exchange rate.
[6] Based on data published by the Uzstat and CBU.

Unaudited consolidated financial results overview for 2Q 2024

This statement provides a summary of the business and financial trends for 2Q 2024 for TBC Bank Group plc and its subsidiaries. The financial information and trends are unaudited.

Please note that there might be slight differences in previous periods' figures due to rounding.

Consolidated income statement and other comprehensive income

In thousands of GEL	2Q'24	1Q'24	2Q'23	*Change YoY*	*Change QoQ*
Interest income	878,549	840,354	711,820	*23.4%*	*4.5%*
Interest expense	(420,438)	(397,510)	(312,482)	*34.5%*	*5.8%*
Net interest income	**458,111**	**442,844**	**399,338**	***14.7%***	***3.4%***
Fee and commission income	200,874	179,488	161,729	*24.2%*	*11.9%*
Fee and commission expense	(77,476)	(75,185)	(56,093)	*38.1%*	*3.0%*
Net fee and commission income	**123,398**	**104,303**	**105,636**	***16.8%***	***18.3%***
Net insurance income	9,100	7,803	6,184	*47.2%*	*16.6%*
Net gains from currency derivatives, foreign currency operations and translation	85,647	61,469	61,127	*40.1%*	*39.3%*
Other operating income	2,029	1,602	14,213	*-85.7%*	*26.7%*
Share of profit/(loss) of associates	146	(41)	268	*-45.5%*	*NMF*
Other operating non-interest income	**96,922**	**70,833**	**81,792**	***18.5%***	***36.8%***
Credit loss allowance for loans to customers	(27,665)	(43,900)	(29,384)	*-5.9%*	*-37.0%*
Credit loss allowance for other financial items and net impairment for non-financial assets	(3,900)	(1,231)	(4,550)	*-14.3%*	*NMF*
Operating income after expected credit losses	**646,866**	**572,849**	**552,832**	***17.0%***	***12.9%***
Staff costs	(135,653)	(126,563)	(108,724)	*24.8%*	*7.2%*
Depreciation and amortisation	(35,614)	(34,108)	(29,587)	*20.4%*	*4.4%*
Administrative and other operating expenses	(85,310)	(69,000)	(65,249)	*30.7%*	*23.6%*
Operating expenses	**(256,577)**	**(229,671)**	**(203,560)**	***26.0%***	***11.7%***
Profit before tax	**390,289**	**343,178**	**349,272**	***11.7%***	***13.7%***
Income tax expense	(60,991)	(46,707)	(56,186)	*8.6%*	*30.6%*
Profit for the period	**329,298**	**296,471**	**293,086**	***12.4%***	***11.1%***
Profit attributable to:					
- Shareholders of TBCG	324,595	292,805	288,791	*12.4%*	*10.9%*
- Non-controlling interest	4,703	3,666	4,295	*9.5%*	*28.3%*
Other comprehensive income:					
Other comprehensive (expense)/income for the period	(41,840)	7,676	7,178	*NMF*	*NMF*
Total comprehensive income for the period	**287,458**	**304,147**	**300,264**	***-4.3%***	***-5.5%***

Consolidated balance sheet

In thousands of GEL	**Jun'24**	**Mar'24**	***Change QoQ***
ASSETS			
Cash and cash equivalents	3,688,366	3,147,389	*17.2%*
Due from other banks	20,742	24,296	*-14.6%*
Mandatory cash balances with the NBG and the CBU	1,511,508	1,557,221	*-2.9%*
Loans and advances to customers	23,757,851	22,183,529	*7.1%*
Investment securities measured at fair value through other comprehensive income	4,110,036	3,875,799	*6.0%*
Bonds carried at amortised cost	103,070	73,098	*41.0%*
Finance lease receivables	468,395	411,386	*13.9%*
Investment properties	14,506	15,921	*-8.9%*
Investments in associates	3,871	3,493	*10.8%*
Current income tax prepayment	1,704	5,446	*-68.7%*
Deferred income tax asset	990	4,371	*-77.4%*
Other financial assets	306,561	311,427	*-1.6%*
Other assets	1,203,426	1,098,750	*9.5%*
Intangible assets	529,425	489,445	*8.2%*
Goodwill	59,964	59,964	*0.0%*
TOTAL ASSETS	**35,780,415**	**33,261,535**	***7.6%***
LIABILITIES			
Due to credit institutions	4,846,332	3,702,517	*30.9%*
Customer accounts	21,464,578	20,838,768	*3.0%*
Other financial liabilities	683,382	636,939	*7.3%*
Current income tax liability	4,350	11,946	*-63.6%*
Deferred income tax liability	52,882	53,315	*-0.8%*
Debt Securities in issue	1,849,800	1,501,651	*23.2%*
Other liabilities	226,562	236,942	*-4.4%*
Subordinated debt	1,152,841	1,050,191	*9.8%*
Redemption liability	419,928	375,350	*11.9%*
TOTAL LIABILITIES	**30,700,655**	**28,407,619**	***8.1%***
EQUITY			
Share capital	1,689	1,690	*0.1%*
Shares held by trust	(66,982)	(45,675)	*46.6%*
Share premium	292,734	295,605	*-1.0%*
Retained earnings	4,796,051	4,470,376	*7.3%*
Other reserves	(101,634)	(8,188)	*NMF*
Equity attributable to owners of the parent	**4,921,858**	**4,713,808**	***4.4%***
Non-controlling interest	157,902	140,108	*12.7%*
TOTAL EQUITY	**5,079,760**	**4,853,916**	***4.7%***
TOTAL LIABILITIES AND EQUITY	**35,780,415**	**33,261,535**	***7.6%***

Ratios

Ratios (based on monthly averages, where applicable)	**2Q'24**	**1Q'24**	**2Q'23**
Profitability ratios:			
ROE[1]	27.1%	25.1%	28.1%
ROA[2]	3.8%	3.6%	4.2%
Cost to income[3]	37.8%	37.2%	34.7%
NIM[4]	6.4%	6.5%	6.8%
Loan yields[5]	12.6%	12.7%	12.8%
Deposit rates[6]	5.2%	5.4%	4.9%
Cost of funding[7]	6.0%	6.0%	5.6%
Asset quality & portfolio concentration:			
Cost of risk[9]	0.5%	0.8%	0.6%
PAR 90 to gross loans[9]	1.4%	1.2%	1.2%
NPLs to gross loans[10]	2.0%	2.2%	2.1%
NPL provision coverage[11]	75.5%	74.4%	89.3%
Total NPL coverage[12]	141.9%	140.3%	153.7%
Credit loss level to gross loans[13]	1.5%	1.6%	1.8%
Related party loans to gross loans[14]	0.1%	0.1%	0.1%
Top 10 borrowers to total portfolio[15]	5.9%	5.9%	5.8%
Top 20 borrowers to total portfolio[16]	8.7%	8.8%	8.7%
Capital & liquidity positions:			
Net loans to deposits plus IFI funding[17]	100.0%	96.7%	90.6%
Leverage (x)[18]	7.0x	6.9x	6.7x
Georgia			
Net stable funding ratio[19]	118.2%	114.8%	129.8%
Liquidity coverage ratio[20]	118.1%	114.6%	124.5%
CET 1 CAR[21]	16.8%	16.6%	18.3%
Tier 1 CAR[22]	22.3%	18.8%	20.7%
Total 1 CAR[23]	25.9%	21.5%	23.1%
Uzbekistan			
CET 1 CAR[24]	12.6%	12.7%	17.8%
Tier 1 CAR[25]	12.6%	12.7%	17.8%
Total 1 CAR[26]	16.4%	16.2%	18.6%

Funding and liquidity in Georgia

	Jun'24	**Mar'24**	***Change QoQ***
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	118.2%	114.8%	*3.4 pp*
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	118.1%	114.6%	*3.5 pp*
LCR in GEL, as defined by the NBG	100.0%	114.8%	*-14.8 pp*
LCR in FC, as defined by the NBG	129.5%	114.4%	*15.1 pp*

Regulatory capital

The quarterly increase in Tier 1 and total capital ratios was related to the issuance of USD 300 million AT1 capital notes in April 2024.

Georgia

In thousands of GEL	**Jun'24**	**Mar'24**	***Change QoQ***
CET 1 capital	4,344,472	4,096,919	*6.0%*
Tier 1 capital	5,749,522	4,635,979	*24.0%*
Total capital	6,671,739	5,290,327	*26.1%*
Total risk-weighted assets	25,791,645	24,607,358	*4.8%*
Minimum CET 1 ratio	*14.6%*	*14.5%*	*0.1 pp*
CET 1 capital adequacy ratio	16.8%	16.6%	*0.2 pp*
Minimum Tier 1 ratio	*16.9%*	*16.8%*	*0.1 pp*
Tier 1 capital adequacy ratio	22.3%	18.8%	*3.5 pp*
Minimum total capital adequacy ratio	*20.0%*	*19.9%*	*0.1 pp*
Total capital adequacy ratio	25.9%	21.5%	*4.4 pp*

Uzbekistan

TBC UZ received USD 11.7 million capital injection in June 2024, which is reflected in the capital adequacy ratios below. In July 2024, additional USD 26.5 million was injected, which makes a total of USD 38.2 million YTD.

	Jun'24	Mar'24	Change QoQ
Minimum CET 1 ratio	*8.0%*	*8.0%*	*0.0 pp*
CET 1 capital adequacy ratio	12.6%	12.7%	*-0.1 pp*
Minimum Tier 1 ratio	*10.0%*	*10.0%*	*0.0 pp*
Tier 1 capital adequacy ratio	12.6%	12.7%	*-0.1 pp*
Minimum total capital adequacy ratio	*13.0%*	*13.0%*	*0.0 pp*
Total capital adequacy ratio	16.4%	16.2%	*0.2 pp*

Loan portfolio

As of 30 June 2024, the gross loan portfolio reached GEL 24,128.8 million, up by 7.0% QoQ, or up by 4.9% QoQ on a constant currency basis.

In 2Q 2024, our Georgian financial services loan portfolio increased by 6.4% on a QoQ basis and reached GEL 22,983.0 million, with 4.4% QoQ growth on a constant currency basis. Over the same period, our Uzbek portfolio increased by 20.9% QoQ or 15.6% on a constant currency basis.

In thousands of GEL

Gross loans and advances to customers	Jun'24	Mar'24	Change QoQ
Georgian financial services (Georgia FS)*	**22,983,036**	**21,594,026**	***6.4%***
Retail Georgia	8,137,555	7,682,858	*5.9%*
CIB Georgia	*9,082,113*	8,419,450	*7.9%*
MSME Georgia	*5,778,382*	5,506,736	*4.9%*
Uzbekistan	**1,122,400**	**928,553**	***20.9%***
Total gross loans and advances to customers**	**24,128,807**	**22,545,189**	***7.0%***

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

	2Q'24	1Q'24	2Q'23	Change YoY	Change QoQ
Loan yields	**12.6%**	**12.7%**	**12.8%**	***-0.2 pp***	***-0.1 pp***
GEL	*13.7%*	14.1%	*15.4%*	*-1.7 pp*	*-0.4 pp*
FC	*8.5%*	8.6%	*8.4%*	*0.1 pp*	*-0.1 pp*
UZS	*44.2%*	43.2%	*43.0%*	*1.2 pp*	*1.0 pp*
Georgia FS	**11.1%**	**11.4%**	**12.0%**	***-0.9 pp***	***-0.3 pp***
GEL	*13.7%*	14.1%	*15.4%*	*-1.7 pp*	*-0.4 pp*
FC	*8.5%*	8.6%	*8.4%*	*0.1 pp*	*-0.1 pp*
Uzbekistan	**44.2%**	**43.2%**	**43.0%**	***1.2 pp***	***1.0 pp***
UZS	*44.2%*	43.2%	*43.0%*	*1.2 pp*	*1.0 pp*
Total loan yields*	**12.6%**	**12.7%**	**12.8%**	***-0.2 pp***	***-0.1 pp***

** Total loans yields include Azerbaijan*

Loan portfolio quality

PAR 90	Jun'24	Mar'24	Change QoQ
Georgia FS*	**1.3%**	**1.2%**	***0.1 pp***
Retail Georgia	*0.7%*	*0.8%*	*-0.1 pp*
CIB Georgia	*0.9%*	*0.7%*	*0.2 pp*
MSME Georgia	*2.9%*	*2.5%*	*0.4 pp*
Uzbekistan	**2.5%**	**2.1%**	***0.4 pp***
Total PAR 90**	**1.4%**	**1.2%**	***0.2 pp***

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

In thousands of GEL

Non-performing Loans (NPL)	Jun'24	Mar'24	Change QoQ
Georgia FS*	**462,500**	**466,110**	***-0.8%***
Retail Georgia	112,924	125,625	*-10.1%*
CIB Georgia	137,804	137,849	*0.0%*
MSME Georgia	211,772	202,636	*4.5%*
Uzbekistan	**27,699**	**19,222**	***44.1%***
Total non-performing loans**	**491,068**	**486,058**	***1.0%***

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

NPL to gross loans	Jun'24	Mar'24	*Change QoQ*
Georgia FS*	**2.0%**	**2.2%**	***-0.2 pp***
Retail Georgia	*1.4%*	*1.6%*	*-0.2 pp*
CIB Georgia	*1.5%*	*1.6%*	*-0.1 pp*
MSME Georgia	*3.7%*	*3.7%*	*0.0 pp*
Uzbekistan	**2.5%**	**2.1%**	***0.4 pp***
Total NPL to gross loans**	**2.0%**	**2.2%**	***-0.2 pp***

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

	Jun'24		Mar'24	
NPL Coverage	**Provision Coverage**	**Total Coverage*****	**Provision Coverage**	**Total Coverage*****
Georgia FS*	**68.2%**	**138.4%**	**68.1%**	**136.6%**
Retail Georgia	*133.1%*	*195.6%*	*121.3%*	*183.6%*
CIB Georgia	*44.1%*	*108.8%*	*44.0%*	*105.2%*
MSME Georgia	*49.2%*	*127.2%*	*51.5%*	*128.8%*
Uzbekistan	**192.8%**	**192.8%**	**220.8%**	**220.8%**
Total NPL coverage**	**75.5%**	**141.9%**	**74.4%**	**140.3%**

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

The Georgia FS cost of risk improved both QoQ and YoY due to strong asset quality across all segments as well as a one-off recovery in the amount of GEL 9.3 million.

Cost of risk (CoR)	2Q'24	1Q'24	2Q'23	*Change YoY*	*Change QoQ*
Georgia FS*	**0.3%**	**0.7%**	**0.5%**	***-0.2 pp***	***-0.4 pp***
Retail Georgia	*0.4%*	*1.1%*	*0.5%*	*-0.1 pp*	*-0.7 pp*
CIB Georgia	*-0.1%*	*0.4%*	*0.1%*	*-0.2 pp*	*-0.5 pp*
MSME Georgia	*0.5%*	*0.7%*	*0.9%*	*-0.4 pp*	*-0.2 pp*
Uzbekistan	**5.5%**	**5.5%**	**6.6%**	***-1.1 pp***	***0.0 pp***
Total cost of risk**	**0.5%**	**0.8%**	**0.6%**	***-0.1 pp***	***-0.3 pp***

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

Deposit portfolio

As of 30 June 2024, deposit portfolio reached GEL 21,464.6 million, up by 3.0% QoQ, or up by 1.0% QoQ on a constant currency basis.

In 2Q 2024, our Georgia FS deposit portfolio increased by 3.2% on a QoQ basis and reached GEL 20,867.5 million, with 1.3% QoQ growth on a constant currency basis. Over the same period, our Uzbek portfolio increased by 9.8% QoQ or 5.0% on a constant currency basis.

In thousands of GEL

Customer accounts	Jun'24	Mar'24	*Change QoQ*
Georgia FS*	**20,867,540**	**20,219,932**	***3.2%***
Retail Georgia	*7,830,406*	*7,498,419*	*4.4%*
CIB Georgia	*10,417,043*	*9,833,975*	*5.9%*
MSME Georgia	1,960,795	*1,869,140*	*4.9%*
MOF	765,096	*1,110,024*	*-31.1%*
Uzbekistan	**721,632**	***657,190***	***9.8%***
Total customer accounts**	**21,464,578**	**20,838,768**	***3.0%***

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

	2Q'24	1Q'24	2Q'23	*Change YoY*	*Change QoQ*
Deposit rates	**5.2%**	**5.4%**	**4.9%**	***0.3 pp***	***-0.2 pp***
GEL	*7.6%*	*8.0%*	*8.3%*	*-0.7 pp*	*-0.4 pp*
FC	*1.3%*	*1.3%*	*0.8%*	*0.5 pp*	*0.0 pp*
UZS	*24.8%*	*25.5%*	*25.0%*	*-0.2 pp*	*-0.7 pp*
Georgian financial services	**4.6%**	**4.8%**	**4.5%**	***0.1 pp***	***-0.2 pp***
GEL	7.6%	8.0%	8.4%	*-0.8 pp*	*-0.4 pp*
FC	1.3%	1.3%	0.8%	*0.5 pp*	*0.0 pp*
Uzbek business	**24.8%**	**25.4%**	**24.9%**	***-0.1 pp***	***-0.6 pp***
UZS	*24.8%*	*25.5%*	*25.0%*	*-0.2 pp*	*-0.7 pp*
FC	*2.3%*	*3.7%*	*4.7%*	*-2.4 pp*	*-1.4 pp*
Total deposit rates*	**5.2%**	**5.4%**	**4.9%**	***0.3 pp***	***-0.2 pp***

** Total deposits rates include MOF deposits*

Unaudited consolidated financial results overview for 1H 2024

This statement provides a summary of the business and financial trends for 1H 2024 for TBC Bank Group plc and its subsidiaries. The financial information and trends are unaudited.

Please note that there might be slight differences in previous periods' figures due to rounding.

Consolidated income statement and other comprehensive income

In thousands of GEL	**1H'24**	**1H'23**	***Change YoY***
Interest income	1,718,903	1,383,970	*24.2%*
Interest expense	(817,948)	(617,841)	*32.4%*
Net interest income	**900,955**	**766,129**	***17.6%***
Fee and commission income	380,362	313,530	*21.3%*
Fee and commission expense	(152,661)	(115,456)	*32.2%*
Net fee and commission income	**227,701**	**198,074**	***15.0%***
Net insurance income	16,903	12,402	*36.3%*
Net gains from currency derivatives, foreign currency operations and translation	147,116	121,728	*20.9%*
Other operating income	3,631	20,130	*-82.0%*
Share of profit of associates	105	542	*-80.6%*
Other operating non-interest income	**167,755**	**154,802**	***8.4%***
Credit loss allowance for loans to customers	(71,565)	(79,424)	*-9.9%*
Credit loss allowance for other financial items and net impairment for non-financial assets	(5,131)	(7,678)	*-33.2%*
Operating income after expected credit and non-financial asset impairment losses	**1,219,715**	**1,031,903**	***18.2%***
Staff costs	(262,216)	(212,150)	*23.6%*
Depreciation and amortisation	(69,722)	(57,948)	*20.3%*
Administrative and other operating expenses	(154,310)	(116,242)	*32.7%*
Operating expenses	**(486,248)**	**(386,340)**	***25.9%***
Profit before tax	**733,467**	**645,563**	***13.6%***
Income tax expense	(107,698)	(97,517)	*10.4%*
Profit for the period	**625,769**	**548,046**	***14.2%***
Profit attributable to:			
- Shareholders of TBCG	617,400	537,459	*14.9%*
- Non-controlling interest	8,369	10,587	*-21.0%*
Other comprehensive income:			
Other comprehensive (expense)/income for the period	(34,164)	10,048	*NMF*
Total comprehensive income for the period	**591,605**	**558,094**	***6.0%***

Consolidated balance sheet

In thousands of GEL	**Jun'24**	**Jun'23**	***Change YoY***
ASSETS			
Cash and cash equivalents	3,688,366	2,940,359	*25.4%*
Due from other banks	20,742	52,550	*-60.5%*
Mandatory cash balances with NBG and the CBU	1,511,508	1,706,981	*-11.5%*
Loans and advances to customers	23,757,851	19,002,657	*25.0%*
Investment securities measured at fair value through other comprehensive income	4,110,036	2,942,679	*39.7%*
Bonds carried at amortised cost	103,070	87,213	*18.2%*
Finance lease receivables	468,395	338,203	*38.5%*
Investment properties	14,506	20,741	*-30.1%*
Investments in associates	3,871	3,667	*5.6%*
Current income tax prepayment	1,704	3,005	*-43.3%*
Deferred income tax asset	990	12,573	*-92.1%*
Other financial assets	306,561	266,969	*14.8%*
Other assets	1,203,426	1,022,797	*17.7%*
Intangible assets	529,425	418,468	*26.5%*
Goodwill	59,964	59,964	*0.0%*
TOTAL ASSETS	**35,780,415**	**28,878,826**	***23.9%***
LIABILITIES			
Due to credit institutions	4,846,332	2,448,662	*97.9%*
Customer accounts	21,464,578	18,992,492	*13.0%*
Other financial liabilities	683,382	387,595	*76.3%*
Current income tax liability	4,350	27,559	*-84.2%*
Deferred income tax liability	52,882	112,095	*-52.8%*
Debt Securities in issue	1,849,800	1,392,872	*32.8%*
Other liabilities	226,562	199,930	*13.3%*
Subordinated debt	1,152,841	639,048	*80.4%*
Redemption liability	419,928	347,044	*21.0%*
TOTAL LIABILITIES	**30,700,655**	**24,547,297**	***25.1%***
EQUITY			
Share capital	1,689	1,682	*0.5%*
Shares held by trust	(66,982)	(75,470)	*-11.2%*
Share premium	292,734	272,930	*7.3%*
Retained earnings	4,796,051	3,984,493	*20.4%*
Other reserves	(101,634)	40,656	*NMF*
Equity attributable to owners of the parent	**4,921,858**	**4,224,291**	***16.5%***
Non-controlling interest	157,902	107,238	*47.2%*
TOTAL EQUITY	**5,079,760**	**4,331,529**	***17.3%***
TOTAL LIABILITIES AND EQUITY	**35,780,415**	**28,878,826**	***23.9%***

Ratios

Ratios (based on monthly averages, where applicable)	1H'24	1H'23
Profitability ratios:		
ROE[1]	26.0%	26.7%
ROA[2]	3.7%	3.9%
Cost to income[3]	37.5%	34.5%
NIM[4]	6.4%	6.6%
Loan yields[5]	12.6%	12.6%
Deposit rates[6]	5.3%	4.9%
Cost of funding[7]	5.9%	5.5%
Asset quality & portfolio concentration:		
Cost of risk[9]	0.6%	0.9%
PAR 90 to gross loans[9]	1.4%	1.2%
NPLs to gross loans[10]	2.0%	2.1%
NPL provision coverage[11]	75.5%	89.3%
Total NPL coverage[12]	141.9%	153.7%
Credit loss level to gross loans[13]	1.5%	1.8%
Related party loans to gross loans[14]	0.1%	0.1%
Top 10 borrowers to total portfolio[15]	5.9%	5.8%
Top 20 borrowers to total portfolio[16]	8.7%	8.7%
Capital & liquidity positions:		
Net loans to deposits plus IFI funding[17]	100.0%	90.6%
Leverage (x)[18]	7.0x	6.7x
Georgia		
Net stable funding ratio[19]	118.2%	129.8%
Liquidity coverage ratio[20]	118.1%	124.5%
CET 1 CAR[21]	16.8%	18.3%
Tier 1 CAR[22]	22.3%	20.7%
Total 1 CAR[23]	25.9%	23.1%
Uzbekistan		
CET 1 CAR[24]	12.6%	17.8%
Tier 1 CAR[25]	12.6%	17.8%
Total 1 CAR[26]	16.4%	18.6%

Funding and liquidity in Georgia

	Jun'24	Jun'23	*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	118.2%	129.8%	*-11.6 pp*
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	118.1%	124.5%	*-6.4 pp*
LCR in GEL, as defined by the NBG	100.0%	130.4%	*-30.4 pp*
LCR in FC, as defined by the NBG	129.5%	119.2%	*10.3 pp*

Regulatory capital

The quarterly increase in Tier 1 and total capital ratios was related to the issuance of USD 300 million AT1 capital notes in April 2024.

Georgia

In thousands of GEL	Jun'24	Jun'23	*Change YoY*
CET 1 capital	4,344,472	3,920,004	*10.8%*
Tier 1 capital	5,749,522	4,443,544	*29.4%*
Total capital	6,671,739	4,947,830	*34.8%*
Total risk-weighted assets	25,791,645	21,452,808	*20.2%*
Minimum CET 1 ratio	*14.6%*	*14.4%*	*0.2 pp*
CET 1 capital adequacy ratio	16.8%	18.3%	*-1.5 pp*
Minimum Tier 1 ratio	*16.9%*	*16.8%*	*0.1 pp*
Tier 1 capital adequacy ratio	22.3%	20.7%	*1.6 pp*
Minimum total capital adequacy ratio	*20.0%*	*19.9%*	*0.1 pp*
Total capital adequacy ratio	25.9%	23.1%	*2.8 pp*

Uzbekistan

The YoY decrease in our capital ratios for Uzbek Bank was driven by the rapid growth in the loan book.

TBC UZ received USD 11.7 million capital injection in June 2024, which is reflected in the capital adequacy ratios below. In July 2024, additional USD 26.5 million was injected, which makes a total of USD 38.2 million YTD.

	Jun'24	Jun'23	*Change YoY*
Minimum CET 1 ratio	*8.0%*	8.0%	*0.0 pp*
CET 1 capital adequacy ratio	12.6%	17.8%	*-5.2 pp*
Minimum Tier 1 ratio	*10.0%*	*10.0%*	*0.0 pp*
Tier 1 capital adequacy ratio	12.6%	17.8%	*-5.2 pp*
Minimum total capital adequacy ratio	*13.0%*	*13.0%*	*0.0 pp*
Total capital adequacy ratio	16.4%	18.6%	*-2.2 pp*

Loan portfolio

As of 30 June 2024, the gross loan portfolio reached GEL 24,128.8 million, up by 24.6% YoY, or up by 21.2% YoY on a constant currency basis.

In 1H 2024, our Georgia FS loan portfolio increased by 22.1% on a YoY and reached GEL 22,983.0 million, with 18.5% YoY growth on a constant currency basis. Over the same period, our Uzbek portfolio increased by 113.0% or 116.9% on a constant currency basis.

In thousands of GEL

Gross loans and advances to customers	**Jun'24**	**Jun'23**	***Change YoY***
Georgian financial services (Georgia FS)*	**22,983,036**	**18,816,052**	***22.1%***
Retail Georgia	8,137,555	6,945,911	*17.2%*
CIB Georgia	*9,082,113*	*6,928,632*	*31.1%*
MSME Georgia	*5,778,382*	*4,949,878*	*16.7%*
Uzbekistan	**1,122,400**	**526,843**	***113.0%***
Total gross loans and advances to customers**	**24,128,807**	**19,360,689**	***24.6%***

** Georgian FS includes sub-segment eliminations*

*** Total gross loans and advances to customers include Azerbaijan loan portfolio*

	1H'24	**1H'23**	***Change YoY***
Loan yields	**12.6%**	**12.6%**	***0.0 pp***
GEL	*13.9%*	15.2%	***-1.3 pp***
FC	*8.6%*	8.3%	*0.3 pp*
UZS	*43.7%*	43.1%	*0.6 pp*
Georgia FS	*11.3%*	**11.9%**	***-0.6 pp***
GEL	*13.9%*	15.2%	*-1.3 pp*
FC	*8.5%*	8.3%	*0.2 pp*
Uzbekistan	**43.7%**	43.1%	***0.6 pp***
UZS	*43.7%*	**43.1%**	*0.6 pp*
Total loan yields*	**12.6%**	**12.6%**	***0.0 pp***

** Total loans yields include Azerbaijan*

Loan portfolio quality

PAR 90	**Jun'24**	**Jun'23**	***Change YoY***
Georgia FS*	**1.3%**	**1.1%**	***0.2 pp***
Retail Georgia	*0.7%*	*0.9%*	*-0.2 pp*
CIB Georgia	*0.9%*	*0.6%*	*0.3 pp*
MSME Georgia	*2.9%*	*2.3%*	*0.6 pp*
Uzbekistan	**2.5%**	**2.2%**	***0.3 pp***
Total PAR 90**	**1.4%**	**1.2%**	***0.2 pp***

** Georgian FS includes sub-segment eliminations*

*** Total PAR 90 includes Azerbaijan*

In thousands of GEL

Non-performing Loans (NPL)	**Jun'24**	**Jun'23**	***Change YoY***
Georgia FS*	**462,500**	**387,626**	***19.3%***
Retail Georgia	112,924	127,833	*-11.7%*
CIB Georgia	137,804	98,374	*40.1%*
MSME Georgia	211,772	161,419	*31.2%*
Uzbekistan	**27,699**	**11,646**	***137.8%***
Total non-performing loans**	**491,068**	**400,989**	***22.5%***

** Georgian FS includes sub-segment eliminations*

*** Total non-performing loans include Azerbaijan NPLs*

NPL to gross loans	Jun'24	Jun'23	*Change YoY*
Georgia FS*	**2.0%**	**2.1%**	***-0.1 pp***
Retail Georgia	*1.4%*	*1.8%*	*-0.4 pp*
CIB Georgia	*1.5%*	*1.4%*	*0.1 pp*
MSME Georgia	*3.7%*	*3.3%*	*0.4 pp*
Uzbekistan	**2.5%**	**2.2%**	***0.3 pp***
Total NPL to gross loans**	**2.0%**	**2.1%**	***-0.1 pp***

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

	Jun'24		Jun'23	
NPL Coverage	**Provision Coverage**	**Total Coverage*****	**Provision Coverage**	**Total Coverage*****
Georgia FS*	**68.2%**	**138.4%**	**85.3%**	**150.9%**
Retail Georgia	*133.1%*	*195.6%*	*141.8%*	*192.4%*
CIB Georgia	*44.1%*	*108.8%*	*49.4%*	*110.5%*
MSME Georgia	*49.2%*	*127.2%*	*62.6%*	*142.7%*
Uzbekistan	**192.8%**	**192.8%**	**180.0%**	**180.0%**
Total NPL coverage**	**75.5%**	**141.9%**	**89.3%**	**153.7%**

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

In the first half of 2024, Georgia FS cost of risk improved YoY mainly due to strong asset quality across retail and micro sub-segments as well as a one-off recovery in the amount of GEL 9.3 million.

Cost of risk (CoR)	1H'24	1H'23	*Change YoY*
Georgia FS*	**0.5%**	**0.8%**	***-0.3 pp***
Retail Georgia	*0.8%*	*1.0%*	*-0.2 pp*
CIB Georgia	*0.1%*	*0.0%*	*0.1 pp*
MSME Georgia	*0.6%*	*1.5%*	*-0.9 pp*
Uzbekistan	**5.5%**	**6.1%**	***-0.6 pp***
Total cost of risk**	**0.6%**	**0.9%**	***-0.3 pp***

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

Deposit portfolio

As of 30 June 2024, deposit portfolio reached GEL 21,464.6 million, up by 13.0% YoY, or up by 9.7% YoY on a constant currency basis.

In 1H 2024, our Georgia FS deposit portfolio increased by 12.0% on a YoY and reached GEL 20,867.5 million, with 8.5% YoY growth on a constant currency basis. Over the same period, our Uzbek portfolio increased by 57.8% YoY or 60.6% on a constant currency basis.

In thousands of GEL

Customer accounts	Jun'24	Jun'23	*Change YoY*
Georgia FS*	**20,867,540**	**18,639,911**	***12.0%***
Retail Georgia	*7,830,406*	*6,985,211*	*12.1%*
CIB Georgia	*10,417,043*	*9,144,331*	*13.9%*
MSME Georgia	1,960,795	1,641,639	*19.4%*
MOF	765,096	967,133	*-20.9%*
Uzbekistan	**721,632**	**457,340**	***57.8%***
Total customer accounts**	**21,464,578**	**18,992,492**	***13.0%***

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

	1H'24	1H'23	*Change YoY*
Deposit rates	**5.3%**	**4.9%**	***0.4 pp***
GEL	*7.8%*	*8.5%*	*-0.7 pp*
FC	*1.3%*	*0.7%*	*0.6 pp*
UZS	*25.2%*	*25.1%*	*0.1 pp*
Georgian financial services	**4.7%**	**4.5%**	***0.2 pp***
GEL	*7.8%*	8.6%	*-0.8 pp*
FC	*1.3%*	0.8%	*0.5 pp*
Uzbek business	**25.1%**	**25.0%**	***0.1 pp***
UZS	*25.2%*	*25.1%*	*0.1pp*
FC	*2.9%*	*4.8%*	*-1.9 pp*
Total deposit rates*	**5.3%**	**4.9%**	***0.4 pp***

** Total deposits rates include MOF deposits*

Additional information

1) Financial disclosures by business lines

Business line definitions

The operating segments are defined as follows:

- **Georgian financial services (GFS)** - include JSC TBC Bank with its Georgian subsidiaries and JSC TBC Insurance with its subsidiary. The Georgia financial service segment consists of three major business sub-segments, while the treasury, leasing and insurance businesses are combined into the corporate and other sub-segments:
    - **Corporate and investment banking (CIB)** – a legal entity/group of affiliated entities with an annual revenue exceeding GEL 20 million or which has been granted facilities of more than GEL 7.5 million. Some other business customers may also be assigned to the CIB segment or transferred to the micro, small and medium enterprises segment on a discretionary basis. In addition, CIB includes Wealth Management private banking services to high-net-worth individuals with a threshold of USD 250,000 on assets under management (AUM), as well as on discretionary basis;
    - **Retail** – non-business individual customers;
    - **Micro, small and medium enterprises (MSME)** – business customers who are not included in the CIB sub-segment.
- **Uzbekistan** – TBC Bank Uzbekistan with respective subsidiaries and Payme (Inspired LLC).
- **Other** – includes non-material or non-financial subsidiaries of the group and intra-group eliminations.

Georgian financial services

Profit and loss statement

In thousands of GEL	2Q'24	1Q'24	2Q'23	Change YoY	Change QoQ	1H'24	1H'23	Change YoY
Interest income	752,671	736,833	653,209	*15.2%*	*2.1%*	1,489,504	1,277,525	*16.6%*
Interest expense	(364,481)	(351,165)	(285,241)	*27.8%*	*3.8%*	(715,646)	(565,246)	*26.6%*
Net interest income	***388,190***	**385,668**	***367,968***	***5.5%***	***0.7%***	***773,858***	**712,279**	***8.6%***
Fee and commission income	164,483	148,492	136,481	*20.5%*	*10.8%*	312,975	266,221	*17.6%*
Fee and commission expense	(66,562)	(67,249)	(49,501)	*34.5%*	*-1.0%*	(133,811)	(104,820)	*27.7%*
Net fee and commission income	***97,921***	**81,243**	***86,980***	***12.6%***	***20.5%***	***179,164***	**161,401**	***11.0%***
Net insurance income	9,290	7,976	6,362	*46.0%*	*16.5%*	17,266	12,760	*35.3%*
Net gains from currency derivatives, foreign currency operations and translation	88,170	64,629	70,405	*25.2%*	*36.4%*	152,799	133,319	*14.6%*
Other operating income	1,917	1,552	11,344	*-83.1%*	*23.5%*	3,469	16,233	*-78.6%*
Share of profit/(loss) of associates	146	(41)	268	*-45.5%*	*NMF*	105	542	*-80.6%*
Other operating non-interest income	***99,523***	**74,116**	***88,379***	***12.6%***	***34.3%***	***173,639***	**162,854**	***6.6%***
Credit loss allowance for loans to customers	(14,103)	(36,825)	(22,054)	*-36.1%*	*-61.7%*	(50,928)	(67,252)	*-24.3%*
Credit loss allowance for other financial items and net impairment for non-financial assets	(2,792)	(590)	(3,763)	*-25.8%*	*NMF*	(3,382)	(5,876)	*-42.4%*
Operating income after expected credit and non-financial asset impairment losses	***568,739***	**503,612**	***517,510***	***9.9%***	***12.9%***	***1,072,351***	**963,406**	***11.3%***
Staff costs	(105,855)	(101,240)	(90,862)	*16.5%*	*4.6%*	(207,095)	(177,469)	*16.7%*
Depreciation and amortisation	(30,013)	(29,265)	(25,706)	*16.8%*	*2.6%*	(59,278)	(50,293)	*17.9%*
Administrative and other operating expenses	(51,998)	(44,764)	(47,538)	*9.4%*	*16.2%*	(96,762)	(86,412)	*12.0%*
Operating expenses	***(187,866)***	**(175,269)**	***(164,106)***	***14.5%***	***7.2%***	***(363,135)***	**(314,174)**	***15.6%***
Profit before tax	***380,873***	**328,343**	***353,404***	***7.8%***	***16.0%***	***709,216***	**649,232**	***9.2%***
Income tax expense	(57,166)	(43,704)	(54,942)	*4.0%*	*30.8%*	(100,870)	(95,958)	*5.1%*
Profit for the period	**323,707**	**284,639**	**298,462**	***8.5%***	***13.7%***	**608,346**	**553,274**	***10.0%***

Balance sheet highlights

In thousands of GEL	**Jun'24**	**Mar'24**	**Jun'23**	***Change YoY***	***Change QoQ***
Cash & NBG mandatory reserves	5,000,618	4,521,806	4,569,805	*9.4%*	*10.6%*
Due from other banks	20,708	24,268	52,523	*-60.6%*	*-14.7%*
Loans and advances to customers	22,667,567	21,276,764	18,485,251	*22.6%*	*6.5%*
Investment securities measured at fair value through OCI	4,110,036	3,875,799	2,942,679	*39.7%*	*6.0%*
Intangible assets and Goodwill	406,942	396,070	358,114	*13.6%*	*2.7%*
Other assets	1,877,077	1,753,261	1,618,366	*16.0%*	*7.1%*
TOTAL ASSETS	**34,082,948**	**31,847,968**	**28,026,738**	***21.6%***	***7.0%***
Due to credit institutions	4,675,711	3,601,828	2,417,293	*93.4%*	*29.8%*
Customer accounts	20,867,540	20,219,932	18,639,911	*12.0%*	*3.2%*
Subordinated debt and debt securities in issue	2,682,703	2,337,185	1,862,767	*44.0%*	*14.8%*
Other liabilities	902,091	972,875	665,864	*35.5%*	*-7.3%*
TOTAL LIABILITIES	**29,128,045**	**27,131,820**	**23,585,835**	***23.5%***	***7.4%***
Equity attributable to shareholders	4,954,687	4,715,946	4,440,718	*11.6%*	*5.1%*
Non-controlling interest	216	202	185	*16.8%*	*6.9%*
TOTAL EQUITY	**4,954,903**	**4,716,148**	**4,440,903**	***11.6%***	***5.1%***
TOTAL LIABILITIES AND EQUITY	**34,082,948**	**31,847,968**	**28,026,738**	***21.6%***	***7.0%***

Key ratios

Georgian financial services	**2Q'24**	**1Q'24**	**2Q'23**	***Change YoY***	***Change QoQ***	**1H'24**	**1H'23**	***Change YoY***
Profitability ratios:								
ROE[1]	26.9%	24.0%	27.8%	*-0.9 pp*	*2.9 pp*	25.4%	25.7%	*-0.3 pp*
ROA[2]	3.9%	3.6%	4.5%	*-0.6 pp*	*0.3 pp*	3.8%	4.1%	*-0.3 pp*
Cost to income[3]	32.1%	32.4%	30.2%	*1.9 pp*	*-0.3 pp*	32.2%	30.3%	*1.9 pp*
NIM[4]	5.6%	5.9%	6.5%	*-0.9 pp*	*-0.3 pp*	5.7%	6.3%	*-0.6 pp*
Loan yields[5]	11.1%	11.4%	12.0%	*-0.9 pp*	*-0.3 pp*	11.3%	11.9%	*-0.6 pp*
Deposit rates[6]	4.6%	4.8%	4.5%	*0.1 pp*	*-0.2 pp*	4.7%	4.5%	*0.2 pp*
Cost of funding[7]	5.4%	5.4%	5.2%	*0.2 pp*	*0.0 pp*	5.4%	5.2%	*0.2 pp*
Asset quality & portfolio concentration:								
Cost of risk[8]	0.3%	0.7%	0.5%	*-0.2 pp*	*-0.4 pp*	0.5%	0.8%	*-0.3 pp*
PAR 90 to gross loans[9]	1.3%	1.2%	1.1%	*0.2 pp*	*0.1 pp*	1.3%	1.1%	*0.2 pp*
NPLs to gross loans[10]	2.0%	2.2%	2.1%	*-0.1 pp*	*-0.2 pp*	2.0%	2.1%	*-0.1 pp*
NPL provision coverage[11]	68.2%	68.1%	85.3%	*-17.1 pp*	*0.1 pp*	68.2%	85.3%	*-17.1 pp*
Total NPL coverage[12]	138.4%	136.6%	150.9%	*-12.5 pp*	*1.8 pp*	138.4%	150.9%	*-12.5 pp*

For the ratio definitions and exchange rates, please refer to appendix 3.

Uzbekistan business

Profit and loss statement

In thousands of GEL	2Q'24	1Q'24	2Q'23	*Change YoY*	*Change QoQ*	1H'24	1H'23	*Change YoY*
Interest income	123,740	101,324	56,989	*NMF*	*22.1%*	225,064	103,255	*NMF*
Interest expense	(56,729)	(47,028)	(27,228)	*NMF*	*20.6%*	(103,757)	(50,366)	*NMF*
Net interest income	**67,011**	**54,296**	***29,761***	***NMF***	***23.4%***	**121,307**	**52,889**	***NMF***
Fee and commission income	34,861	28,073	24,978	*39.6%*	*24.2%*	62,934	45,841	*37.3%*
Fee and commission expense	(10,771)	(7,899)	(6,467)	*66.6%*	*36.4%*	(18,670)	(10,472)	*78.3%*
Net fee and commission income	**24,090**	**20,174**	***18,511***	***30.1%***	***19.4%***	**44,264**	**35,369**	***25.1%***
Net gains from currency derivatives, foreign currency operations and translation	(30)	(426)	15	*NMF*	*-93.0%*	(456)	83	*NMF*
Other operating income	10	1	4	*NMF*	*NMF*	11	32	*-65.6%*
Other operating non-interest (expense)/income	**(20)**	**(425)**	***19***	***NMF***	***-95.3%***	**(445)**	**115**	***NMF***
Credit loss allowance for loans to customers	(14,050)	(11,753)	(7,641)	*83.9%*	*19.5%*	(25,803)	(12,882)	*NMF*
Credit loss allowance for other financial items and net impairment for non-financial assets	(1,029)	(523)	(692)	*48.7%*	*96.7%*	(1,552)	(1,301)	*19.3%*
Operating income after expected credit and non-financial asset impairment losses	**76,002**	**61,769**	***39,958***	***90.2%***	***23.0%***	**137,771**	**74,190**	***86%***
Staff costs	(15,028)	(12,974)	(9,310)	*61.4%*	*15.8%*	(28,002)	(18,300)	*53.0%*
Depreciation and amortisation	(3,153)	(2,759)	(2,120)	*48.7%*	*14.3%*	(5,912)	(4,230)	*39.8%*
Administrative and other operating expenses	(30,181)	(24,635)	(14,711)	*NMF*	*22.5%*	(54,816)	(24,825)	*NMF*
Operating expenses	**(48,362)**	**(40,368)**	***(26,141)***	***85.0%***	***19.8%***	**(88,730)**	**(47,355)**	***87.4%***
Profit before tax	**27,640**	**21,401**	***13,817***	***100.0%***	***29.2%***	**49,041**	**26,835**	***82.8%***
Income tax expense	(3,861)	(2,964)	(1,312)	*NMF*	*30.3%*	(6,825)	(1,623)	*NMF*
Profit for the period	**23,779**	**18,437**	**12,505**	***90.2%***	***29.0%***	**42,216**	**25,212**	***67.4%***

Balance sheet highlights

In thousands of GEL	Jun'24	Mar'24	Jun'23	*Change YoY*	*Change QoQ*
Cash & CBU mandatory reserves	207,848	190,926	72,114	*NMF*	*8.9%*
Loans and advances to customers	1,068,992	886,119	505,878	*NMF*	*20.6%*
Intangible assets and Goodwill	60,633	33,990	24,828	*NMF*	*78.4%*
Other assets	228,993	185,619	153,768	*48.9%*	*23.4%*
TOTAL ASSETS	**1,566,466**	**1,296,654**	**756,588**	***NMF***	***20.8%***
Due to credit institutions	331,137	183,940	29,083	*NMF*	*80.0%*
Customer accounts	721,632	657,190	457,340	*57.8%*	*9.8%*
Subordinated debt and debt securities in issue	46,869	43,151	-	*NMF*	*8.6%*
Other liabilities	78,852	91,471	39,059	*NMF*	*-13.8%*
TOTAL LIABILITIES	**1,178,490**	**975,752**	**525,482**	***NMF***	***20.8%***
Equity attributable to shareholders	387,976	320,902	231,106	*67.9%*	*20.9%*
TOTQL EQUITY	**387,976**	**320,902**	**231,106**	***67.9%***	***20.9%***
TOTAL LIABILITIES AND EQUITY	**1,566,466**	**1,296,654**	**756,588**	***NMF***	***20.8%***

Key ratios

Uzbekistan business	2Q'24	1Q'24	2Q'23	*Change YoY*	*Change QoQ*	1H'24	1H'23	*Change YoY*
Profitability ratios:								
ROE[1]	27.8%	23.7%	22.1%	*5.7 pp*	*4.1 pp*	25.7%	25.1%	*0.6 pp*
ROA[2]	6.9%	6.5%	7.1%	*-0.2 pp*	*0.4 pp*	6.7%	8.0%	*-1.3 pp*
Cost to income[3]	53.1%	54.5%	54.1%	*-1.0 pp*	*-1.4 pp*	53.7%	53.6%	*0.1 pp*
NIM[4]	24.4%	23.6%	20.1%	*4.2 pp*	*0.7 pp*	24.0%	20.1%	*3.7 pp*
Loan yields[5]	44.2%	43.2%	43.0%	*1.2 pp*	*1.0 pp*	43.7%	43.1%	*0.6 pp*
Deposit rates[6]	24.8%	25.4%	24.9%	*-0.1 pp*	*-0.6 pp*	25.1%	25.0%	*0.1 pp*
Cost of funding[7]	23.1%	24.1%	24.5%	*-1.4 pp*	*-1.0 pp*	23.6%	24.6%	*-1.0 pp*
Asset quality & portfolio concentration:								
Cost of risk[8]	5.5%	5.5%	6.6%	*-1.1 pp*	*0.0 pp*	5.5%	6.1%	*-0.6 pp*
PAR 90 to gross loans[9]	2.5%	2.1%	2.2%	*0.3 pp*	*0.4 pp*	2.5%	2.2%	*0.3 pp*
NPLs to gross loans[10]	2.5%	2.1%	2.2%	*0.3 pp*	*0.4 pp*	2.5%	2.2%	*0.3 pp*
NPL provision coverage[11]	192.8%	220.8%	180.0%	*12.8 pp*	*-28.0 pp*	192.8%	180.0%	*12.8 pp*
Total NPL coverage[12]	192.8%	220.8%	180.0%	*12.8 pp*	*-28.0 pp*	192.8%	180.0%	*12.8 pp*

For the ratio definitions and exchange rates, please refer to appendix 3.

2) Glossary

Terminology	Definition
BVPS	Book value per share
CBU	Central Bank of Uzbekistan
Consumer loans	Unsecured loans to individuals
Digital daily active users (Digital DAU)	The number of retail digital users, who logged into our digital channels at least once per day
Digital monthly active users (Digital MAU)	The number of retail digital users, who logged into our digital channels at least once a month
EPS	Earnings per share
Gross merchandise value (GMV)	GMV equals the total value of sales over the given period, including auctions through housing and auto platforms, as well as listing fees
Monthly active customers (MAC)	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
NBG	National Bank of Georgia

3) Ratio definitions and exchange rates

Ratio definitions

1. Return on average total equity (ROE) equals 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.
2. Return on average total assets (ROA) equals profit of the period divided by monthly average total assets for the same period; annualised where applicable.
3. 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).
4. 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.
5. Loan yields equal interest income on loans and advances to customers divided by monthly average gross loans and advances to customers; annualised where applicable.
6. Deposit rates equal interest expense on customer accounts divided by monthly average total customer deposits; annualised where applicable.
7. 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.
8. Cost of risk equals credit loss allowance for loans to customers divided by monthly average gross loans and advances to customers; annualised where applicable.
9. 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.
10. 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.
11. NPL provision coverage equals total credit loss allowance for loans to customers divided by the NPL loans.
12. 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.
13. Credit loss level to gross loans equals credit loss allowance for loans to customers divided by the gross loan portfolio for the same period.
14. Related party loans to total loans equals related party loans divided by the gross loan portfolio.
15. Top 10 borrowers to total portfolio equals the total loan amount of the top 10 borrowers divided by the gross loan portfolio.
16. Top 20 borrowers to total portfolio equals the total loan amount of the top 20 borrowers divided by the gross loan portfolio.
17. Net loans to deposits plus IFI funding ratio equals net loans divided by total deposits plus borrowings received from international financial institutions.
18. Leverage equals total assets to total equity.
19. 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 TBC Bank standalone.
20. 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 TBC Bank standalone.
21. 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 TBC Bank standalone.
22. 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 TBC Bank standalone.
23. 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 TBC Bank standalone.
24. CET 1 CAR equals CET 1 capital divided by total risk weighted assets, both calculated in accordance with requirements of the CBU in national accounting standards. Calculations are made for TBC UZ Bank standalone.
25. Tier 1 CAR equals tier I capital divided by total risk weighted assets, both calculated in accordance with the requirements of the CBU in national accounting standards. Calculations are made for TBC UZ Bank standalone.
26. Total CAR equals total capital divided by total risk weighted assets, both calculated in accordance with the requirements of the CBU in national accounting standards. Calculations are made for TBC UZ Bank standalone.

Exchange rates

To calculate the QoQ growth of the balance sheet items without the currency exchange rate effect, we used the USD/GEL exchange rate of 2.6953 as of 31 March 2024. To calculate the YoY growth without the currency exchange rate effect, we used the USD/GEL exchange rate of 2.6177 as of 30 June 2023. As of 30 June 2024, the USD/GEL exchange rate equalled 2.8101. For P&L items growth calculations without the currency effect, we used the average USD/GEL exchange rate for the following periods: 1Q 2024 of 2.6713 and 2Q 2023 of 2.5586. As of 2Q 2024, the USD/GEL exchange rate equalled 2.7396, 1H 2024 of 2.7054, 1H 2023 of 2.5975.

Risk management

Overview

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

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

Risk management framework

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

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

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

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

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

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

Governance

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

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

At the management board level, committees assume a crucial role in steering effective risk management within subsidiaries. Whether through a single risk committee or multiple committees with more granular scopes (e.g. financial risks, reputational risk, or information security), their responsibilities include closely overseeing risk exposures and making key decisions on risk mitigation and control. While specific duties may differ, the overall mission remains consistent: aligning risk management practices with regulatory requirements and risk tolerance. In cases where Group companies are of a smaller scale, risk committees may not be present, and the management board itself assumes these responsibilities.

Risk culture and three lines of defence

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

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

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

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

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

Risk appetite

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

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

Risk identification

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

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

Risk measurement

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

Risk mitigation

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

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

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

Risk monitoring and reporting

Risk reporting stands as a cornerstone within the Group's robust risk management framework. The Group and its subsidiaries are mandated to establish robust risk reporting processes. These processes are designed to regularly communicate material risk exposures and the overall risk profile to the Supervisory and Management Boards as well as senior management.

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

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

Internal control

TBC Group is introducing its streamlined Integrated Control Assurance Framework, seamlessly aligning risk, control, compliance, and internal audit functions for integrity, efficiency, and regulatory compliance. This comprehensive framework ensures meticulous adherence to policies and procedures, catering to the diverse needs of our products and services. The integrated view enables a collective audit asset database that is generated across first, second, and third lines of defence as well as regulatory and legal, reflecting our commitment to transparency and accountability.

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

Stress testing and contingency planning

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

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

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

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

Material Existing and Emerging Risks

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

The Board has undertaken a robust assessment of both the principal and emerging risks facing the Group and the long-term viability of the Group's operations, in order to determine whether to adopt the going concern basis of accounting.

PRINCIPAL RISKS AND UNCERTAINTIES

Specific focus in 1H 2024

1. The Group's performance may be compromised by internal political instability or adverse developments in the region, in particular the war in Ukraine, the possible spread of the geopolitical crisis and/or the potential outflow of migrants from Georgia as well as further military escalation in the middle east, which could have a material impact on the operating environment in Georgia and Uzbekistan.

Risk description

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

Although inflows to the Georgian economy are quite diversified, the country is still vulnerable to geopolitical and economic developments in the region. In particular, the Russian invasion of Ukraine, the consequent sanctions imposed on Russia and the resulting elevated uncertainties may have an adverse impact on the Georgian economy. The country is also exposed to the risks of renewed military conflicts in its breakaway regions occupied by Russia and potential political instability related to the 2024 parliamentary elections, while some relatively distant conflicts, such as the escalation in the Middle East, might affect the Georgian economy through a stronger USD, higher oil prices, migration flows, etc.

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

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

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

Risk mitigation

The Group actively employs stress testing and other risk measurement and monitoring tools to ensure that early triggers are identified and translated into specific action plans to minimise any negative impact on the Bank's capital adequacy, liquidity, and portfolio quality. In extreme stress cases, where regulatory requirements may be breached, the Bank has a Recovery Plan in place, which helps to guide the Board and the management through the process of recovery of the capital and/or liquidity positions within a prescribed timeframe.

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

Risk description

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

Historically, Georgia has enjoyed close business relations with Russia and Ukraine. The aggression launched by the Russian Federation against Ukraine on the 24th of February 2022 resulted in a vigorous international response, which included the imposition of tough economic sanctions by the US, the EU, the UK and other countries. As a consequence, Russian and Belarusian members of legislative and government agencies, oligarchs, businessmen, state-owned companies, financial institutions and other legal entities have been directly sanctioned, while numerous economic restrictions and trade prohibitions have been enforced on specific sectors of activity and categories of goods and services in Russia, Belarus, Crimea, and other occupied territories. Leading countries are tightening and expanding the sanctions programme by extending some restrictions and adding new entities and individuals to their list. Moreover, as a consequence of the conflict, many Russian citizens have relocated to Georgia. Considering the level of interaction between the Group, Russia and Russian citizens, and the breadth of the sanctions' prohibitions and restrictions, the risk of being involved in attempts to circumvent sanctions has substantially increased.

The executive order of December 2023 by US's sanctioning authority OFAC has caused Georgian financial institutions to conduct their operations responding to the requirements of the decree. Namely, in accordance with this restriction, the transactions involving Russian entities operating in main fields of Russian economy or somehow connected to Russian Military-Industrial bases are now falling under the increased scrutiny from the Bank.

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

Risk mitigation

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

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

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

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

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

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

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

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

FINANCIAL RISKS

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

Risk description

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

Currency-induced credit risk (CICR) - While the Group's banking business in Uzbekistan is focused on lending in the local currency, the banking business in Georgia has a significant credit portfolio in foreign currencies. A potential material GEL depreciation is one of the most significant risks that could negatively impact credit portfolio quality. As of 30 June 2024, 51.2% of the Group's total gross loans and advances to customers (before provision for loan impairment) was denominated in foreign currencies. The income of many customers is directly linked to foreign currencies via remittances, tourism or exports. Nevertheless, customers may not be protected against significant fluctuations in the GEL exchange rate against the currency of the loan. The GEL remains in free float and is exposed to a range of internal and external factors that, in some circumstances, could lead to its depreciation. In the first half of 2024, the average US$/GEL currency exchange rate depreciated by 4.2% year-on-year.

Concentration risk – Although the Group is exposed to single-name and sectoral concentration risks, the Group's portfolio is well diversified both across sectors and single-name borrowers, resulting in only a moderate vulnerability to concentration risks. However, should exposure to common risk drivers increase, the risks are expected to amplify accordingly. At a consolidated level, the Group's maximum exposure to the single largest industry (real estate) stood at 11% of the loan portfolio as of 30 June 2024. At the same time, exposure to the 20 largest borrowers stood at 8.7% of the loan portfolio.

In addition, credit risk also includes counterparty credit risk, as the Group engages in various financial transactions with both banking and non-banking financial institutions. Through performing banking services such as lending in the interbank money market, settling a transaction in the interbank foreign exchange market, entering into interbank transactions related to trade finance or investing in securities, the Group is exposed to the risk of losses due to the failure of a counterparty bank to meet its obligations.

Risk mitigation

A comprehensive Credit Risk Assessment Framework is in place with a clear division of duties among the parties involved in the credit analysis and approval process. The credit assessment and monitoring processes differ by segment and product type to reflect the diverse nature of these asset classes. The Group's credit portfolio is highly diversified across customer types, product types and industry segments, which minimises credit risk at the Group level. As of 30 June 2024, the retail segment represented 38.4% of the total portfolio, which was comprised of 53.7% mortgage and 46.3% non-mortgage exposures. No single business sector represented more than 11% of the total portfolio as of 30 June 2024.

Credit approval

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

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

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

Credit monitoring

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

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

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

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

Credit risk appetite

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

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

We approach credit risk by combining comprehensive risk appetite frameworks with the strategic use of credit ratings. This integrated approach enables the Group to effectively navigate the changing credit risk landscape with resilience and agility.

Collateral management

In our Georgian bank, collateral is a key factor in mitigating credit risk, forming a large part of loan portfolios, while in our Uzbekistan bank, the loan portfolio is solely unsecured. The Georgian bank accepts diverse collaterals like real estate, cash deposits, vehicles, equipment, inventory, precious metals, securities, and third-party guarantees, according to credit product type and the borrower's credit risk. Real estate is a major collateral component, while a centralised unit oversees collateral management, ensuring its adequacy in credit risk mitigation.

The Collateral Management Framework includes policy-making, independent valuation, a haircut system during underwriting, monitoring (revaluations, statistical analysis), and portfolio analysis. The Bank's Collateral Management and Appraisal Department defines collateral management policies and procedures, which are approved by the Board. The department aligns appraisal services with International Valuation Standards, acting regulations of the National Bank of Georgia and internal rules, authorizes appraisal reports, and manages the collateral monitoring process. High-value assets are revaluated annually, while low-value collaterals undergo statistical monitoring.

The Collateral Management and Appraisal Department's quality checks for valuations involves internal staff reviews and external company assessments. Collateral management activities are largely automated through a web application, with support from market research from the Real Estate Market laboratory project.

Collections and recoveries

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

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

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

Counterparty risk

To manage counterparty risk, the Group defines limits on an individual basis for each counterparty, while on a portfolio basis it limits the expected loss from both treasury and trade finance exposures. As of 30 June 2024, the Bank's interbank exposure was concentrated with banks that external agencies, such as Fitch, Moody's and Standard and Poor's, have assigned high A-grade credit ratings.

2.The Bank underwrites the responsibility to adhere at all times to minimum regulatory requirements on capital, which may compromise growth and strategic targets. Additionally, adverse changes in FX rates may impact capital adequacy ratios.

Risk description

Capital risk is a significant focus area for the Group. Capital risk is the risk that a bank may not have a sufficient level of capital to maintain its normal business activities, and to meet its regulatory capital requirements under normal or stressed operating conditions. The management's objectives in terms of capital management are to maintain appropriate levels of capital to support the business strategy, meet regulatory and stress testing-related requirements, and safeguard the Group's ability to continue as a going concern.

The Group's ability to comply with regulatory requirements can be affected by both internal and external factors. Some key concerns include the deterioration of asset quality leading to losses, reductions in income, rising expenses, and potential difficulties in raising capital.

Local currency volatility has been and remains a significant risk for the JSC TBC Bank's capital adequacy. A 10% GEL depreciation would translate into a 0.8pp, 0.6pp and 0.5pp drop in JSC TBC Bank's excess CET 1, Tier 1 and Total regulatory capital, respectively.

Risk mitigation

The Group's entities undertake stress testing and sensitivity analysis to quantify extra capital consumption under different scenarios. Such analyses indicate that the Bank holds sufficient capital to meet the current minimum regulatory requirements. Capital forecasts, as well as the results of stress testing and what-if scenarios, are actively monitored with the involvement of the Bank's Executive Management and the Risk Committee of the Supervisory Board to help ensure prudent management and timely action, when needed.These analyses are used to set appropriate risk appetite buffers internally, on top of the regulatory requirements.

The Bank regularly performs stress tests serving multiple purposes. They are performed routinely, either under the frameworks listed or on an ad-hoc basis, to assess the magnitude of certain stressful environments. Stress tests are performed for the Internal Capital Adequacy Assessment Process (ICAAP), regulatory stress tests and the Recovery Plan, among other purposes.

The key objective of the regulatory stress test is to define the net stress test buffer under the capital adequacy minimum requirement framework. Starting from 2018, regulatory stress tests are performed and submitted to the regulator upon their request.

The purpose of the ICAAP is to identify all the material risks faced by the Bank and to have an internal view of the capital needed to cover those risks. The objective of the ICAAP is to contribute to the Bank's continuity from a capital perspective by ensuring that it has sufficient capital to bear its risks, absorb losses and follow a sustainable strategy, even during a stress period.

Stress testing under the Recovery Plan assumes more severe stress scenarios, specifically aimed at breaching regulatory requirements and assessing the Bank's ability to recover the capital position with the help of viable recovery options within a reasonable timeframe.

Under the risk appetite and the capital planning process, the Bank sets aside capital as a buffer to withstand certain amount of local currency fluctuation.

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

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

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

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

While the Group currently has sufficient financial resources available to meet its obligations as they fall due, liquidity risk is inherent in banking operations and can be heightened by numerous factors. These include an over-reliance on, or an inability to access, a particular source of funding, as well as changes in credit ratings or market-wide phenomena. Access to credit for companies in emerging markets is significantly influenced by the level of investor confidence and, as such, any factors affecting investor confidence (e.g. a downgrade in credit ratings, central bank or state interventions, or debt restructurings in a relevant industry) could influence the price or the ability to access the funding necessary to make payments in respect of the Group's future indebtedness.

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

Risk mitigation

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

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

JSC TBC Bank's liquidity risk is managed by the Balance Sheet Management division and Treasury department and is monitored by the Management Board and the ALCO, within their pre-defined functions. The Financial Risk Management (FRM) division is responsible for developing procedures and policy documents and setting risk appetites on funding and market liquidity risk management. In addition, the FRM performs liquidity risk assessments and communicates the results to the Management Board and the Risk Committee of the Supervisory Board on a regular basis.

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

To maintain and further enhance its liability structure, the Bank sets targets for deposits and funds received from international financial institution investors in its risk appetite via the respective ratios. The loan to deposit and IFI funding ratio (defined as the total value of gross loans divided by the sum of the total value of deposits and funds received from international financial institutions) stood at 100.0%, 90.6% and 97.7%, as at 30 June 2024, 2023 and 2022, respectively.

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

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

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

Risk description

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

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

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

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

Risk Mitigation

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

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

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

To assess currency risk, JSC TBC Bank performs a VAR sensitivity analysis on a regular basis. This analysis calculates the effect on the Group's income determined by the worst possible movements of currency rates against the Georgian Lari, with all other variables held constant. During the years ended 30 June 2024 and 2023, this sensitivity analysis did not reveal any significant potential effect on the Group's equity: as of 30 June 2024, the maximum loss with a 99% confidence interval was equal to GEL 11.7 million, compared to a maximum loss of GEL 3.7 million as of 30 June 2023.

Interest Rate Risk: To mitigate interest rate risk, JSC TBC Bank considers numerous stress scenarios, including different yield curve shifts and behavioural adjustments to cash flows (such as deposit withdrawals or loan prepayments), to calculate the impact on one year profitability and the enterprise value of equity. In addition, appropriate limits on both net interest income (NII) and economic value of equity (EVE) sensitivities are set within the Risk Appetite Framework approved by the Supervisory Board. Please see details in Interest Rate Risk in Note 22.

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

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

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

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

Risk description

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

In 1H 2024, NIM amounted to 6.4%, a decrease of 0.2pp YoY, primarily due to a reduction in loan yields in GEL because of the impact of the monetary easing policy and FX funding composition. However, Uzbekistan continues to contribute positively **to** the Group NIM.

Risk mitigation

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

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

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

Risk description

A potential slowdown in economic growth in Georgia or Uzbekistan will likely have an adverse impact on the repayment capacity of borrowers, restraining their future investment and expansion plans. Negative macroeconomic developments could compromise the Group's performance in various ways, such as exchange rate depreciation, a sizable decline in gold prices, a spike in interest rates, rising unemployment, a decrease in household disposable income, falling property prices, worsening loan collateralisation, or falling debt service capabilities of companies as a result of decreasing sales. Potential political and economic instability in

Georgia's or Uzbekistan's neighbouring countries and main trading/economic partners could negatively affect their economic outlook through worsening current and financial accounts in the balance of payments (e.g. decreased exports, tourism inflows, remittances and foreign direct investments).

After two years of consecutive double-digit expansion, Georgia's economic growth moderated somewhat, though, remained still strong at 7.5% in 2023. The trend of only gradual moderation of record-high currency inflows driven by the post-pandemic recovery, commodity price shocks, and redirection of trade and migration flows due to the Russian-Ukrainian war appears to be persisting in 2024 as well. At the same time, while external trade slightly moderated, the domestic demand and conventional tourism remained resilient, while migration-related spending stabilized, the combination of these factors resulting in a very strong 9.0% average annual economic growth in the first half of 2024. As the disinflationary pass-through from international markets gradually dried up and import prices stabilized, the consumer price dynamics became more domestically driven, causing the tamed CPI inflation to start normalizing towards the NBG target, standing at 2.2% YoY in June 2024. Broadly resilient inflows enabled the GEL to remain stable throughout the most of the first half of the year, allowing the NBG to purchase USD 287 million from the FX market in the January-April period. However, starting from May, mostly driven by the worsened sentiments, the GEL depreciated slightly, standing at 2.81 GEL per USD as of June 30. Curbing the excess volatility, the NBG supplied around USD 220 million to the market in May and June. The gross international reserves as of June 2024 stood at USD 4.6 billion. At the same time, the central bank delivered three rate cuts throughout the first half of 2024, decreasing the monetary policy rate from 9.5% to 8.0%.

Uzbekistan, the second country of the Group's operations, also demonstrated solid economic activity, with 6.4% real GDP growth in the first half of 2024. As in Georgia, the annual inflation started to accelerate in Uzbekistan, increasing from 8.8% in December 2023 to 10.6% in June 2024, while the CBU kept its monetary policy rate unchanged at 14.0% throughout the period. External trade growth has moderated as exports of goods increased by 0.4% and imports by 8.0% YoY. After dropping from the high levels of 2022 in the last year, remittances to Uzbekistan increased by 25% YoY according to the CBU, while the share of Russia notably moderated. The USD/UZS maintained its slight depreciation trend until around the middle of May, when it started appreciating and then stabilized at broadly the same level, standing at 12,555 at the end of June 2024. In terms of REER against Uzbekistan's main trade partners' currencies the UZS only marginally, though, still gained some value in the first half of the year.

Risk mitigation

To decrease its vulnerability to economic cycles, the Group identifies cyclical industries and proactively manages its underwriting approach and clients within its Risk Appetite Framework. The Group has in place a macroeconomic monitoring process that relies on close, recurrent observation of the economic developments in Georgia and neighbouring countries to identify early warning signals indicating imminent economic risks. This system allows the Group to promptly assess significant economic and political events and analyse their implications for the Group's performance. These implications are duly translated into specific action plans with regards to reviewing underwriting standards, risk appetite metrics and limits, including the limits for each of the most vulnerable industries. Additionally, the stress testing and scenario analysis conducted during the credit review and portfolio-monitoring processes enable the Group to evaluate the impact of macroeconomic shocks on its business in advance. Resilience towards a changing macroeconomic environment is incorporated into the Group's credit underwriting standards. As such, borrowers are expected to withstand certain adverse economic developments through prudent financials, debt-servicing capabilities and conservative collateral coverage.

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

NON-FINANCIAL RISKS

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

Risk description

The Group's activities are highly regulated and thus face regulatory risk. In Georgia, the NBG sets lending limits and other economic ratios (including, but not limited to, lending, liquidity, and investment ratios) along with the mandatory capital adequacy ratio. In addition to complying with the minimum reserves and financial ratios, the Bank is required to submit periodic reports. It is also subject to the Georgian tax code and other relevant laws.

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

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

Risk mitigation

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

The first line of defence is responsible for compliance risk, strongly supported by the Bank's compliance department as the second line of defence. The Chief Compliance Officer oversees compliance within the Bank and reports quarterly to the relevant committee of the Supervisory Board, with a managerial reporting line to the CEO. The Group's Audit Committee is responsible for ensuring regulatory compliance at the Board level.

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

The Bank's Compliance Department manages regulatory risk by:

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

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

2.The Group is exposed to legal risk.

Risk description

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

Risk mitigation

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

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

The senior management of the legal function oversees, challenges and monitors the legal risk profile and effectiveness of the legal risk control environment across the Group. The legal risk profile and control environment are reviewed by management through business risk committees and control committees. The Group Risk Committee is the most senior executive body responsible for reviewing and monitoring the effectiveness of legal risk management across the Group.

3.The Group’s operational complexity generates operational risk that could in turn adversely impact profitability and reputation.

Risk description

One of the main risks that the Group faces is operational risk, which is the risk of loss resulting from internal and external fraud events, inadequate processes or products, business disruptions and systems failures, human error or damages to assets. Operational risk also implies losses driven by legal, compliance, or cybersecurity risks.

The Group is exposed to many types of operational risk, including: fraudulent and other internal and external criminal activities; breakdowns in processes, controls or procedures; and system failures or 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 jeopardize sensitive information and the financial transactions of the Group, its clients, counterparties, or customers.

Moreover, the Group is subject to risks that cause disruption to systems performing critical functions or business disruption arising from events wholly or partially beyond its control, such as natural disasters, transport or utility failures, etc., which may result in losses or reductions in service to customers and/or economic losses to the Group.

The operational risks discussed above are also applicable where the Group relies on outsourcing services from third parties. Considering the dynamic environment and sophistication of both banking services and possible fraudsters, the importance of constantly improving processes, controls, procedures and systems is heightened to ensure risk prevention and reduce the risk of loss to the Group.

The increased complexity and diversification of operations, coupled with the digitalisation of the banking sector, mean that fraud risks are evolving. External fraud events may arise from the actions of third parties against the Group, most frequently involving events related to banking cards, loans, and client phishing. Internal fraud events arise from actions committed by the Group’s employees, although such events happen less frequently. During the reporting period, the Group faced several instances of fraud, none of which had a material impact on the Group’s profit and loss statement. The rapid growth in digital crime has exacerbated the threat of fraud, with fraudsters adopting new techniques and approaches to obtain funds illegally. Therefore, unless properly monitored and managed, the potential impact could become substantial.

Risk mitigation

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

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

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

- the Group’s Risk Assessment Policy, which enables thorough risk evaluation prior to the adoption of new products, services, or procedures;
- the Group’s Outsourcing Risk Management Policy, which enables the Group to control outsourcing (vendor) risk arising from adverse events and risk concentrations due to failures in vendor selection, insufficient controls and oversight over a vendor and/or services provided by a vendor, and other impacts on the vendor;
- The Risk and Control Self-Assessment (RCSA) Policy, which enables the Group to continuously evaluate existing and potential risks, establish risk mitigation strategies and systematically monitor the progress of risk mitigation plans. The completion of these plans is also part of the respective managers’ key performance indicators;
- The Group’s Operational Risk Event Identification Policy, which enables the Group to promptly report on operational risk events, perform systematic root-cause analysis of such events, and take corrective measures to prevent the recurrence

of significant losses. A unified operational loss database enhances further quantitative and qualitative analysis. The Operational Risk Event Identification Policy also oversees the occurrence of IT incidents and the respective activities targeted at solving the identified problems;

- The Group's Operational Risk Awareness Programme, which provides regular trainings to the Group's employees and strengthens the Group's internal risk culture;
- The Group also utilises risk transfer strategies, including obtaining various insurance policies to transfer the risks of critical operational losses.

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

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

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

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

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

Risk description

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.

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

Risk mitigation

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

Threat landscape

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

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

Our vision and strategic objectives

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

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

- To maintain our defence in depth approach by strengthening the team and implementing cutting-edge technologies, in order to maintain resilience against Advanced Persistent Threats, which may come from state-sponsored actors or organised cybercriminals;
- To maintain compliance with industry leading information and cyber security standards, sustain a continuous improvement cycle for our information and business continuity management systems, and be one step ahead of regulatory requirements; and
- To optimize and automate security processes, and provide security services seamlessly to the Group's business (where possible).

Our security in depth approach and cyber-resilience program

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

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

How we measure and assure an acceptable level of security

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

- On an annual basis we conduct:
    - An external audit of SWIFT Customer Protection Framework;
    - An external audit of the NBG's Cyber Security Framework, which is based on the NIST Cyber Security Management Framework;
    - External surveillance audits of ISO 27001;

    - Penetration tests against internet facing applications and critical infrastructure with help of our highly reputable partners.
- Our internal team is in charge of continuous penetration tests of internal and external applications and infrastructure.
- We conduct regular red and purple teaming exercises and assess our security capabilities against real world advanced threat actors.

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

Risk description

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

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

Risk mitigation

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

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

6.The Group is exposed to Model Risk.

Risk description

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

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

Risk mitigation

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

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

7.The Group remains exposed to reputational risk.

Risk description

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

Risk mitigation

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

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

Risk description

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

Risk mitigation

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

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

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

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

Risk description

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

Risk mitigation

The aim of the Group is to adapt to the rapidly changing business environment, increase leadership capabilities, achieve a high level of engagement among employees, and equip them with the necessary skills. To this end, the Group actively monitors the labour market both in Georgia and abroad, proactively recruiting the best candidates and expanding its networks of key personnel. We create a robust international talent pipeline by regularly engaging with potential candidates, including passive job seekers with diverse profiles. We work on building an attractive international hiring brand.The Group treats all employees equally and fairly, supporting and coaching them to succeed.

We equip our people with the tools and frameworks for continuous learning, supported by a constant feedback loop. We give our staff an opportunity to grow and expand internationally. We have a Succession Planning Framework developed for senior positions in order to ensure a smooth transition and to offer promotion opportunities to employees. In addition, we have launched a Talent Management Framework, ensuring the constant identification of talented staff and monitoring their development within the Group.

We monitor human capital risks and measure efficiency using the following metrics: Employee turnover and retention, Quality of hire, Mobility rate, Employee Net Promoter Score (ENPS) – engagement, Employee Pulse surveys, Key employee metrics, Performance management and Individual Development Plans (IDPs), Customer Net Promoter Score (NPS). In terms of compensation, we conduct multiple salary market studies to ensure we provide competitive conditions for our employees

The Group reviews and updates organizational policies to ensure they are inclusive and equitable. This includes flexible work arrangements, accommodations for diverse needs, and inclusive benefits packages.

Since its establishment in 2019, our internal IT Academy has been a hub for technological education, offering a diverse array of courses in front-end, back-end development, DevOps, test automation, and other critical topics. These courses are accessible at no cost to both our employees and potential candidates. Under the guidance of experienced staff and industry professionals, the Academy has successfully trained over 1,500 individuals from outside the organization and 1,700 within it. This initiative has resulted in the recruitment of 330 skilled professionals to TBC Group, thereby enhancing the overall IT ecosystem in the country.

In 2023, our IT Academy launched a collaborative project with USAID, focused on empowering women in the regional areas of Georgia. The project aims to train over 700 participants through nine newly designed courses, led by top industry experts, lecturers, and mentors. Additionally, the IT Academy has introduced an iOS Laboratory, providing students without access to Apple products the opportunity to study at no cost.

10.The Group is exposed to conduct risk.

Risk description

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

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

Risk mitigation

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

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

EMERGING RISKS

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

Risk description

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

Risk mitigation

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

In order to increase our understanding of climate-related risks to the Bank's loan portfolio, the Bank performed a high-level sectoral risk assessment, since different sectors might be vulnerable to different climate-related risks over different time horizons. In 2022, we advanced our TCFD framework further, especially in strategic planning and risk management, and performed climate stress testing. In 2023, we reviewed our climate stress testing model in order to consider new approaches, where available. For more details, please see the Annual Report 2023, pages 140-164.

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 2024, the Group released its full-scale sustainability report for the year 2023 in accordance with the Global Reporting Initiative (GRI) standards. The Global Reporting Initiative (GRI) helps the private sector to understand and realise its role and influence on sustainable development issues such as climate change, human rights and governance. The report is designed for all interested parties and groups in Georgia and abroad and aims to give them clear, fact-based information about the social, economic, and environmental impact of our activities in 2023. It presents our endeavours to create value for our employees, clients, suppliers, partners, and society as a whole. The Sustainability Report 2023 is available at www.tbcbankgroup.com.

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

In January 2022, the Group established an Environmental, Social and Governance (ESG) and Ethics Committee at the Board level, as well as at the Supervisory Board level in line with the Company's "mirror boards" structure. This reflects the importance of sustainability in TBC's corporate governance and allows Board members to dedicate more time and focus to ESG topics. The Committee provides strategic guidance on climate-related matters and reports to the Board, which has overall oversight. For more details about the management of ESG matters, please see our ESG strategy section on pages 38-40 of the Annual Report 2023.

Selected regulations on Financial Risks

Capital adequacy

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

The Group complied with all its internally and externally imposed capital requirements throughout the first half of 2024.

Georgian subsidiary – JSC TBC Bank

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

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

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

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

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

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

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

	Jun'24	Mar'24	Jun'23
CET 1 capital	4,344,472	4,096,919	3,920,004
Tier 1 capital	5,749,522	4,635,979	4,443,544
Tier 2 capital	922,217	654,348	504,286
Total regulatory capital	**6,671,739**	**5,290,327**	**4,947,830**
Risk-weighted exposures:			
Credit Risk-weighted exposures	22,459,700	21,334,427	18,796,064
Risk-weighted exposures for Market Risk	83,580	24,566	20,085
Risk-weighted exposures for Operational Risk	3,248,365	3,248,365	2,636,659
Total Risk-weighted exposures	**25,791,645**	**24,607,358**	**21,452,808**
Minimum CET 1 ratio	*14.6%*	*14.5%*	*14.4%*
CET 1 capital adequacy ratio	16.8%	16.6%	18.3%
Minimum Tier 1 ratio	*16.9%*	*16.8%*	*16.8%*
Tier 1 capital adequacy ratio	22.3%	18.8%	20.7%
Minimum total capital adequacy ratio	*20.0%*	*19.9%*	*19.9%*
Total capital adequacy ratio	25.9%	21.5%	23.1%

GEL volatility has been and remains a significant risk to the Bank's capital adequacy. A 10% GEL depreciation would translate into a 0.8pp, 0.6pp and 0.5pp drop in the Bank's excess CET 1, Tier 1 and Total regulatory capital, respectively.

Uzbekistan subsidiary – TBC UZ

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

As at 30 June 2024, the Bank met the requirements to regulatory capital set by Regulation On the Requirements for the Adequacy of the Capital of Commercial Banks No. 2693 dated July 6, 2015.

Liquidity

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

The Group complied with all its internally and externally imposed liquidity requirements half year 2024.

Georgian subsidiary – JSC TBC Bank

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

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

As of 30 June 2024, the ratios were well above the prudential limits set by the NBG, as follows:

Funding & Liquidity	Jun'24	Mar'24	Jun'23
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	118.2%	114.8%	129.8%
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%*	*75.0%*	*75.0%*
Minimum LCR in FC, as defined by the NBG	*100.0%*	*100.0%*	*100.0%*
Total liquidity coverage ratio, as defined by the NBG	118.1%	114.6%	124.5%
LCR in GEL, as defined by the NBG	100.0%	114.8%	130.4%
LCR in FC, as defined by the NBG	129.5%	114.4%	119.2%

Uzbekistan subsidiary – TBC UZ

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

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

Complementary to these measures, financial entities must sustain a Net Stable Funding Ratio (NSFR) of ≥100%, highlighting the need for a stable funding structure over an extended time horizon to mitigate liquidity risks effectively. As of 30 June 2024, the Bank met the requirements set by the Regulator.

Market risk

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

The Group complied with all its internally and externally imposed market risk requirements half year 2024.

FX risk

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

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

Interest rate risk

JSC TBC Bank (Georgia) assess interest rate risk from both the NII and Economic Value of Equity (EVE) perspectives. As per regulatory requirements, the Bank assesses the impact of interest rate shock scenarios on EVE and NII. According to NBG guidelines, the NII sensitivity under parallel shifts of interest rate scenarios is maintained for monitoring purposes, while EVE sensitivity is calculated under six predefined stress scenarios of interest rate changes, with the limit applied to the result of the worst case scenario. As of 30 June 2024, TBC Bank's EVE ratio stood at 7.78%, comfortably below the regulatory limit (15%).

Statement of Directors' Responsibilities

The Directors are required to prepare the condensed consolidated financial statements on a going concern basis unless it is not appropriate. They are satisfied that the Group has the resources to continue in business for the foreseeable future and that the financial statements continue to be prepared on a going concern basis.

The Directors confirm that to the best of their knowledge:

- the financial statements have been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the UK, and the Disclosure Guidance and Transparency Rules ('DTR') sourcebook of the UK's Financial Conduct Authority;
- this Interim Report 2024 gives a true, fair, balanced and understandable view of the assets, liabilities, financial position and profit or loss of the Company; and
- this Interim Report 2024 includes a fair review of the information required by:
    - DTR 4.2.7R, being an indication of: important events that have occurred during the first six months of the financial year ending 31 December 2024 and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
    - DTR 4.2.8R, being: related party transactions that have taken place in the first six months of the financial year ending 31 December 2024, which have materially affected the financial position or performance of TBC Bank during that period; and any changes in the related parties transactions described in the Annual Report and Accounts 2023 that could materially affect the financial position or performance of TBC Bank during the first six months of the financial year ending 31 December 2024.

Signed on behalf of the Board by:

Vakhtang Butskhrikidze

CEO

8 August 2024

TBC Bank Group PLC Board of Directors:

Chairman
Arne Berggren

Executive Directors
Vakhtang Butskhrikidze (CEO)

Non-executive Directors
Eran Klein
Tsira Kemularia
Janet Heckman
Per Anders Fasth
Thymios Kyriakopoulos
Nino Suknidze
Rajeev Sawhney

TBC BANK GROUP PLC

Condensed Consolidated Interim Financial Statements (Unaudited)

30 June 2024

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Notes to the condensed consolidated interim financial statements:

Independent review report to TBC Bank Group PLC

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed TBC Bank Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the 2Q and 1H 2024 Financial Results of TBC Bank Group plc for the 6-month period ended 30 June 2024 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Condensed Consolidated Interim Statement of Financial Position as at 30 June 2024;
- the Condensed Consolidated Interim Statement of Profit or Loss and Other Comprehensive Income for the period then ended;
- the Condensed Consolidated Interim Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Interim Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the 2Q and 1H 2024 Financial Results of TBC Bank Group plc have been prepared in accordance with UK adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the 2Q and 1H 2024 Financial Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The 2Q and 1H 2024 Financial Results, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the 2Q and 1H 2024 Financial Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the 2Q and 1H 2024 Financial Results, including the interim financial statements, the directors are responsible for assessing the group'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 to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the 2Q and 1H 2024 Financial Results based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants
London
8 August 2024

in thousands of GEL	Note	30 June 2024	31 December 2023
ASSETS			
Cash and cash equivalents	4	3,688,366	3,764,087
Due from other banks	5	20,742	47,941
Mandatory cash balances with National Bank of Georgia and the Central Bank of Uzbekistan	6	1,511,508	1,577,074
Loans and advances to customers	7	23,757,851	21,722,107
Investment securities measured at fair value through other comprehensive income		4,110,036	3,475,461
Bonds carried at amortized cost		103,070	73,963
Finance lease receivables		468,395	400,411
Investment properties		14,506	15,235
Investments in associates		3,871	4,204
Current income tax prepayment		1,704	435
Deferred income tax asset		990	7,400
Other financial assets		306,561	280,268
Other assets		534,269	431,477
Premises and equipment	8	541,827	513,340
Right of use assets		127,330	120,077
Intangible assets	8	529,425	471,383
Goodwill		59,964	59,964
TOTAL ASSETS		**35,780,415**	**32,964,827**
LIABILITIES			
Due to credit institutions	9	4,846,332	4,395,182
Customer accounts	10	21,464,578	20,375,498
Other financial liabilities		683,382	358,522
Current income tax liability		4,350	67,945
Deferred income tax liability		52,882	50,957
Debt securities in issue	12	1,849,800	1,426,174
Provision for liabilities and charges	11	20,670	21,060
Other liabilities		102,361	123,218
Lease liabilities		103,531	91,879
Subordinated debt	13	1,152,841	868,730
Redemption liability	14	419,928	365,480
TOTAL LIABILITIES		**30,700,655**	**28,144,645**
EQUITY			
Share capital	14	1,689	1,690
Shares held by trust	14	(66,982)	(75,609)
Share premium		292,734	295,605
Retained earnings		4,796,051	4,433,496
Merger reserve		402,862	402,862
Share based payment reserve	15	(17,892)	23,677
Fair value reserve for investment securities measured at fair value through other comprehensive income		(24,827)	12,345
Cumulative currency translation reserve		(41,931)	(44,824)
Other reserves	14	(419,846)	(365,513)
Equity attributable to owners of the parent		**4,921,858**	**4,683,729**
Non-controlling interest		157,902	136,453
TOTAL EQUITY		**5,079,760**	**4,820,182**
TOTAL LIABILITIES AND EQUITY		**35,780,415**	**32,964,827**

The condensed consolidated interim financial statements on pages 52 to 97 were approved for issue by the Board of Directors on 8 August 2024 and signed on its behalf by:

Vakhtang Butskhrikidze
Chief Executive Officer

		Six months ended	
in thousands of GEL	Note	30 June 2024	30 June 2023
Interest income	18	1,718,903	1,383,970
Interest income calculated using effective interest rate method	18	1,665,109	1,343,535
Other interest income	18	53,794	40,435
Interest expense	18	(856,705)	(656,865)
Net interest gains on currency swaps	18	38,757	39,024
Net interest income		**900,955**	**766,129**
Fee and commission income	19	380,362	313,530
Fee and commission expense	19	(152,661)	(115,456)
Net fee and commission income		**227,701**	**198,074**
Insurance contract revenue		75,802	61,076
Reinsurance service result		(2,908)	(4,387)
Insurance service claims and expenses incurred		(55,991)	(44,287)
Net insurance income		**16,903**	**12,402**
Net gains from currency derivatives, foreign currency operations and translation	20	147,116	121,728
Net gains from disposal of investment securities measured at fair value through other comprehensive income		284	4,319
Other operating income		3,347	15,811
Share of profit of associates		105	542
Other operating non-interest income		**150,852**	**142,400**
Credit loss allowance for loans to customers	7	(71,565)	(79,424)
Credit loss allowance for finance lease receivables		(4,131)	(2,132)
Credit loss allowance for performance guarantees	11	(449)	(1,424)
Credit loss recovery for credit related commitments	11	670	488
Credit loss allowance for other financial assets		(601)	(4,090)
Credit loss allowance for financial assets measured at fair value through other comprehensive income		(591)	(162)
Net impairment of non-financial assets		(29)	(358)
Operating income after expected credit and non-financial asset impairment losses		**1,219,715**	**1,031,903**
Staff costs		(262,216)	(212,150)
Depreciation and amortization	8	(69,722)	(57,948)
Recovery/(allowance) for provision for liabilities and charges	11	74	(121)
Administrative and other operating expenses		(154,384)	(116,121)
Operating expenses		**(486,248)**	**(386,340)**
Profit before tax		**733,467**	**645,563**
Income tax expense	21	(107,698)	(97,517)
Profit for the period		**625,769**	**548,046**
Other comprehensive (expense)/income for the period, net of tax			
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, net of tax		(37,172)	10,994
Exchange differences on translation to presentation currency		2,893	(946)
Net other movements		115	-
Other comprehensive (expense)/income for the period, net of tax		**(34,164)**	**10,048**
Total comprehensive income for the period		**591,605**	**558,094**
Profit is attributable to:			
- Shareholders of TBCG		617,400	537,459
- Non-controlling interest		8,369	10,587
Profit for the period		**625,769**	**548,046**
Total comprehensive income is attributable to:			
- Shareholders of TBCG		583,236	547,507
- Non-controlling interest		8,369	10,587
Total comprehensive income for the period		**591,605**	**558,094**
Earnings per share for profit attributable to the owners of the Group:			
- Basic earnings per share (in GEL)	16	11.33	9.90
- Diluted earnings per share (in GEL)	16	11.28	9.76

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 1 January 2023		**1,681**	**(7,900)**	**269,938**	**(25,541)**	**402,862**	**1,090**	**(477,329)**	**5,467**	**(35,858)**	**3,745,191**	**3,879,601**	**86,813**	**3,966,414**
Profit for the six months period ended 30 June 2023		-	-	-	-	-	-	-	-	-	537,459	**537,459**	10,587	**548,046**
Other comprehensive income for the six months period ended 30 June 2023:		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,994**	**(946)**	**-**	**10,048**	**-**	**10,048**
Disposal of investment securities measured at fair value through other comprehensive income		-	-	-	-	-	-	-	(4,089)	-	-	**(4,089)**	-	**(4,089)**
Other effects during the period		-	-	-	-	-	-	-	15,083	(946)	-	**14,137**	-	**14,137**
Total comprehensive income for the six months period ended 30 June 2023		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**10,994**	**(946)**	**537,459**	**547,507**	**10,587**	**558,094**
Share issue for scrip dividend		5	-	11,211	-	-	-	-	-	-	-	**11,216**	-	**11,216**
Share based payment expense	15	-	-	-	-	-	15,140	-	-	-	-	**15,140**	-	**15,140**
Dividends declared	14	-	-	-	-	-	-	-	-	-	(159,976)	**(159,976)**	(15,657)	**(175,633)**
Delivery of SBP shares to employees		-	7,334	-	-	-	(11,049)	-	-	-	-	**(3,715)**	-	**(3,715)**
Shares cancelled		(4)	-	(8,219)	8,223	-	-	-	-	-	-	**-**	-	**-**
Share buy-back		-	(50,102)	-	(7,484)	-	-	-	-	-	-	**(57,586)**	-	**(57,586)**
Shares transferred to shares held by trust		-	(24,802)	-	24,802	-	-	-	-	-	-	**-**	-	**-**
Capital injection from NCI shareholders		-	-	-	-	-	-	-	-	-	-	**-**	28,996	**28,996**
Purchase of additional interest from NCI		-	-	-	-	-	-	141,234	-	-	(137,750)	**3,484**	(3,484)	**-**
Remeasurement of redemption liability		-	-	-	-	-	-	(10,949)	-	-	-	**(10,949)**	-	**(10,949)**
Other movements		-	-	-	-	-	-	-	-	-	(431)	**(431)**	(17)	**(448)**
Balance as of 30 June 2023		**1,682**	**(75,470)**	**272,930**	**-**	**402,862**	**5,181**	**(347,044)**	**16,461**	**(36,804)**	**3,984,493**	**4,224,291**	**107,238**	**4,331,529**
Balance as of 1 January 2024		**1,690**	**(75,609)**	**295,605**	**-**	**402,862**	**23,677**	**(365,513)**	**12,345**	**(44,824)**	**4,433,496**	**4,683,729**	**136,453**	**4,820,182**
Profit for the six months period ended 30 June 2024		-	-	-	-	-	-	-	-	-	617,400	**617,400**	8,369	**625,769**
Other comprehensive expense for the six months ended 30 June 2024:		**-**	**-**	**-**	**-**	**-**	**-**	**115**	**(37,172)**	**2,893**	**-**	**(34,164)**	**-**	**(34,164)**
Disposal of investment securities measured at fair value through other comprehensive income		-	-	-	-	-	-	-	(284)	-	-	**(284)**	-	**(284)**
Other effects during the period		-	-	-	-	-	-	115	(36,888)	2,893	-	**(33,880)**	-	**(33,880)**
Total comprehensive income expense for the six months ended 30 June 2024		**-**	**-**	**-**	**-**	**-**	**-**	**115**	**(37,172)**	**2,893**	**617,400**	**583,236**	**8,369**	**591,605**
Share based payment expense	15	-	-	-	-	-	9,150	-	-	-	-	**9,150**	-	**9,150**
Dividends declared	14	-	-	-	-	-	-	-	-	-	(254,885)	**(254,885)**	-	**(254,885)**
Delivery of SBP shares to employees		-	34,999	-	-	-	(50,719)	-	-	-	-	**(15,720)**	-	**(15,720)**
Shares cancelled		(1)	-	(2,871)	2,872	-	-	-	-	-	-	**-**	-	**-**
Share buy-back		-	(26,372)	-	(2,872)	-	-	-	-	-	-	**(29,244)**	-	**(29,244)**
Capital injection from NCI shareholders		-	-	-	-	-	-	-	-	-	-	**-**	13,080	**13,080**
Remeasurement of redemption liability		-	-	-	-	-	-	(54,448)	-	-	-	**(54,448)**	-	**(54,448)**
Other movements		-	-	-	-	-	-	-	-	-	40	**40**	-	**40**
Balance as of 30 June 2024		**1,689**	**(66,982)**	**292,734**	**-**	**402,862**	**(17,892)**	**(419,846)**	**(24,827)**	**(41,931)**	**4,796,051**	**4,921,858**	**157,902**	**5,079,760**

		Six months ended	
in thousands of GEL	Note	30 June 2024	30 June 2023
Cash flows / (used in)/generated from operating activities			
Interest received		1,613,229	1,317,323
Interest received on currency swaps	18	38,757	39,024
Interest paid		(828,471)	(639,389)
Fees and commissions received		388,633	326,436
Fees and commissions paid		(181,307)	(152,638)
Insurance premiums received		85,391	69,641
Insurance claims paid		(45,309)	(31,014)
Cash received from trading in foreign currencies		89,130	87,999
Other operating income received		4,419	26,934
Staff costs paid		(290,974)	(226,318)
Administrative and other operating expenses paid		(183,598)	(122,773)
Income tax paid		(164,019)	(77,804)
Cash flows from operating activities before changes in operating assets and liabilities		**525,881**	**617,421**
Net change in operating assets			
Due from other banks and mandatory cash balances with the National Bank of Georgia and Central Bank of Uzbekistan		153,560	280,201
Loans and advances to customers		(1,700,303)	(1,458,877)
Finance lease receivables		(46,705)	(24,530)
Other financial assets		(567)	(45,569)
Other assets		(9,464)	43,486
Net change in operating liabilities			
Due to other banks		182,975	(406,557)
Customer accounts		668,609	1,256,933
Other financial liabilities		38,100	68,167
Other liabilities and provision for liabilities and charges		12,397	18,999
Net cash (used in)/generated from operating activities		**(175,517)**	**349,674**
Cash flows (used in)/from investing activities			
Acquisition of investment securities measured at fair value through other comprehensive income		(2,125,981)	(497,536)
Proceeds from redemption at maturity /disposal of investment securities measured at fair value through other comprehensive income		1,515,077	700,760
Acquisition of bonds carried at amortized cost		(107,016)	(125,091)
Proceeds from redemption of bonds carried at amortized cost		78,408	72,513
Acquisition of premises, equipment and intangible assets	8	(146,441)	(80,730)
Proceeds from disposal of premises, equipment and intangible assets	8	890	456
Proceeds from disposal of investment properties		6,993	1,963
Dividends received		802	696
Net cash (used in)/generated from investing activities		**(777,268)**	**73,031**
Cash flows (used in)/generated from financing activities			
Proceeds from other borrowed funds		494,733	213,120
Redemption of other borrowed funds		(250,093)	(1,275,176)
Repayment of principal of lease liabilities		(14,683)	(9,227)
Proceeds from subordinated debt		231,038	69,154
Redemption of subordinated debt		-	(2,618)
Cash paid for share buy-back		(28,203)	(58,991)
Purchase of additional interest from minority shareholders		-	(146,571)
Capital injection from NCI shareholders		13,080	28,996
Proceeds from debt securities in issue		1,053,596	134,420
Redemption of debt securities in issue		(737,285)	(64,200)
Dividends paid		-	(165,782)
Net cash flows (used in)/generated from financing activities		**762,183**	**(1,276,875)**
Effect of exchange rate changes on cash and cash equivalents		114,881	(66,284)
Net decrease in cash and cash equivalents		**(75,721)**	**(920,454)**
Cash and cash equivalents at the beginning of the period	**4**	**3,764,087**	**3,860,813**
Cash and cash equivalents at the end of the period	**4**	**3,688,366**	**2,940,359**

1 Introduction

Principal activities. 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 30 June 2024 (2023: 99.88%), thus representing the Bank's ultimate parent company. The Bank is a parent of a group of companies incorporated mainly in Georgia and Uzbekistan, their primary business activities include providing banking, leasing, insurance, brokerage and card processing services to corporate and individual customers. TBC Bank Group PLC and its subsidiaries is referred as "TBCG" or "Group". The Group's list of subsidiaries is provided below.

The shares of TBCG ("TBCG Shares") were admitted to the Premium Listing segment of the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange PLC's Main Market for listed securities effective on 10 August 2016 (the "Admission"). TBC Bank Group PLC's registered legal address is 100 Bishopsgate, C/O Law Debenture, London, England, EC2N 4AG. Registered number of TBC Bank Group PLC is 10029943. The Bank is the Group's main operating unit and it accounts for most of the Group's activities.

JSC TBC Bank was incorporated on 17 December 1992 and is domiciled in Georgia. The Bank is a joint stock company limited by shares and was set up in accordance with Georgian regulations. The Bank's 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 Georgia ("NBG"). In 2020, TBC Bank Group PLC established TBC Bank Uzbekistan JSC, which is operating through the digital banking platform of Groups subsidiary Space JSC.

The Bank had 126 branches within Georgia as at 30 June 2024 (As at 30 June 2023: 125 branches).

JSC TBC Bank Uzbekistan (hereafter the "UZ Bank") was incorporated and is domiciled in the Republic of Uzbekistan. It is a joint stock commercial bank limited by shares and was set up in accordance with regulations of the Republic of Uzbekistan.

The UZ Bank's principal business activity is retail and micro-operations within the Republic of Uzbekistan and universal banking operations that include mainly individuals. The UZ Bank operates under a general banking license issued by the Central Bank of Uzbekistan ("CBU") on 11 April 2020, which was renewed by the UZ Bank on 17 March 2022.

As at 30 June 2024 and 31 December 2023 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 30 June 2024 and 31 December 2023 the Group had no ultimate controlling party.

Shareholders	**30 June 2024**	**31 December 2023**
Dunross & Co.	6.56%	6.50%
BlackRock	4.67%	4.72%
Allan Gray Investment Management	4.34%	3.88%
Vanguard Group	4.32%	4.39%
Goldman Sachs	4.11%	2.92%
JPMorgan Asset Management	3.81%	3.81%
Fidelity International	3.54%	3.02%
Founders*	15.65%	15.83%
Other**	53.00%	54.93%
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 Introduction (Continued)

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

Subsidiary name	Proportion of voting rights and ordinary share capital 30 June 2024	31 December 2023	Principal place of business or incorporation	Year of incorporation	Principal activities
JSC TBC Bank	99.88%	99.88%	Tbilisi, Georgia	1992	Banking
United Financial Corporation JSC	99.53%	99.53%	Tbilisi, Georgia	2001	Card processing
TBC Capital LLC	100.00%	100.00%	Tbilisi, Georgia	1999	Brokerage
TBC Leasing JSC	100.00%	100.00%	Tbilisi, Georgia	2003	Leasing
TBC Kredit LLC	100.00%	100.00%	Baku, Azerbaijan	1999	Non-banking credit institution
TBC Pay LLC	100.00%	100.00%	Tbilisi, Georgia	2008	Payment processing
TBC Invest-Georgia LLC	100.00%	100.00%	Ramat Gan, Israel	2011	Financial services
TBC Asset Management LLC	100.00%	100.00%	Tbilisi, Georgia	2021	Asset management
TBC Insurance JSC	100.00%	100.00%	Tbilisi, Georgia	2014	Insurance
Redmed LLC	100.00%	100.00%	Tbilisi, Georgia	2019	Healthcare e-commerce
T Net LLC	100.00%	100.00%	Tbilisi, Georgia	2019	Ecosystem
Index LLC	100.00%	100.00%	Tbilisi, Georgia	2009	Ecosystem
TKT UZ	100.00%	100.00%	Tashkent, Uzbekistan	2019	Retail Trade
Artarea.ge LLC	100.00%	100.00%	Tbilisi, Georgia	2012	PR and marketing
SABA LLC	85.00%	85.00%	Tbilisi, Georgia	2012	Education
TBC Art Gallery LLC	100.00%	100.00%	Tbilisi, Georgia	2012	PR and marketing
Payme JSC[1]	100.00%	100.00%	Tashkent, Uzbekistan	2011	Payment processing
Marjanishvili 7 LLC	100.00%	100.00%	Tbilisi, Georgia	2020	Customer experience servicing
TBC Bank Uzbekistan JSC	60.24%	60.24%	Tashkent, Uzbekistan	2020	Banking
TBC Fin Service LLC	100.00%	100.00%	Tashkent, Uzbekistan	2019	Retail leasing
TBC Group Support LLC	100.00%	100.00%	Tbilisi, Georgia	2020	Group risk and knowledge center
Space JSC	100.00%	100.00%	Tbilisi, Georgia	2021	Software services
Space International JSC	100.00%	100.00%	Tbilisi, Georgia	2021	Digital banking platform
TBC International Holdings Limited	100.00%	100.00%	Tbilisi, Georgia	2023	Financial services
Tpay LLC	100.00%	100.00%	Tbilisi, Georgia	2023	Payment Processing
Fondy Payments LTD[2]	100.00%	N/A	Drogheda, Ireland	2019	Payment processing

The Group has investments in the following associates:

Associate name	Proportion of voting rights and ordinary share capital 30 June 2024	31 December 2023	Principal place of business or incorporation	Year of incorporation	Principal activities
CreditInfo Georgia JSC	21.08%	21.08%	Tbilisi, Georgia	2005	Financial intermediation
Tbilisi Stock Exchange JSC	28.87%	28.87%	Tbilisi, Georgia	2015	Finance, Service
Georgian Central Securities Depository JSC	22.87%	22.87%	Tbilisi, Georgia	1999	Finance, Service
Georgian Stock Exchange JSC[3]	17.33%	17.33%	Tbilisi, Georgia	1999	Finance, Service
Kavkasreestri JSC[3]	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.

1. In 2024 Inspired LLC changed its name to Payme JSC.
2. TBC International Holdings Limited fully acquired Fondy Payments LTD in 2024.
3. The Group has a significant influence on Georgian Stock Exchange JSC and Kavkasreestri JSC with representatives in management board.

1 Introduction (Continued)

Company name	Proportion of voting rights and ordinary share capital held: 30 June 2024	Proportion of voting rights and ordinary share capital held: 31 December 2023	Principal place of business or incorporation	Year of incorporation	Principal activities
TBC Invest International LLC*	100.00%	100.00%	Tbilisi, Georgia	2016	Investment Vehicle
University Development Fund*	33.33%	33.33%	Tbilisi, Georgia	2007	Education
Natural Products of Georgia LLC*	25.00%	25.00%	Tbilisi, Georgia	2001	Trade, Service
TBC Trade LLC*	100.00%	100.00%	Tbilisi, Georgia	2008	Trade, Service
Diversified Credit Portfolio JSC	100.00%	100.00%	Tbilisi, Georgia	2021	Asset Management
Globally Diversified bond fund JSC	100.00%	100.00%	Tbilisi, Georgia	2023	Asset Management
Freeshop.ge LLC*	100.00%	100.00%	Tbilisi, Georgia	2010	Retail Trade
The.ge LLC*	100.00%	100.00%	Tbilisi, Georgia	2012	Retail Trade
Mypost LLC*	100.00%	100.00%	Tbilisi, Georgia	2019	Postal Service
Billing Solutions LLC*	51.00%	51.00%	Tbilisi, Georgia	2019	Software Services
Vendoo LLC (Geo)*	100.00%	100.00%	Tbilisi, Georgia	2018	Retail Leasing
F Solutions LLC*	100.00%	100.00%	Tbilisi, Georgia	2016	Software Services
Beta 2024	100.00%	100.00%	Tbilisi, Georgia	2024	Asset Management
Diversified Credit Portfolio JSC 2	100.00%	100.00%	Tbilisi, Georgia	2024	Asset Management
DWH CO	100.00%	N/A	Tbilisi, Georgia	2024	Data Analytics

* Dormant

Operating environment of the Group.

Georgia - The Group's most of activities are located in Georgia, that 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 21). After two consecutive years of double-digit economic expansion, the growth started to normalize though remained still robust in 2023, averaging to 7.5%. As macroeconomic fundamentals remain broadly stable, the strong momentum continues in 2024 as well, with the real GDP increasing by 9.0% year-on-year on average in the first half of the year.

While inflows to the Georgian economy are quite diversified, the country is still vulnerable to geopolitical and economic developments in its region and beyond. In particular, uncertainties related to the Russian-Ukrainian conflict and consequent developments may have an adverse impact on the Georgian economy. The country is also exposed to a lower though still tangible risk of resurged military conflicts in its breakaway regions occupied by Russia, while some relatively distant conflicts, such as the escalation in the middle east, might affect the Georgian economy through the stronger USD, higher oil prices, migration flows, etc.

At the same time, while the migration effect became broadly flat in 2024, no longer contributing to growth, the impact still maintains a tangible share in total economic activity, hence, any sizeable outflow could lead to a deterioration in the business environment. The reverse would probably be the case in any rapid conflict resolution scenario, which would create positive economic spill-overs as well, such as the likely stronger rebound of growth in Russia and Ukraine.

However, the baseline strongly depends on the global developments. While the Georgian economy 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 risks of other global disruptions provoked by regional conflicts, supply chain obstructions, potential global health issues such as pandemics, etc. The materialization of these risks could severely hamper economic activity in Georgia, and negatively impact the business environment and clients of the Group.

For the purpose of measurement of expected credit losses ("ECL"), the Group uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

Republic of Uzbekistan - Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility in the currency markets, as well as a volatility of UZS against the US dollar and euro. This conflict affected some export-import operations of the Uzbek entities. However, since the UZ Bank's principal activities are a digital retail and micro-operations within the Republic of Uzbekistan that include mainly individuals, these developments did not significantly impact the UZ Bank's operations. Still, the Russian invasion of Ukraine and related economic policy and geopolitical uncertainties pose a risk to the business environment in Uzbekistan, including but not limited to the geopolitical tensions in Central Asia. UZ Bank continues to assess the effect of these events and changes in economic conditions on its operations, financial position and financial performance.

Climate Impact

The Group has reviewed its exposure to climate-related risks, but has not identified any risks that could significantly impact the financial performance or position of the Group as at 30 June 2024. See more details outlined in risk management disclosures in Note 22.

2 Material Accounting Policy Information

Basis of preparation. These condensed consolidated interim financial statements for six months ended 30 June 2024 for the Group has been prepared in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the Financial Conduct Authority (FCA), and in accordance with UK-adopted International Accounting Standard (IAS) 34 'Interim Financial Reporting'. These condensed consolidated interim financial statements do not include all the notes, normally included in annual consolidated financial statements. Accordingly, this report is to be read in conjunction with the annual consolidated financial statements for the year ended 31 December 2023, which were 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.

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).
Accordingly, the accompanying financial statements are prepared in line with the going concern basis of accounting.

Presentation currency. These condensed consolidated interim financial statements are presented in thousands of Georgian Lari ("GEL thousands"), except per-share amounts and unless otherwise indicated.

Accounting policies and relevant changes within. The same accounting policies and methods of computation were followed in the preparation of this condensed consolidated interim financial statements as compared with the annual consolidated financial statements of the Group for the period ended 31 December 2023.

Interim period tax measurement. Interim period income tax expense is accrued using the effective tax rate that would be applicable to expected total annual earnings, that is, the estimated weighted average annual effective income tax rate applied to the pre-tax income of the interim period.

Adoption of new or revised standards and interpretations. The Group adopts every required standard enhancement that becomes effective during the period. During six months period ended 30 June 2024, there was no effect on the Group or the effect was immaterial to the Group to disclose from adopting the new pronouncements effective from 1 January 2024:

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022 and effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognize any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

Classification of liabilities as current or non-current – Amendments to IAS 1 (originally issued on 23 January 2020 and subsequently amended on 15 July 2020 and 31 October 2022, ultimately effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date**.** Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Amendments to IAS 21 Lack of Exchangeability (Issued on 15 August 2023 and effective for annual periods beginning on or after 1 January 2025). In August 2023, the IASB issued amendments to IAS 21 to help entities assess exchangeability between two currencies and determine the spot exchange rate, when exchangeability is lacking. An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. The amendments to IAS 21 do not provide detailed requirements on how to estimate the spot exchange rate. Instead, they set out a framework under which an entity can determine the spot exchange rate at the measurement date. When applying the new requirements, it is not permitted to restate comparative information. It is required to translate the affected amounts at estimated spot exchange rates at the date of initial application, with an adjustment to retained earnings or to the reserve for cumulative translation differences. The amendments apply for annual reporting periods beginning on or after 1 January 2025.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023 and effective for annual periods beginning on or after 1 January 2024). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023, the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments

2 Material Accounting Policy Information (Continued)

require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements are to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The amendment has no material impact on interim accounts and the group is assessing impact of amendment on its annual financial statements.

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

Critical Judgements and Estimates

The Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on the management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements and estimates that have the most significant effect on the amounts recognised in the condensed consolidated interim financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities are the following:

Judgements and estimates related to ECL measurement. Measurement of ECLs is a significant estimate that involves determination of methodology, development of models and preparation of data inputs. Expert management judgement is also an essential part of estimating expected credit losses.
Management considers management judgements and estimates in calculating ECL as follows:

Judgements used to define criteria used in definition of default. The Group defines default using both quantitative and qualitative criteria. Borrower is classified as defaulted if:

- any number of contractual repayments is past due more than 90 days; or
- factors indicating the borrower's unlikeliness-to-pay.

Unlikeliness to repay is qualitative and quantitative criteria based on clients monitoring/financial stability.

In addition, default exit criteria are 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 22.

Judgements used to define criteria for assessing, if there has been a significant increase in credit risk (SICR) which is defined using both quantitative and qualitative criteria.

Qualitative factors usually include judgements around delinquency period of more than 30 days on contractual repayments; exposure is restructured, but is not defaulted; borrower is classified as "watch".

The Group evaluates the change in the probability of default parameter for each specific exposure on a quantitative basis, comparing it to a predefined threshold since its initial recognition. When the absolute change in the probability of default surpasses the specified threshold, it is considered a Significant Increase in Credit Risk (SICR), leading to the transfer of the exposure to Stage 2. The quantitative indicator for SICR is utilized in retail and micro segments, provided there is a substantial number of observations for accurate assessment.

Judgements and estimates used for calculation of credit risk parameters namely probability of default (PD) and loss given default (LGD). The judgements include:

(i) definition of the segmentation for risk parameters estimation purposes,
(ii) decision whether simplified or more complex models can be used,
(iii) time since default date after which no material recoveries are expected,
(iv) collateral haircuts from market value as well as the average workout period for collateral discounting.

The table below describes sensitivity on 10% increase of PD and LGD estimates. For sensitivity calculation purposes, the staging has been maintained unchanged:

In thousands of GEL	**30 June 2024**	**31 December 2023**
10% increase (decrease) in PD estimates	Increase (decrease) credit loss allowance on loans and advances by GEL 15,343 (GEL 14,520).	Increase (decrease) credit loss allowance on loans and advances by GEL 16,177 (GEL 15,210).
10% increase (decrease) in LGD estimates	Increase (decrease) credit loss allowance on loans and advances by GEL 24,520 (GEL 26,143).	Increase (decrease) credit loss allowance on loans and advances by GEL 24,778 (GEL 26,679).

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Estimates used for forward-looking macroeconomic scenarios and judgements made for their probability weightings.

For forward-looking information purposes, the Bank defines three macro scenarios. The scenarios are defined as baseline (most likely), upside (better than most likely) and downside (worse than most likely) scenarios of the state of the Georgian economy.

Estimates applied in differentiating between these three scenarios represent GDP, USD/GEL rate, RE price, employment levels, monetary policy rate and other macro variables. Under usual conditions, the scenario weights applied are 50%, 25% and 25% for the base case, upside and downside scenarios respectively. As at 30 June 2024 the weights remained the same as at 31 December 2023 - 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 and weighted ECL for each economic scenario as at 30 June 2024:

In thousands of GEL	**Baseline**	**Upside**	**Downside**	**Weighted**
Corporate	54,788	53,109	80,575	60,815
MSME	105,834	104,282	107,733	105,930
Consumer	178,240	177,897	178,634	178,255
Mortgage	25,920	25,775	26,216	25,956
Total	364,782	361,063	393,158	370,956

The table below describes the unweighted and weighted ECL for each economic scenario as at 31 December 2023:

In thousands of GEL	**Baseline**	**Upside**	**Downside**	**Weighted**
Corporate	49,285	49,285	66,024	53,470
MSME	108,614	106,830	110,964	108,739
Consumer	162,090	161,649	162,552	162,106
Mortgage	27,224	27,047	27,528	27,257
Total	347,213	344,811	367,068	351,572

4 Cash and Cash Equivalents

in thousands of GEL	30 June 2024	31 December 2023
Cash on hand	1,047,335	940,140
Cash balances with the National Bank of Georgia and Central Bank of Uzbekistan (other than mandatory reserve deposits)	377,594	748,464
Correspondent accounts and overnight placements with other banks	1,227,306	1,019,720
Placements with and receivables from other banks with original maturities of less than three months	1,036,225	1,055,890
Total gross amount of cash and cash equivalents	**3,688,460**	**3,764,214**
Less: credit loss allowance by stages		
Stage 1	(94)	(127)
Total cash and cash equivalents	**3,688,366**	**3,764,087**

As of 30 June 2024, 80% 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 2023: 93%).

As of 30 June 2024, GEL 906,339 thousand was placed on interbank term deposits with three OECD bank and none with non-OECD (as at 31 December 2023 GEL 1,020,150 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 22.

5 Due from Other Banks

The amounts due from other banks include placements with and receivables from other banks with original maturities of more than three months that are not collateralised and represent neither past due nor impaired amounts at 30 June 2024 and 31 December 2023.

As at 30 June 2024 the Group had no placement, with original maturities of more than three months and with aggregated amounts above GEL 5,000 thousand (2023: one).

The total aggregated number of placements with and receivables from other banks with original maturities of more than three months was GEL 20,259 thousand (2023: GEL 47,309 thousand) or 97.7% of the total amount due from other banks (2023: 98.7%).

As at 30 June 2024 GEL 699 thousand (2023: GEL 874 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 24.

For the purpose of ECL measurement due from other banks balances are included in Stage 1. The ECL for these balances as at 30 June 2024 is GEL 217 thousand (2023: GEL 242 thousand).

6 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 8.57%, 0% and 0% annual interest in GEL, USD and EUR, respectively, on mandatory reserve with NBG during the period ended 30 June 2024 (2023: 10.48%, 0% and (0.0%) in GEL, USD and EUR, respectively).

Mandatory cash balances with the Central Bank of Uzbekistan (“CBU”) are carried at AC and represent non-interest-bearing mandatory reserve deposits, which are not available to finance the Group’s Day to day operations. The amount placed in CBU are denominated in UZS.

In June, 2024, Fitch Ratings has affirmed Georgia’s Long-Term Foreign and Local Currency Issuer Default Rating (IDRs) at ‘BB’, and has revised the outlook from Positive to Stable. The country ceiling is affirmed at ’BBB- ‘, while short-term foreign and local-currency IDRs are kept at ‘B’. In February, 2024, Fitch Ratings has affirmed Uzbekistan's Long-Term Foreign and Local Currency Issuer Default Rating (IDRs) has affirmed at ‘BB-’. The country ceiling is affirmed at ’BB- ‘and short-term foreign and local-currency IDRs are affirmed at ‘B’; Outlook is Stable;

7 Loans and Advances to Customers

in thousands of GEL	**30 June 2024**	**31 December 2023**
Corporate loans	9,067,077	8,263,605
Loans to micro, small and medium enterprises	5,785,812	5,486,788
Consumer loans	4,293,820	3,593,552
Mortgage loans	4,982,098	4,729,734
Total gross loans and advances to customers at amortised cost (AC)	**24,128,807**	**22,073,679**
Less: credit loss allowance	(370,956)	(351,572)
Stage 1	*(114,165)*	*(104,666)*
Stage 2	*(80,305)*	*(88,065)*
Stage 3	*(176,486)*	*(158,841)*
Total loans and advances to customers at amortised cost (AC)	**23,757,851**	**21,722,107**

As at 30 June 2024 loans and advances to customers carried at GEL 1,049,428 thousand have been pledged to local banks or other financial institutions as collateral with respect to other borrowed funds (31 December 2023: GEL 701,285 thousand).

No post model overlays have been processed as of 30 June 2024 and 31 December 2023.

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 refer 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 refer 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 refer 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.

7 Loans and Advances to Customers (Continued)

Total loans *in thousands of GEL*	**Gross carrying amount** Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	**Total**	**Credit loss allowance** Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	**Total**
At 1 January 2024	**20,337,024**	**1,320,300**	**416,355**	**22,073,679**	**104,666**	**88,065**	**158,841**	**351,572**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(1,301,019)	1,323,016	(21,997)	-	(41,482)	49,301	(7,819)	-
- to defaulted (from Stage 1 and Stage 2 to Stage 3)	(10,207)	(255,801)	266,008	-	(1,476)	(49,011)	50,487	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	725,347	(723,296)	(2,051)	-	49,708	(48,300)	(1,408)	-
New originated or purchased	6,447,837	-	-	**6,447,837**	107,290	-	-	**107,290**
Derecognised or fully repaid during the period	(3,082,228)	(75,389)	(40,523)	**(3,198,140)**	(23,866)	(7,329)	(12,659)	**(43,854)**
Net repayments	(1,404,735)	(80,730)	(54,849)	**(1,540,314)**	-	-	-	**-**
Net re-measurement due to stage transfers, changes in risk parameters and repayments*	-	-	-	-	(82,312)	46,927	68,563	**33,178**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(81,573)	**(81,573)**	-	-	(81,573)	**(81,573)**
Changes in accrued interest	43,716	13,172	5,001	**61,889**	-	-	-	**-**
Modification	707	(106)	59	**660**	-	4	20	**24**
Foreign exchange movements	334,369	22,780	7,620	**364,769**	1,637	648	2,034	**4,319**
At 30 June 2024	**22,090,811**	**1,543,946**	**494,050**	**24,128,807**	**114,165**	**80,305**	**176,486**	**370,956**

Total loans *In thousands of GEL*	**Gross carrying amount** Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	**Total**	**Credit loss allowance** Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for defaulted)	**Total**
At 1 January 2023	**16,395,090**	**1,412,781**	**397,100**	**18,204,971**	**107,354**	**99,161**	**165,850**	**372,365**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(1,172,894)	1,198,217	(25,323)	-	(41,531)	51,537	(10,006)	-
- to defaulted (from Stage 1 and Stage 2 to Stage 3)	(29,506)	(229,468)	258,974	-	(1,914)	(48,400)	50,314	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	900,958	(900,359)	(599)	-	63,233	(63,088)	(145)	-
New originated or purchased	5,746,738	-	-	**5,746,738**	80,140	-	-	**80,140**
Derecognised or fully repaid during the period	(2,754,401)	(106,327)	(65,339)	**(2,926,067)**	(39,689)	(5,368)	(10,756)	**(55,813)**
Net repayments	(1,257,680)	(85,569)	(46,092)	**(1,389,341)**	-	-	-	**-**
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(67,333)	66,269	82,985	**81,921**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	(117,683)	**(117,683)**	-	-	(117,683)	**(117,683)**
Changes in accrued interest	27,164	6,963	(2,070)	**32,057**	-	-	-	**-**
Modification	966	108	76	**1,150**	-	-	-	**-**
Foreign exchange movements	(169,540)	(17,159)	(4,437)	**(191,136)**	(949)	(308)	(1,641)	**(2,898)**
At 30 June 2023	**17,686,895**	**1,279,187**	**394,607**	**19,360,689**	**99,311**	**99,803**	**158,918**	**358,032**

* Movements with impact on credit loss allowance charge for the period differs from statement of profit or loss with amount of recoveries and unwinding of discount of GEL 25,146 thousand in 2024 (30 June 2023: GEL 26,824 thousand). The amount of recoveries include recoveries from sale of written off portfolio in the amount of GEL 2,908 thousand sold in 2024 (2023: GEL 14,601 thousand).

7 Loans and Advances to Customers (Continued)

Corporate loans	**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 2024	**7,739,101**	**410,366**	**114,138**	**8,263,605**	**18,454**	**2,445**	**32,606**	**53,505**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(303,230)	306,466	(3,236)	**-**	(1,540)	1,540	-	**-**
- to defaulted (from Stage 1 and Stage 2 to Stage 3)	(1,584)	(37,189)	38,773	**-**	(97)	(1,613)	1,710	**-**
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	36,690	(36,690)	-	**-**	100	(100)	-	**-**
New originated or purchased	2,136,839	-	-	**2,136,839**	14,034	-	-	**14,034**
Derecognised or fully repaid during the period	(1,492,965)	(952)	(7,625)	**(1,501,542)**	(4,820)	(12)	(603)	**(5,435)**
Net repayments	(185,921)	(14,617)	(6,696)	**(207,234)**	-	-	-	**-**
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	**-**	(10,391)	1,285	6,789	**(2,317)**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	153,736	603	-	**154,339**	883	-	-	**883**
Write-offs	-	-	(695)	**(695)**	-	-	(695)	**(695)**
Changes in accrued interest	21,060	9,045	1,356	**31,461**	-	-	-	**-**
Modification	190	(18)	6	**178**	1	-	-	**1**
Foreign exchange movements	176,078	12,101	1,947	**190,126**	340	40	459	**839**
At 30 June 2024	**8,279,994**	**649,115**	**137,968**	**9,067,077**	**16,964**	**3,585**	**40,266**	**60,815**

Corporate loans	**Gross carrying amount**				**Credit loss allowance**			
In thousands of GEL	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**
At 1 January 2023	**5,741,400**	**458,334**	**82,735**	**6,282,469**	**18,930**	**1,214**	**26,314**	**46,458**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(34,151)	34,151	-	**-**	(119)	119	-	**-**
- to defaulted (from Stage 1 and Stage 2 to Stage 3)	(15,983)	(29,808)	45,791	**-**	(899)	(1,168)	2,067	**-**
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	48,324	(48,324)	-	**-**	228	(228)	-	**-**
New originated or purchased	2,537,235	-	-	**2,537,235**	19,224	-	-	**19,224**
Derecognised or fully repaid during the period	(1,635,693)	(47,874)	(22,118)	**(1,705,685)**	(22,509)	(121)	(1,184)	**(23,814)**
Net repayments	(288,995)	(14,908)	(5,273)	**(309,176)**	-	-	-	**-**
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	**-**	3,091	688	3,281	**7,060**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	182,572	-	(468)	**182,104**	544	-	(236)	**308**
Write-offs	-	-	(1)	**(1)**	-	-	(1)	**(1)**
Changes in accrued interest	9,377	4,427	(264)	**13,540**	-	-	-	**-**
Modification	419	(17)	20	**422**	-	-	-	**-**
Foreign Exchange movements	(70,517)	(9,581)	(547)	**(80,645)**	(324)	(24)	(279)	**(627)**
At 30 June 2023	**6,473,988**	**346,400**	**99,875**	**6,920,263**	**18,166**	**480**	**29,962**	**48,608**

7 Loans and Advances to Customers (Continued)

Loans to micro, small and medium enterprises	**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 2024	**4,982,978**	**325,283**	**178,527**	**5,486,788**	**24,158**	**32,785**	**51,797**	**108,740**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(306,746)	313,672	(6,926)	-	(6,701)	8,907	(2,206)	-
- to defaulted (from Stage 1 and Stage 2 to Stage 3)	(3,296)	(102,641)	105,937	-	(443)	(17,675)	18,118	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	183,817	(182,988)	(829)	-	15,583	(14,532)	(1,051)	-
New originated or purchased	1,424,234	-	-	**1,424,234**	30,751	-	-	**30,751**
Derecognised or fully repaid during the period	(536,078)	(24,747)	(18,442)	**(579,267)**	(3,514)	(2,472)	(5,852)	**(11,838)**
Net repayments	(429,983)	(27,891)	(23,778)	**(481,652)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(32,991)	16,322	18,255	**1,586**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	(145,162)	(685)	-	**(145,847)**	(837)	(12)	-	**(849)**
Write-offs	-	-	(23,490)	**(23,490)**	-	-	(23,490)	**(23,490)**
Changes in accrued interest	20,712	3,173	2,555	**26,440**	-	-	-	-
Modification	115	(143)	35	**7**	(1)	-	7	**6**
Foreign exchange movements	69,832	4,599	4,168	**78,599**	141	139	744	**1,024**
At 30 June 2024	**5,260,423**	**307,632**	**217,757**	**5,785,812**	**26,146**	**23,462**	**56,322**	**105,930**

Loans to micro, small and medium enterprises	**Gross carrying amount**				**Credit loss allowance**			
In thousands of GEL	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**
At 1 January 2023	**4,327,742**	**317,830**	**163,843**	**4,809,415**	**24,938**	**23,961**	**47,213**	**96,112**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(392,846)	400,430	(7,584)	-	(9,575)	11,562	(1,987)	-
- to defaulted (from Stage 1 and Stage 2 to Stage 3)	(802)	(96,199)	97,001	-	(155)	(13,398)	13,553	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	250,624	(250,624)	-	-	16,359	(16,359)	-	-
New originated or purchased	1,190,006	-	-	**1,190,006**	20,784	-	-	**20,784**
Derecognised or fully repaid during the period	(340,199)	(19,918)	(18,702)	**(378,819)**	(2,626)	(1,223)	(3,856)	**(7,705)**
Net repayments	(376,187)	(28,615)	(29,105)	**(433,907)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(24,376)	24,783	26,729	**27,136**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	(176,568)	(153)	-	**(176,721)**	(514)	(25)	-	**(539)**
Write-offs	-	-	(30,779)	**(30,779)**	-	-	(30,779)	**(30,779)**
Changes in accrued interest	18,804	1,288	(4,305)	**15,787**	-	-	-	-
Modification	91	88	(18)	**161**	-	-	-	-
Foreign exchange movements	(35,423)	(1,813)	(2,516)	**(39,752)**	(186)	(35)	(580)	**(801)**
At 30 June 2023	**4,465,242**	**322,314**	**167,835**	**4,955,391**	**24,649**	**29,266**	**50,293**	**104,208**

7 Loans and Advances to Customers (Continued)

Consumer loans	**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 2024	**3,296,256**	**218,195**	**79,101**	**3,593,552**	**60,181**	**45,289**	**56,600**	**162,070**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(328,548)	332,528	(3,980)	-	(32,496)	34,870	(2,374)	-
- to defaulted (from Stage 1 and Stage 2 to Stage 3)	(2,982)	(93,539)	96,521	-	(678)	(28,977)	29,655	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	180,682	(180,153)	(529)	-	30,585	(30,261)	(324)	-
New originated or purchased	2,181,612	-	-	**2,181,612**	61,956	-	-	**61,956**
Derecognised or fully repaid during the period	(862,080)	(25,500)	(8,526)	**(896,106)**	(15,444)	(4,210)	(4,385)	**(24,039)**
Net repayments	(525,002)	(24,548)	(19,100)	**(568,650)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(35,853)	28,860	38,251	**31,258**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	2,175	337	(31)	**2,481**	(26)	16	(25)	**(35)**
Write-offs	-	-	(54,971)	**(54,971)**	-	-	(54,971)	**(54,971)**
Changes in accrued interest	3,154	1,258	1,370	**5,782**	-	-	-	-
Modification	111	33	7	**151**	-	3	5	**8**
Foreign exchange movements	28,061	1,310	598	**29,969**	1,135	355	518	**2,008**
At 30 June 2024	**3,973,439**	**229,921**	**90,460**	**4,293,820**	**69,360**	**45,945**	**62,950**	**178,255**

Consumer loans	**Gross carrying amount**				**Credit loss allowance**			
In thousands of GEL	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**
At 1 January 2023	**2,521,782**	**240,812**	**97,321**	**2,859,915**	**61,186**	**64,286**	**70,411**	**195,883**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(337,432)	343,239	(5,807)	-	(30,694)	33,760	(3,066)	-
- to defaulted (from Stage 1 and Stage 2 to Stage 3)	(10,884)	(85,444)	96,328	-	(634)	(32,913)	33,547	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	207,994	(207,435)	(559)	-	41,134	(40,996)	(138)	-
New originated or purchased	1,379,416	-	-	**1,379,416**	39,562	-	-	**39,562**
Derecognised or fully repaid during the period	(601,282)	(16,689)	(17,885)	**(635,856)**	(14,437)	(3,393)	(3,167)	**(20,997)**
Net repayments	(385,651)	(24,705)	(6,007)	**(416,363)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(41,182)	41,241	47,138	**47,197**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	649	436	(27)	**1,058**	(13)	20	(5)	**2**
Write-offs	-	-	(85,156)	**(85,156)**	-	-	(85,156)	**(85,156)**
Changes in accrued interest	588	1,671	2,767	**5,026**	-	-	-	-
Modification	262	(23)	19	**258**	-	-	-	-
Foreign exchange movements	(23,552)	(954)	(654)	**(25,160)**	(411)	(152)	(406)	**(969)**
At 30 June 2023	**2,751,890**	**250,908**	**80,340**	**3,083,138**	**54,511**	**61,853**	**59,158**	**175,522**

7 Loans and Advances to Customers (Continued)

Mortgage loans *in thousands of GEL*	**Gross carrying amount**				**Credit loss allowance**			
	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 2024	**4,318,689**	**366,456**	**44,589**	**4,729,734**	**1,873**	**7,546**	**17,838**	**27,257**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(362,495)	370,350	(7,855)	-	(745)	3,984	(3,239)	-
- to defaulted (from Stage 1 and Stage 2 to Stage 3)	(2,345)	(22,432)	24,777	-	(258)	(746)	1,004	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	324,158	(323,465)	(693)	-	3,440	(3,407)	(33)	-
New originated or purchased	705,152	-	-	**705,152**	549	-	-	**549**
Derecognised or fully repaid during the period	(191,105)	(24,190)	(5,930)	**(221,225)**	(88)	(635)	(1,819)	**(2,542)**
Net repayments	(263,829)	(13,674)	(5,275)	**(282,778)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(3,077)	460	5,268	**2,651**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	(10,749)	(255)	31	**(10,973)**	(20)	(4)	25	**1**
Write-offs	-	-	(2,417)	**(2,417)**	-	-	(2,417)	**(2,417)**
Changes in accrued interest	(1,210)	(304)	(280)	**(1,794)**	-	-	-	-
Modification	291	22	11	**324**	-	1	8	**9**
Foreign exchange movements	60,398	4,770	907	**66,075**	21	114	313	**448**
At 30 June 2024	**4,576,955**	**357,278**	**47,865**	**4,982,098**	**1,695**	**7,313**	**16,948**	**25,956**

Mortgage loans *in thousands of GEL*	**Gross carrying amount**				**Credit loss allowance**			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for defaulted)**	**Total**
At 1 January 2023	**3,804,166**	**395,805**	**53,201**	**4,253,172**	**2,300**	**9,700**	**21,912**	**33,912**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 and Stage 3 to Stage 2)	(408,465)	420,397	(11,932)	-	(1,143)	6,096	(4,953)	-
- to defaulted (from Stage 1 and Stage 2 to Stage 3)	(1,837)	(18,017)	19,854	-	(226)	(921)	1,147	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	394,016	(393,976)	(40)	-	5,512	(5,505)	(7)	-
New originated or purchased	640,081	-	-	**640,081**	570	-	-	**570**
Derecognised or fully repaid during the period	(177,227)	(21,846)	(6,634)	**(205,707)**	(117)	(631)	(2,549)	**(3,297)**
Net repayments	(206,847)	(17,341)	(5,707)	**(229,895)**	-	-	-	-
Net re-measurement due to stage transfers, changes in risk parameters and repayments	-	-	-	-	(4,866)	(443)	5,837	**528**
Movements without impact on credit loss allowance charge for the period:								
Re-segmentation	(6,653)	(283)	495	**(6,441)**	(17)	5	241	**229**
Write-offs	-	-	(1,747)	**(1,747)**	-	-	(1,747)	**(1,747)**
Changes in accrued interest	(1,605)	(423)	(268)	**(2,296)**	-	-	-	-
Modification	194	60	55	**309**	-	-	-	-
Foreign exchange movements	(40,048)	(4,811)	(720)	**(45,579)**	(28)	(97)	(376)	**(501)**
At 30 June 2023	**3,995,775**	**359,565**	**46,557**	**4,401,897**	**1,985**	**8,204**	**19,505**	**29,694**

7 Loans and Advances to Customers (Continued)

The contractual amounts outstanding on loans to customers that have been written off during the period partially or fully, but are still subject to enforcement activity was principal amount GEL 10,522 thousand (31 December 2023: GEL 45,163 thousand) and accrued interest GEL 1,179 thousand (31 December 2023: GEL 6,323 thousand).

Economic sector risk concentrations within the customer loan portfolio are as follows:

	30 June 2024		31 December 2023	
in thousands of GEL	**Amount**	**%**	**Amount**	**%**
Individual	9,711,589	40%	8,709,583	39%
Real Estate	2,543,203	11%	2,020,022	9%
Construction	1,564,545	6%	1,471,145	7%
Hospitality, Restaurants & Leisure	1,327,915	6%	1,252,741	6%
Trade	1,320,269	5%	1,340,622	6%
Food Industry	1,192,233	5%	1,154,925	5%
Energy & Utilities	1,051,404	4%	997,117	5%
Agriculture	1,006,130	4%	988,519	4%
Healthcare	618,905	3%	623,301	3%
Services	556,903	2%	506,086	2%
Financial Services	385,939	2%	325,356	1%
Transportation	337,308	1%	302,072	1%
Automotive	246,629	1%	282,777	1%
Pawn Shops	226,910	1%	208,236	1%
Metals and Mining	189,546	1%	179,519	1%
Communication	54,548	1%	55,000	1%
Other	1,794,831	7%	1,656,658	8%
Total gross loans and advances to customers	**24,128,807**	**100%**	**22,073,679**	**100%**

As of 30 June 2024, the Group had 7 borrowers (31 December 2023: 7 borrowers) with aggregated gross loan amounts above GEL 100,000 thousand. The total aggregated amount of these loans was GEL 1,163,608 thousand (31 December 2023: GEL 1,111,275 thousand) or 4.9% of the gross loan portfolio (31 December 2023: 5.0%).

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;

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 selling 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.

Refer to Note 24 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 22. Information on related party balances is disclosed in Note 25.

8 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
At cost					
1 January 2023	**198,896**	**337,661**	**129,775**	**666,332**	**559,547**
Additions	4,717	26,390	18,088	**49,195**	64,950
Disposals	(151)	(3,234)	(436)	**(3,821)**	(240)
Impairment charge	-	(13)	(247)	**(260)**	-
Effect of translation to presentation currency	(23)	(1,023)	(31)	**(1,077)**	(1,212)
30 June 2023	**203,439**	**359,781**	**147,149**	**710,369**	**623,045**
1 January 2024	**205,908**	**388,099**	**175,342**	**769,349**	**705,065**
Additions	3,609	27,619	23,260	**54,488**	91,368
Transfers to investment properties	(7,311)	-	-	**(7,311)**	-
Disposals	(1,947)	(2,938)	-	**(4,885)**	(6)
Effect of translation to presentation currency	53	672	119	**844**	2,035
30 June 2024	**200,312**	**413,452**	**198,721**	**812,485**	**798,462**
Accumulated depreciation / amortization					
1 January 2023	**(40,063)**	**(183,383)**	**-**	**(223,446)**	**(176,349)**
Depreciation / amortization charge	(1,501)	(12,508)	-	**(14,009)**	(30,097)
Elimination of accumulated depreciation / amortization on disposals	42	1,769	-	**1,811**	26
Reversal of elimination of accumulated depreciation	(3,299)	(8,083)	-	**(11,382)**	1,845
Effect of translation to presentation currency	1	63	-	**64**	(2)
30 June 2023	**(44,820)**	**(202,142)**	**-**	**(246,962)**	**(204,577)**
1 January 2024	**(47,207)**	**(208,802)**	**-**	**(256,009)**	**(233,682)**
Depreciation / amortization charge	(2,267)	(16,258)	-	**(18,525)**	(35,861)
Elimination of depreciation on transfers to investment properties	1,562	-	-	**1,562**	-
Elimination of accumulated depreciation / amortization on disposals	1,124	1,323	-	**2,447**	6
Effect of translation to presentation currency	(28)	(105)	-	**(133)**	500
30 June 2024	**(46,816)**	**(223,842)**	**-**	**(270,658)**	**(269,037)**
Carrying amount					
30 June 2023	**158,619**	**157,639**	**147,149**	**463,407**	**418,468**
30 June 2024	**153,496**	**189,610**	**198,721**	**541,827**	**529,425**

*Office and other equipment include furniture and fixtures, computer and office equipment, motor vehicles as well as other equipment.

Construction in progress consists of construction and refurbishment of branch premises and the Bank's new headquarters, that will be transferred to premises upon completion.

9 Due to Credit Institutions

in thousands of GEL	30 June 2024	31 December 2023
Due to other banks		
Correspondent accounts and overnight placements	128,780	247,064
Deposits from banks	941,827	642,493
Total due to other banks	**1,070,607**	**889,557**
Other borrowed funds		
Borrowings from foreign banks and international financial institutions	2,353,593	2,337,897
Borrowings from other local banks and financial institutions	21,201	46,973
Borrowings from National Bank of Georgia	1,400,931	1,120,755
Total other borrowed funds	**3,775,725**	**3,505,625**
Total amounts due to credit institutions	**4,846,332**	**4,395,182**

10 Customer Accounts

in thousands of GEL	30 June 2024	31 December 2023
State and public organizations		
Current/settlement accounts	1,088,587	1,129,559
Term deposits	811,959	558,197
Other legal entities		
Current/settlement accounts	6,160,380	7,111,063
Term deposits	2,335,297	1,164,425
Individuals		
Current/settlement accounts	5,419,056	5,326,763
Term deposits	5,649,299	5,085,491
Total customer accounts	**21,464,578**	**20,375,498**

State and public organisations include government owned profit orientated businesses.

Economic sector concentrations within customer accounts are as follows:

	30 June 2024		31 December 2023	
in thousands of GEL	Amount	%	Amount	%
Individuals	11,068,355	52%	10,410,421	51%
Financial services	2,267,666	11%	1,700,448	8%
Trade	1,458,054	7%	1,798,254	9%
Government sector	1,286,784	6%	825,041	4%
Services	838,450	4%	753,492	4%
Energy & utilities	796,141	4%	920,555	5%
Transportation	743,775	3%	708,923	3%
Construction	670,486	3%	755,125	4%
Real estate	618,385	3%	545,278	3%
Hospitality & leisure	219,192	1%	228,611	1%
Healthcare	190,151	1%	206,274	1%
Agriculture	104,355	<1%	77,871	<1%
Metals and mining	28,011	<1%	23,321	<1%
Other	1,174,773	5%	1,421,884	7%
Total customer accounts	**21,464,578**	**100%**	**20,375,498**	**100%**

As of 30 June 2024, the Group had 162 customers (31 December 2023: 154 customers) with balances above GEL 10,000 thousand. Their aggregate balance was GEL 8,076,465 thousand (31 December 2023: GEL 7,281,004 thousand) or 37.6% of total customer accounts (31 December 2023: 35.7%).

10 Customer Accounts (Continued)

As of 30 June 2024, included in customer accounts are deposits of GEL 82,707 thousand and GEL 172,899 thousand (31 December 2023: GEL 146,550 thousand and GEL 208,214 thousand) held as collateral for irrevocable commitments under letters of credit and guarantees issued, respectively. The latter is discussed in Note 23. As of 30 June 2024, deposits held as collateral for loans to customers amounted to GEL 679,378 thousand (31 December 2023: GEL 784,512 thousand).

Refer to Note 24 for the disclosure of the fair value of each class of customer accounts. The information on related party balances is disclosed in Note 25.

11 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**	**Total**
Carrying amount as of 1 January 2023	**7,206**	**3,177**	**9,525**	**19,908**
Charges/(releases) recorded in profit or loss	1,424	(488)	121	1,057
Foreign exchange movements	(71)	(41)	(86)	(198)
Carrying amount at 30 June 2023	**8,559**	**2,648**	**9,560**	**20,767**
Carrying amount as of 1 January 2024	**8,595**	**2,698**	**9,767**	**21,060**
Charges/(releases) recorded in profit or loss	449	(670)	(74)	(295)
Foreign exchange and other movements	125	73	(293)	(95)
Carrying amount as of 30 June 2024	**9,169**	**2,101**	**9,400**	**20,670**

Credit related commitments and performance guarantees: Impairment allowance estimation methods differ for (i) letter of credits and guarantees and (ii) undrawn credit lines. For letter of credits and guarantees allowance estimation purposes the Group applies the staged approach and classifies them in stage 1, stage 2 or stage 3. Significant stage 2 and 3 guarantees are assessed individually. Non-significant stage 3 as well as all stage 1 and stage 2 guarantees and 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.

12 Debt Securities in Issue

in thousands of GEL	Currency	Carrying amount as of 30 June 2024	Maturity Date	Coupon rate	Effective interest rate
Bonds issued on Irish Stock Exchange	USD	847,788	10/30/2029	10.3%	11.0%
Bonds issued on Irish Stock Exchange	USD	358,570	10/3/2024	10.8%	11.6%
Bonds issued on Irish Stock Exchange	USD	214,429	2/4/2027	8.9%	9.9%
Private placement	USD	85,134	5/13/2026	7.50%	8.3%
Private placement	USD	57,365	7/27/2026	7.50%	8.3%
Private placement	USD	54,251	4/18/2027	8.25%	8.9%
Private placement	USD	48,729	2/8/2027	7.25%	7.9%
Private placement	USD	42,233	3/20/2026	7.00%	7.6%
Private placement	USD	30,473	8/18/2024	5.00%	5.5%
Private placement	USD	19,017	4/29/2030	8.0%	8.5%
Bonds issued on Georgian Stock Exchange	GEL	79,931	3/20/2026	3M TIBR + 2.75%	13.06%
Bonds issued on Georgian Stock Exchange	GEL	10,127	6/27/2026	3M TIBR + 2.75%	12.67%
Baku Stock Exchange CJSC	AZN	1,753	7/15/2024	12.0%	12.4%
Total debt securities in issue		**1,849,800**			

in thousands of GEL	Currency	Carrying amount as of 31 December 2023	Maturity Date	Coupon rate	Effective interest rate
Bonds issued on Irish Stock Exchange	USD	613,238	6/19/2024	5.8%	6.5%
Bonds issued on Irish Stock Exchange	USD	342,372	10/3/2024	10.8%	11.4%
Bonds issued on Irish Stock Exchange	USD	204,643	2/4/2027	8.9%	9.9%
Private placement	USD	18,214	4/29/2030	8.0%	8.5%
Private placement	USD	84,064	8/18/2024	5.00%	5.5%
Private placement	USD	41,079	5/11/2024	6.00%	6.6%
Private placement	USD	40,427	3/20/2026	7.00%	7.6%
Bonds issued on Georgian Stock Exchange	GEL	68,710	3/20/2026	3M TIBR + 2.75%	14.17%
Bonds issued on Georgian Stock Exchange	GEL	10,171	6/27/2026	3M TIBR + 2.75%	14.08%
Baku Stock Exchange CJSC	AZN	1,593	6/6/2024	12.0%	12.4%
Baku Stock Exchange CJSC	AZN	1,663	7/15/2024	12.0%	12.4%
Total debt securities in issue		**1,426,174**			

On February 8 2024, TBC Bank Group PLC issued the USD 30,000,000, 7.25% senior unsecured Notes due on 8 February 2027, that will be redeemed at their principal amount. Interest on the Notes is payable semi-annually. The issue price is 100% of nominal value.

On April 18 2024, TBC Bank Group PLC issued the USD 20,000,000, 8.25% senior unsecured Notes due on 18 April 2027, that will be redeemed at their principal amount. Interest on the Notes is payable semi-annually. The issue price is 100% of nominal value.

On May 13 2024, TBC Bank Group PLC issued the USD 30,000,000, 7.50% senior unsecured Notes due on 13 May 2026, that will be redeemed at their principal amount. Interest on the Notes is payable semi-annually. The issue price is 100% of nominal value.

On June 27 2024, TBC Bank Group PLC issued the USD 30,000,000, 7.50% senior unsecured Notes due on 27 July, 2026 that will be redeemed at their principal amount. Interest on the Notes is payable semi-annually. The issue price is 100% of nominal value.

On April 23 2024, JSC TBC Bank successfully issued USD 300 million, 10.25% yield, Perpetual Subordinated Callable Additional Tier 1 Capital Notes, which were met with strong investor demand from the EU, UK, and US. The European Bank for Reconstruction and Development (EBRD) has acted as an anchor investor for 20% of issued Capital Notes. The Notes were listed on Euronext Dublin's Global Exchange Market and rated B2 by Moody's.

On 20 March 2023 the TBC Bank Group PLC completed the transaction of USD 15 million 3-year 7% senior unsecured bonds issue (the “Notes”). The private placement is direct, unsecured and unsubordinated obligations of the Group, issued in Georgia.

On 20 March 2023, TBC Leasing JSC placed senior secured bonds of amount GEL 100 million on the Georgian Stock Exchange JSC out of which as of 30 June 2023 GEL 88.71 million was sold to investors. The coupon rate of securities is variable, 2.75% added to the 3-month Tbilisi Interbank Interest rate. Fitch rates the bonds ‘BB- ‘.

On 27 April 2023, the Bank has issued USD 30 million 7-year, 8% Subordinated notes, through the private placement, out of which as of 30 June 2023 USD 6.7 million was sold to investors.

On 28 June 2023, TBC Leasing JSC issued Green Bonds of amount GEL 15 million on the Georgian Stock Exchange JSC. The coupon rate of securities is variable, 2.75% added to the 3-month Tbilisi Interbank Interest rate. Fitch rates the bonds ‘BB- ‘.
On 14 July 2022 the TBC Kredit LLC issued interest-baring paperless unsecured bond in the amount of AZN 1 million, with 2-year maturity at 12%.

13 Subordinated Debt

As of 30 June 2024, subordinated debt comprised of:

in thousands of GEL	Grant Date	Maturity Date	Currency	Agreement Interest Rate	Outstanding amount in GEL
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. FMO	2/1/2024	1/16/2034	EUR	9.6%	185,186
Asian Development Bank	10/18/2016	12/31/2026	USD	9.8%	142,806
DEG	9/26/2023	9/26/2033	EUR	9.5%	92,576
EBRD London	11/20/2023	11/21/2033	USD	11.2%	86,228
Global Climate Partnership Fund	11/20/2018	11/20/2028	USD	11.7%	70,541
Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. FMO	4/17/2024	1/16/2034	EUR	9.7%	60,497
European Fund for Southeast Europe	12/21/2018	12/21/2028	USD	8.8%	56,381
BlueOrchard Microfinance Fund	6/9/2023	6/9/2033	USD	11.5%	56,028
Green for Growth Fund	12/18/2015	12/16/2030	USD	11.6%	43,419
BlueOrchard Microfinance Fund	12/14/2018	12/15/2025	USD	9.3%	42,199
BlueOrchard Microfinance Fund	12/14/2018	12/14/2028	USD	9.3%	42,118
European Fund for Southeast Europe	12/18/2015	12/16/2030	USD	11.6%	21,708
European Fund for Southeast Europe	3/15/2016	3/17/2031	USD	11.6%	21,703
ResponsAbility SICAV (Lux) Micro and SME Finance Fund	11/30/2018	11/30/2028	USD	11.9%	16,740
ResponsAbility SICAV (Lux) Micro and SME Finance Fund	4/7/2022	4/7/2032	USD	11.2%	14,573
ResponsAbility SICAV (Lux) Micro and SME Finance Leaders	4/7/2022	4/7/2032	USD	11.2%	11,716
ResponsAbility SICAV (Lux) - Financial Inclusion Fund	4/7/2022	4/7/2032	USD	11.2%	11,144
ResponsAbility SICAV (Lux) - Financial Inclusion Fund	11/30/2018	11/30/2028	USD	11.9%	8,794
Triple Jump Innovation Fund	3/14/2023	4/15/2028	USD	9.0%	8,706
ResponsAbility SICAV (Lux) Micro and SME Finance Leaders	4/7/2022	4/7/2032	USD	11.2%	5,429
ResponsAbility SICAV (Lux) - Microfinance Leaders	11/30/2018	11/30/2028	USD	11.9%	2,837
Private lenders	6/8/2017-3/31/2023	6/30/2023-6/30/2031	USD	8-9.5%	151,512
Total subordinated debt					**1,152,841**

As of 31 December 2023, subordinated debt comprised of:

in thousands of GEL	Grant Date	Maturity Date	Currency	Agreement Interest Rate	Outstanding amount in GEL
Asian Development Bank	10/18/2016	12/31/2026	USD	10.1%	136,732
DEG	9/26/2023	9/26/2033	EUR	9.7%	90,669
EBRD London	11/20/2023	11/21/2033	USD	11.4%	80,864
Global Climate Partnership Fund	11/20/2018	11/20/2028	USD	11.8%	67,576
European Fund for Southeast Europe	12/21/2018	12/21/2028	USD	8.8%	53,999
BlueOrchard Microfinance Fund	06.09.2023	06.09.2033	USD	11.5%	53,604
Green for Growth Fund	12/18/2015	12/16/2030	USD	11.8%	41,572
BlueOrchard Microfinance Fund	12/14/2018	12/15/2025	USD	9.3%	40,363
BlueOrchard Microfinance Fund	12/14/2018	12/14/2028	USD	9.3%	40,296
European Fund for Southeast Europe	12/18/2015	12/16/2030	USD	11.8%	20,785
European Fund for Southeast Europe	3/15/2016	3/17/2031	USD	11.8%	20,780
ResponsAbility SICAV (Lux) - Micro and SME Finance Fund	11/30/2018	11/30/2028	USD	11.9%	16,025
ResponsAbility SICAV (Lux) - Micro and SME Finance Fund	04.07.2022	04.07.2032	USD	11.4%	13,943
ResponsAbility SICAV (Lux) - Micro and SME Finance Leaders	04.07.2022	04.07.2032	USD	11.4%	11,209
ResponsAbility SICAV (Lux) - Financial Inclusion Fund	04.07.2022	04.07.2032	USD	11.4%	10,662
ResponsAbility SICAV (Lux) - Financial Inclusion Fund	11/30/2018	11/30/2028	USD	11.9%	8,418
Triple Jump Innovation Fund	3/14/2023	4/15/2028	USD	9.0%	8,330
ResponsAbility SICAV (Lux) - Micro and SME Finance Leaders	04.07.2022	04.07.2032	USD	11.4%	5,194
ResponsAbility SICAV (Lux) - Microfinance Leaders	11/30/2018	11/30/2028	USD	11.9%	2,716
Private Lenders	06/08/2017-08/08/2023	11/18/2024-08/08/2031	USD	8-9.5%	144,993
Total subordinated debt					**868,730**

The debt ranks after all other creditors in case of liquidation, except AT1 Notes listed in Note 12.

Refer to Note 24 for the disclosure of the fair value of subordinated debt. Information on related party balances is disclosed in Note 25.

14 Equity

Share capital

in thousands of GEL, unless otherwise indicated	Number of ordinary shares	Share Capital
As of 1 January 2023	**55,102,766**	**1,681**
Scrip dividend issued	402,245	13
Shares cancelled	(111,347)	(4)
As of 31 December 2023	**55,393,664**	**1,690**
Scrip dividend issued	-	-
Shares cancelled	(31,697)	(1)
As of 30 June 2024	**55,361,967**	**1,689**

As of 30 June 2024, the total authorized number of ordinary shares was 55,361,967 shares (31 December 2023: 55,393,664 shares). Each share has a nominal value of one British Penny. All issued ordinary shares are fully paid and entitled to dividends.

Dividends

All dividends are declared in GEL and paid in GBP.

On 16 February 2024, TBC Bank Group PLC's Board of directors declared a final dividend of GEL 4.67 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 14 June 2024 and dividend was paid on 19 July 2024. As a result, the company has issued additional 871,937 shares to meet requests of those shareholders who opted to receive a scrip dividend.

On 10 August 2023, TBC Bank Group PLC's Board of directors declared an interim dividend of GEL 2.55 per share payable by cash or shares (under TBC Bank Group PLC's SCRIP dividend program) at the option of the Shareholders. The record date was on 8 September 2023 and dividend was paid on 13 October 2023. As a result, the company has issued additional 253,448 shares to meet requests of those shareholders who opted to receive a scrip dividend.

On 18 April 2023, TBC Bank Group PLC's Board of directors declared a final dividend of GEL 2.95 per share payable by cash or shares (under TBC Bank Group PLC's scrip dividend program) at the option of the Shareholders. The record date was on 12 May 2023 and dividend was paid on 14 June 2023. As a result, the company has issued additional 148,797 shares to meet requests of those shareholders who opted to receive a scrip dividend.

Shares held by trust

Part of the shares are held by employee benefit trust (EBT) for the purpose of future employee share based payments plan. The number of shares held by trust as at 30 June 2024 comprised 868,235 shares (31 December 2023: 1,133,044 shares). The EBT has waived its rights to receive dividends on such shares.

Option agreement with TBC Bank Uzbekistan JSC minority shareholders

In September 2021, the Group entered into the agreement with existing minority interest shareholders of TBC Bank Uzbekistan JSC allowing the parties to exercise call and put options for acquisition of minority shares. As part of the option agreement, the selling shareholders have a put option to sell their remaining minority stake in the TBC Bank Uzbekistan JSC beginning on the sixth anniversary of the date of the Investor Subscription Agreement continuing for so long thereafter as either option-holder holds any option-holder shares or has any obligation to subscribe for any option-holder shares under its Investor Subscription Agreement. At initial recognition, the Group has recognized the 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-recognized in line with IFRS requirements as ownership interest has been retained by minority shareholders.

The redemption liability is carried at amortized 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.

14 Equity (Continued)

The redemption liability and other reserve balances represented GEL 419,928 thousand as at 30 June 2024 (31 December 2023: 365,480 thousand).

Option agreement with Inspired LLC minority shareholders

In April 2019, the Group entered into the agreement with existing minority interest shareholders of Inspired LLC allowing the parties to exercise call and put options for acquisition of minority shares. As part of the option agreement, the selling shareholders have a put option to sell their remaining minority stake in the Inspired LLC beginning from 48 months to 72 months (inclusive) from the closing date prescribed in the agreement. At initial recognition, the Group has recognized the 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 or such requirements arises given the put option agreement had been signed with holders of the non-controlling interest (NCI) of subsidiary entity.

In May 2023 TBC Bank Group PLC finalized the acquisition process of the remaining 49% interest of Inspired LLC. The acquisition price paid to minority shareholders amounted to GEL 141,234 thousand. Accordingly, respective redemption liability has been derecognized as it is fully settled at the acquisition date.

15 Share Based Payments

2024 remuneration scheme – executive directors

TBC Bank Group PLC ("TBC PLC") announced a directors' remuneration policy, which was approved by shareholders at the 2024 AGM and provides the framework for directors' remuneration for the three-year period from 2024-2026;

In consideration of the evolving strategy, the maturity of the business, and local market practices, there was a proposal to alter the structure of the incentive model. The change involved transitioning from separate annual bonuses delivered in shares and an LTIP scheme to a unified incentive known as the "Combined Incentive Plan." This new plan integrates short and long-term performance elements, incorporating a substantial long-term share-based deferral.

The new arrangement replaced the existing remuneration plan for executive directors starting from 2024. Therefore, the 2024 year has been modified with the new plan. Modification of the previous remuneration scheme did not result in acceleration as the terms have not been worsened for scheme participants.

New plan for executive directors from 2024, includes following components regarding share remuneration:

- **Shares Salary** will be subject to a 3-year holding period and will be released in three annual tranches after one, two and three years respectively at 33%-33%-34% (not subject to any continuing service requirements, malus or claw back).

- **Variable Pay – Combined Incentive Plan ("CIP")**, which includes a **three-step performance** assessment process:

  1. **Performance Gateway** – Eligibility for payments under the Combined Incentive Plan is subject to passing gateway criteria, measured over the annual KPI performance period, with three financial metrics of the Group (including capital, liquidity and profitability).
  2. **Annual KPI Performance Scorecard** – Based on performance against the annual KPI targets, the Remuneration Committee will determine an overall payout percentage of salary. The payout is split between:
     - Share Award – 40% of the total variable pay, that will be paid in shares and must be held for at least three years
     - Long-Term Share Award – 60% of the total variable pay, that will be awarded as a deferred share award and will vest after five years.
  3. **Total Shareholder Return (TSR) alignment mechanism** – The grant value of a Long-Term Share Award determined by the stringent performance assessment in performance step 1 and 2, may be scaled back by up to 50%, if TBC Group's TSR is not at least in line with a weighted TSR index.

The participants are entitled to receive dividends on the Share Salary and the Share Award.

2022-2023 remuneration scheme – executive directors

The below section explains only the components that are still expensed based on the 2022-2023 schemes until vesting. The remuneration 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 2022-2023. The Share salary from previous systems have already been vested.

15 Share Based Payments (Continued)

Variable Remuneration

Variable remuneration of the Top Management consisted of the annual bonus delivered in shares (the "Annual Bonus") and the share awards under the Long-Term Incentive Plan (the "LTIP Award"). 60% of variable remuneration is the LTIP Award and the remaining 40% constituted the Annual Bonus.

(a) *Annual Bonus under Deferred Share plan 2022-2023* Annual Bonus is delivered in TBC PLC shares. The Executive Directors received the annual bonus entirely in TBC PLC shares and it did not comprise any cash component. Annual Bonus award is 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) 2022-2023 The level of LTIP Award grant was 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 would then be subject to 3-year LTIP forward-looking performance conditions and would vest at the end of 5-year period following the grant. LTIP Award forward-looking KPIs were set at the beginning of each year in relation to that year's cycle by the Remuneration Committee. The Participants are not entitled to any dividend or voting rights until the LTIP Award vests.

Middle Management

Middle management receives cash bonuses, as well as share-based awards. According to the scheme, each year, subject to predefined performance conditions, a certain number of shares are awarded to most of the middle managers in the Group. The performance features key performance indicators (KPIs) divided into (i) corporate and (ii) individual. The corporate KPIs are mainly related to achieving profitability, efficiency, and portfolio quality metrics set by the Board as well as non-financial indicators regarding to customers' experience and employees' engagement. The individual performance indicators are set on an individual basis and are used to calculate the number of shares to be awarded to each employee. Once awarded, all shares carry service conditions and, before those conditions are met, are eligible for dividends; however, they cannot be sold or transferred to third parties.

Service conditions foresee continuous employment until the gradual transfer of the full title to the scheme participants is complete. Vesting conditions are 33%, 33%, 34% per year for the 3-year period since the award date. Under this compensation system the total vesting period extends to 4 years since the grant date. In addition, the variable remuneration structure for other identified Material Risk Taker ("MRT") employees, below the level of executive management board members of TBC Bank JSC, is subject to regulatory requirements and is in line with the NBG CG Code.

Currently, 2023-2024 2-year remuneration is being granted.

Tabular information on the schemes is given below:

	30 June 2024	31 December 2023
Number of unvested shares at the beginning of the period	**1,608,323**	**2,044,604**
Number of shares granted	285,871	433,288
Change in estimates of number of shares expected to vest	(122,504)	(534,819)
Change in number of shares awarded for 2022 based on actual share price, exchange rate and KPI accomplishment	52,629	(95,654)
Number of shares vested	(289,738)	(239,096)
Number of unvested shares at the end of the period	**1,534,581**	**1,608,323**

Staff costs related to equity settled part of the share-based payment schemes are recognised in the income statement on a pro-rata basis over the vesting period of each relevant scheme tranche and corresponding entry is credited to share based payment reserve in equity. Expense recognised as staff cost during the period was GEL 14,049 thousand (30 June 2023: GEL 16,072 thousand).

The fair value of the employee services received in exchange for the grant of the equity instruments is determined by the nature of the award. Currently there are several types of share-based award schemes as described above. The deferred share salary and deferred share bonus and combined incentive plan are the grants of the possible bonus pool amount, which will be based on the performance conditions. The fair value of the award is determined by the present value of the amount as at grant date and probable performance conditions accomplishment. The LTIP are the awards of potential maximum share numbers also up to performance conditions. The fair value of the award as of the grant date is determined by the grant date share price and probable performance conditions accomplishment. The fair value amount of 2024 performance related grants are GEL 58,965 thousand. The tax part of the existing variable remuneration system is accounted for on both equity and cash settled basis. Cash settled part recognised as liability at the end of 30 June 2024 is GEL 1,330 thousand (31 December 2023: GEL 267 thousand).

15 Share Based Payments (Continued)

The Group operates employee benefit trust (EBT) set up by the Executive Equity Compensation Trustee – Sanne Fiduciary Services Limited (the "Trustee") which acts as the trustee of the Group's share-based payments plan. EBT, under the instruction of the Company, purchases TBC Bank Group PLC's shares from the open market and holds them before they are awarded to participants of share-based payment plan. 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 condensed consolidated interim statement of financial position until they are awarded to participants. As at 30 June 2024 the share number held by Trustee was 868,235 (31 December 2023: 1,133,044), which represents 1.6% of total outstanding shares (31 December 2023: 2.0%).

16 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 period.

	Six months ended	
in thousands of GEL	**30 June 2024**	**30 June 2023**
Profit for the period attributable to the owners of the Group	617,400	537,459
Weighted average number of ordinary shares in issue	54,482,692	54,264,880
Basic earnings per ordinary share attributable to the owners of the Group (expressed in GEL per share)	**11.33**	**9.90**

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 period. 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.

	Six months ended	
in thousands of GEL	**30 June 2024**	**30 June 2023**
Profit for the period attributable to the owners of the Group	617,400	537,459
Weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares during the period	54,722,115	55,093,204
Diluted earnings per ordinary share attributable to the owners of the Group (expressed in GEL per share)	**11.28**	**9.76**

17 Segment Analysis

The Management Board (the "Board") is the chief operating decision maker (CODM) and it reviews the Group's internal reporting in order to assess the performance and to allocate resources.

Following the increase in the Group's businesses, the Group has formed two separate executive committees with different memberships. The separate Group executive committee (CODM for Group purposes) is responsible for managing group results, while sub-segmental management is performed by subsidiaries executive committees. The Georgian financial services segment was presented by sub-segments in previous reporting periods. The change is in line with Groups structural development and way the Group is managed. Respectively, segmental information disclosure for Groups consolidated financial statements starting from 2024 reflects the same pattern, by concentrating on Group's major segments. The operating segments are defined as follows:

- Georgian financial services - include JSC TBC Bank with its Georgian subsidiaries and JSC TBC Insurance, with its subsidiary.

- Uzbekistan operations – TBC Bank Uzbekistan with respective subsidiaries and PayMe JSC.;

- Other operations and eliminations – include non-material or non-financial subsidiaries of the group and intra-group eliminations.

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 the six months period ended June 2024 and 2023.

Allocation of indirect expenses is performed based on drivers identified for each type of cost where possible. If there is no identifiable driver for any type of expense/overhead cost, those expenses are allocated between segments based on the same logic as applied for the expenses with similar nature (e.g., other operating expenses would follow the pattern of closest category of operating expenses).

The intersegment transfer pricing methodology is an internally developed tool founded on matched maturity logics. It is used to effectively manage liquidity and mitigate interest rate risks within the Group. The process entails the corporate centre borrowing monetary amounts (deposits) from different business segments. Compensation for each deposit is based on its specific currency, duration, type, liquidity and capital requirements, ensuring equitable treatment for each segment. In turn, business segments borrow funds from the corporate centre to finance loans and other assets. The pricing for each borrowing transaction is determined based on factors such as the currency, loan type (fixed, floating, mixed interest rates), loan duration, and capital requirement.

17 Segment Analysis (Continued)

The tables below present the income statement and certain asset and liability information regarding the Group's operating segments as at and for the six months period ended 30 June 2024:

in thousands of GEL	Georgian financial services	Uzbekistan operations	Other operations and eliminations*	Total
Interest income	1,489,504	225,064	4,335	**1,718,903**
Interest expense	(759,250)	(98,629)	1,174	**(856,705)**
Net interest gains on currency swaps	43,604	(5,128)	281	**38,757**
Net interest income	**773,858**	**121,307**	**5,790**	**900,955**
Fee and commission income	312,975	62,934	4,453	**380,362**
Fee and commission expense	(133,811)	(18,670)	(180)	**(152,661)**
Net fee and commission income	**179,164**	**44,264**	**4,273**	**227,701**
Net insurance income	17,266	-	(363)	**16,903**
Net gains from derivatives, foreign currency operations and translation	152,799	(456)	(5,227)	**147,116**
Other operating income	3,469	11	151	**3,631**
Share of profit of associate	105	-	-	**105**
Other operating non-interest income and net insurance income	**173,639**	**(445)**	**(5,439)**	**167,755**
Credit loss allowance for loans to customers	(50,928)	(25,803)	5,166	**(71,565)**
Credit loss allowance for other financial and impairment of non-financial assets	(3,382)	(1,552)	(197)	**(5,131)**
Operating income after expected credit loss allowance and non-financial asset impairment losses	**1,072,351**	**137,771**	**9,593**	**1,219,715**
Staff costs	(207,095)	(28,002)	(27,119)	**(262,216)**
Depreciation and amortization	(59,278)	(5,91)	(4,532)	**(69,722)**
Administrative and other operating expenses	(96,762)	(54,816)	(2,732)	**(154,310)**
Operating expenses	**(363,135)**	**(88,730)**	**(34,383)**	**(486,248)**
Profit before tax	**709,216**	**49,041**	**(24,790)**	**733,467**
Income tax expense	(100,870)	(6,825)	(3)	**(107,698)**
Profit for the period	**608,346**	**42,216**	**(24,793)**	**625,769**

*The Group has not disclosed eliminations separately considering their immateriality. Meanwhile other operating income includes intergroup eliminated dividends of GEL 451,718 thousand.

in thousands of GEL	Georgian financial services	Uzbekistan operations	Other operations	Eliminations	Total
Gross loans and advances to customers	22,983,036	1,122,400	180,117	(156,746)	**24,128,807**
Customer accounts	20,867,540	721,632	-	(124,594)	**21,464,578**
Credit related commitments and performance guarantees	3,281,276	-	-	-	**3,281,276**

17 Segment Analysis (Continued)

The tables below present the income statement for the six months period ended 30 June 2023 and certain asset and liability information as at 31 December 2023 regarding the Group's operating segments:

in thousands of GEL	Georgian financial services	Uzbekistan operations	Other operations and intersegment eliminations*	Total
Interest income	1,277,525	103,255	3,190	**1,383,970**
Interest expense	(604,270)	(50,366)	(2,229)	**(656,865)**
Net interest gains on currency swaps	39,024	-	-	**39,024**
Net interest income	**712,279**	**52,889**	**961**	**766,129**
Fee and commission income	266,221	45,841	1,468	**313,530**
Fee and commission expense	(104,820)	(10,472)	(164)	**(115,456)**
Net fee and commission income	**161,401**	**35,369**	**1,304**	**198,074**
Net insurance income	12,760	-	(358)	**12,402**
Net gains from derivatives, foreign currency operations and translation	133,319	83	(11,674)	**121,728**
Other operating income	16,233	32	3,865	**20,130**
Share of profit of associate	542	-	-	**542**
Other operating non-interest income and net insurance income	**162,854**	**115**	**(8,167)**	**154,802**
Credit loss allowance for loans to customers	(67,252)	(12,882)	710	**(79,424)**
Credit loss allowance for other financial and impairment of non-financial assets	(5,876)	(1,301)	(501)	**(7,678)**
Operating income after expected credit loss allowance and non-financial asset impairment losses	**963,406**	**74,190**	**(5,693)**	**1,031,903**
Staff costs	(177,469)	(18,300)	(16,381)	**(212,150)**
Depreciation and amortization	(50,293)	(4,230)	(3,425)	**(57,948)**
Administrative and other operating expenses	(86,412)	(24,825)	(5,005)	**(116,242)**
Operating expenses	**(314,174)**	**(47,355)**	**(24,811)**	**(386,340)**
Profit before tax	**649,232**	**26,835**	**(30,504)**	**645,563**
Income tax expense	(95,958)	(1,623)	64	**(97,517)**
Profit for the period	**553,274**	**25,212**	**(30,440)**	**548,046**

*The Group has not disclosed eliminations separately considering their immateriality.

in thousands of GEL	Georgian financial services	Uzbekistan operations	Other operations	Eliminations	Total
Gross loans and advances to customers	21,257,692	796,930	59,582	(40,525)	**22,073,679**
Customer accounts	19,900,342	581,483	-	(106,327)	**20,375,498**
Credit related commitments and performance guarantees	3,479,089	-	-	-	**3,479,089**

17 Segment Analysis (Continued)

The table below discloses information of timing of revenue recognition by segments for the six months period ended 30 June, 2024:

in thousands of GEL	**Georgian financial services**	**Uzbekistan operations**	**Other operations and intersegment eliminations***	**Total**
- Fee and commission income	312,975	62,934	4,453	**380,362**
- Other operating income	3,185	11	151	**3,347**
Total	**316,160**	**62,945**	**4,604**	**383,709**
Timing of revenue recognition:				
- At point in time	315,951	62,945	4,604	**383,500**
- Over a period of time	209	-	-	**209**

*The Group has not disclosed eliminations separately considering their immateriality.

The table below discloses information of timing of revenue recognition by segments for the six months period ended 30 June, 2023:

in thousands of GEL	**Georgian financial services**	**Uzbekistan operations**	**Other operations and intersegment eliminations***	**Total**
- Fee and commission income	266,221	45,841	1,468	**313,530**
- Other operating income	11,914	32	3,865	**15,811**
Total	**278,135**	**45,873**	**5,333**	**329,341**
Timing of revenue recognition:				
- At point in time	277,579	45,873	5,333	**328,785**
- Over a period of time	556	-	-	**556**

*The Group has not disclosed eliminations separately considering their immateriality.

18 Interest Income and Expense

	Six months ended	
in thousands of GEL	**30 June 2024**	**30 June 2023**
Interest income calculated using effective interest method		
Loans and advances to customers	1,425,192	1,148,170
Investment securities measured at fair value through other comprehensive income	158,745	140,227
Due from other banks	70,208	47,797
Bonds carried at amortized cost	9,418	3,400
Repurchase receivables	-	2,449
Other financial assets	1,546	1,492
Other interest income		
Finance lease receivables	53,794	40,435
Total interest income	**1,718,903**	**1,383,970**
Interest expense		
Customer accounts	(546,218)	(428,316)
Due to credit institutions	(181,813)	(143,143)
Debt securities in issue	(72,739)	(54,269)
Subordinated debt	(52,689)	(29,233)
Other interest expense		
Lease Liabilities	(3,246)	(1,904)
Total interest expense	**(856,705)**	**(656,865)**
Net interest gains on currency swaps	38,757	39,024
Net interest income	**900,955**	**766,129**

During 2024 interest accrued on defaulted loans amounted to GEL 15,339 thousand (2023: 16,373 thousand).

During six months ended 2024 capitalized interest expense in the amount of GEL 1,926 thousand (Six months ended 30 June 2023: GEL 994 thousand) was attributable to the development of the Group's headquarter. The capitalization rate used to determine the amount of borrowing costs eligible for capitalization is weighted average of interest-bearing liabilities by currencies: 8.3% in GEL, 2.7% in USD and 2.9% in EUR. (2023: 9.0% in GEL, 2.1% in USD and 1.0% in EUR). For details of construction in progress please refer to Note 8.

19 Fee and Commission Income and Expense

Below tables disclose fee and commission income and expense by segments. For the definition of the segments refer to Note 17.

Six months ended 30 June 2024 *in thousands of GEL*	**Georgian financial services**	**Uzbekistan operations**	**Other operations and intersegment eliminations***	**Total**
Fee and commission income in respect of financial instruments not at fair value through profit or loss:				
- Card operations	175,166	388	(809)	**174,745**
- Settlement transactions	73,830	58,153	(49)	**131,934**
- Guarantees issued	25,993	-	-	**25,993**
- Cash transactions	8,620	-	-	**8,620**
- Issuance of letters of credit	3,308	-	-	**3,308**
- Other	26,058	4,393	5,311	**35,762**
Total fee and commission income	**312,975**	**62,934**	**4,453**	**380,362**
Fee and commission expense in respect of financial instruments not at fair value through profit or loss:				
- Card operations	(100,604)	(1,300)	258	**(101,646)**
- Settlement transactions	(8,588)	(15,769)	(19)	**(24,376)**
- Cash transactions	(10,993)	-	8	**(10,985)**
- Guarantees received	(850)	-	-	**(850)**
- Letters of credit	(644)	-	-	**(644)**
- Other	(12,132)	(1,601)	(427)	**(14,160)**
Total fee and commission expense	**(133,811)**	**(18,670)**	**(180)**	**(152,661)**
Net fee and commission income	**179,164**	**44,264**	**4,273**	**227,701**

*The Group has not disclosed eliminations separately considering their immateriality.

Six months ended 30 June 2023 *in thousands of GEL*	**Georgian financial services**	**Uzbekistan operations**	**Other operations and intersegment eliminations**	**Total**
Fee and commission income in respect of financial instruments not at fair value through profit or loss:				
- Card operations	143,158	125	(634)	**142,649**
- Settlement transactions	72,808	20,756	(43)	**93,521**
- Guarantees issued	20,943	-	-	**20,943**
- Cash transactions	3,157	22,386	-	**25,543**
- Issuance of letters of credit	4,379	-	-	**4,379**
- Other	21,776	2,574	2,145	**26,495**
Total fee and commission income	**266,221**	**45,841**	**1,468**	**313,530**
Fee and commission expense in respect of financial instruments not at fair value through profit or loss:				
- Card operations	(75,645)	(7,259)	(119)	**(83,023)**
- Settlement transactions	(10,886)	(298)	(12)	**(11,196)**
- Cash transactions	(8,285)	-	3	**(8,282)**
- Guarantees received	(907)	-	-	**(907)**
- Letters of credit	(1,361)	-	-	**(1,361)**
- Other	(7,736)	(2,915)	(36)	**(10,687)**
Total fee and commission expense	**(104,820)**	**(10,472)**	**(164)**	**(115,456)**
Net fee and commission income	**161,401**	**35,369**	**1,304**	**198,074**

20 Net gains from currency derivatives, foreign currency operations and translation

Net gains from currency derivatives, foreign currency operations and translation for the following periods are as follows:

	Six months ended	
in thousands of GEL	**30 June 2024**	**30 June 2023**
Net gains from trading in foreign currencies	123,466	90,261
Net gains from foreign exchange translation	23,630	31,765
Net gains/(losses) from derivative financial instruments other than derivatives on foreign currency	20	(298)
Total net gains from currency derivatives, foreign currency operations and translation	**147,116**	**121,728**

21 Income taxes

As at 30 June 2024, the weighted average income tax rate is 20% (30 June 2023: 20%), when the income tax rate applicable to the majority of subsidiaries income ranged from 15% - 20% (2022: 15% - 20%).

In December 2021, the Organization for Economic Co-operation and Development (OECD) issued model rules for a new global minimum tax framework (Pillar Two). The Group is within the scope of the OECD Pillar Two model rules, with legislation enacted in the UK effective from January 1, 2024. The group is liable to pay a top-up tax for the difference between its GloBE effective tax rate per jurisdiction and the 15% minimum rate.

The Group applies the exception on recognizing and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to IAS 12 issued in May 2023.

All entities within the Group have statutory tax rates that equal or exceed 15% and apply different tax regimes. The Group is in the process of assessing its full exposure to the Pillar Two legislation and is currently engaged with tax specialists to assist with applying the legislation. However, no material impact was identified in the interim financial statements.

22 Financial and Other Risk Management

Climate risk. The Group's largest operations are located in Georgia hence the climate risk overview is done by the management from a Georgian perspective. The second largest subsidiary of the group is TBC UZ and constitutes 4.1% of the Group's assets. Considering that TBC UZ business activities focus on retail segment with a very low volume of the average exposure, it is considered to be immaterial for the Group from the climate-risk perspective. The Georgia's 2030 Climate Change Strategy and Climate Action Plan lays out different policy measures on which TBC Bank based its identification of the potential impact of the policy measures on different economic sectors. As a summary of the potential impact of the various transition risks and physical risks identified, the transitional risks in Georgia are low, considering, that trade and services dominate the Georgian economy, the policy measures outlined in the Georgia's 2030 Climate Change Strategy will have overall low impact on the economic sectors, especially in short and medium term. The Georgia's 2030 Climate Change Strategy takes into consideration that Georgia is a transitional and growing economy, and therefore the government strategy is not to impede the growth of the GDP with policy measures and rather to support a smooth transition where necessary. It is worth noting, that the economic sectors most affected by transitional risks world-wide such as mining crude petroleum, natural gas and metal ores, manufacturing coke and refined petroleum products are present to a very limited extent 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 2024 in this regard.

Market risk. Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices. Management sets risk appetite limits on the value of risk that may be accepted, which is monitored on a regular basis. These limits provide buffers over regulatory limits, ensuring early detection of potential losses in the event of more significant market movements.

Currency risk. Foreign exchange rate risk arises from the potential change in foreign currency exchange rates, which can affect the value of a financial instrument. This risk stems from the open currency positions created due to mismatches in foreign currency assets and liabilities. The NBG requires the Bank to monitor both balance sheet and total aggregate (including off-balance sheet) open currency positions and to maintain the later one within 20% of the Bank's regulatory capital. The Asset-Liability Management Committee ("ALCO") has set limits on the level of exposure by currency as well as on aggregate exposure positions which are more conservative than those set by the NBG. The Bank's compliance with such limits is monitored daily by the Treasury department and Financial Risk Management division.

22 Financial and Other Risk Management (Continued)

Currency risk management framework is governed through the Foreign Exchange Risk Management Policy. The table below summarises the Group's exposure to foreign currency exchange rate risk at the balance sheet date. While managing open currency position the Group considers part of the provisions to be denominated in the USD, Euro and other currencies. Gross amount of currency swap deposits is included in Derivatives. Therefore, total financial assets and liabilities below are not traceable with either balance sheet or liquidity risk management tables, where net amount of gross currency swaps is presented.

As of 30 June 2024 *in thousands of GEL*	**Monetary financial assets**	**Monetary financial liabilities**	**Derivatives**	**Net position**
Georgian Lari	15,935,292	14,007,346	1,799,326	3,727,272
US Dollar	11,134,455	11,738,220	418,586	(185,179)
Euro	4,805,315	3,007,878	(1,792,964)	4,473
Other	2,091,467	1,367,690	(402,369)	321,408
Total	**33,966,529**	**30,121,134**	**22,579**	**3,867,974**

As of 31 December 2023 *in thousands of GEL*	**Monetary financial assets**	**Monetary financial liabilities**	**Derivatives**	**Net position**
Georgian Lari	15,331,334	12,898,299	1,238,458	3,671,493
US Dollar	10,245,790	11,205,694	837,453	(122,451)
Euro	4,671,228	2,584,909	(2,114,187)	(27,868)
Other	1,092,960	848,143	12,666	257,483
Total	**31,341,312**	**27,537,045**	**(25,610)**	**3,778,657**

US Dollar strengthening by 20% (weakening 20%) would decrease Group's profit or loss and equity in 2024 by GEL 37,036 thousand (increase by GEL 37,036 thousand). Euro strengthening by 20% (weakening 20%) would decrease Group's profit or loss and equity in 2024 by GEL 895 thousand (increase by GEL 895 thousand).

US Dollar strengthening by 20% (weakening 20%) would decrease Group's profit or loss and equity in 2023 by GEL 24,490 thousand (increase by GEL 24,490 thousand). Euro strengthening by 20% (weakening 20%) would decrease Group's profit or loss and equity in 2023 by GEL 5,574 thousand (increase by GEL 5,574 thousand).

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 part of the loans are at fixed interest rates, while major part of the Bank's borrowings is at a floating interest rate. In addition, the Bank actively uses floating and combined* interest rate structures in its loan portfolio. Since these assets and liabilities have different repricing characteristics by currencies, their corresponding interest margins may increase or decrease as a result of market interest rate changes potentially entailing negative effect on net interest income. To minimize interest rate risk, the Bank regularly monitors interest rate (re-pricing) gaps by currencies and, in case of need, decides to enter into interest rate derivatives contracts.

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

The Group employs an advanced framework for the management of interest rate risk by establishing appropriate Risk Appetite limits, monitoring compliance with them and preparing forecasts. From September, 2020 the NBG introduced regulation on interest rate risk and set the limit for Economic Value of Equity (EVE) sensitivity at 15% of NBG Tier 1 Capital. The main principles and assumptions of NBG IRR methodology are in line with Basel standards developed for IRR management purposes.
According to NBG guidelines the net interest income sensitivity under parallel shifts of interest rate scenarios is maintained for monitoring purposes, while EVE sensitivity is calculated under 6 predefined stress scenarios of interest rate changes and the limit is applied to the worst-case scenario result.

Interest rate risk is managed by the Balance Sheet Management division and is monitored by the ALCO, which decides on actions that are necessary for effective interest rate risk management and follows up on their implementation. Financial Risk Management division is responsible for developing procedures, policy document and setting risk appetite for interest rate risk. The major aspects

* In case of combined interest rates, interest rate is fixed for a pre-agreed term, and switches to floating interest rate after the term passes.

22 Financial and Other Risk Management (Continued)

of interest rate risk management development and the respective reporting are periodically provided to the Management Board, the Supervisory Board's Risk Committee.

Following main assumptions under NBG IRR Regulation and Basel 2016 guidelines, at 30 June, 2024, if market interest rates for each currency had been 200 basis points higher, with all other variables held constant, profit would have been equivalent GEL 11 million higher, mainly as a result of higher interest income on variable interest assets (30 June 2023: GEL 58 million). If market interest rates for each currency at 30 June, 2024 had been 200 basis points lower with all other variables held constant, profit for the year would have been equivalent GEL 11 million lower, mainly as a result of lower interest income on variable interest assets (30 June 2023: GEL 65 million). Compared to the last year, in 2024 in both of the scenarios the effects have been muted due to the reduction of variable interest assets over the year.

At 30 June, 2024, if interest rates had been 200 basis points lower, with all other variables held constant, other comprehensive income would have been GEL 51.8 million higher (30 June 2023: GEL 30.1 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 30 June, 2024 had been 200 basis points higher with all other variables held constant, Other comprehensive income would have been GEL 51.8 million lower (30 June 2023: GEL 30.1 million), as a result of decrease in the fair value of fixed rate financial assets measured at fair value through other comprehensive income.

Liquidity Risk. The liquidity risk is the risk that TBC Bank either does not have sufficient financial resources available to meet all of its obligations and commitments as they fall due or can access those resources only at a high cost. The risk is managed by the Balance Sheet Management division and Treasury Department and is monitored by the ALCO, within their pre-defined functions. Financial Risk Management (FRM) division is responsible for developing procedures, policy document and setting risk appetite on funding and market liquidity risk management. In addition, FRM performs liquidity risk assessment and communicates the results to the MB and Risk Committee of the Supervisory Board on a regular basis.

The principal objectives of the TBC Bank's liquidity risk management policy are to: (i) ensure the availability of funds in order to meet claims arising from total liabilities and off-balance sheet commitments, both actual and contingent, at an economic price; (ii) recognize 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 categorized into two risk types: the funding liquidity risk and the market liquidity risk.

Funding liquidity risk is the risk that TBC will not be able to efficiently meet both expected and unexpected current and future cash flow and collateral needs without affecting either its daily operations or its financial condition. To manage funding liquidity risk TBC Bank uses the Liquidity Coverage ratio and the Net Stable Funding ratio set, forth under Basel III, and defined further by the NBG. In addition, the Bank performs stress tests and "what-if" scenario analysis. For NBG LCR the limits are set by currency (GEL, FC, Total). TBC monitors compliance with NBG LCR limits on a daily basis. On a monthly basis the Bank also monitors compliance with the set limit for NBG NSFR.

The Liquidity Coverage Ratio is used to help manage short-term liquidity risks. The Bank's liquidity risk management framework is designed to comprehensively project cash flows arising from assets, liabilities and off-balance sheet items over certain time buckets and ensure that NBG LCR limits, are met on a daily basis.

The Net Stable Funding ratio is used for long-term liquidity risk management to promote resilience over a longer time horizon by creating additional incentives for TBC Bank to rely on more stable sources of funding on a continuous basis. The Bank also monitors deposit concentration for large deposits and sets the limits for non-Georgian resident's 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 30 June 2024, both LCR and NSFR ratios above the NBG minimum requirements of 100%.

23 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 condensed consolidated interim 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 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

23 Contingencies and Commitments (Continued)

the relevant authorities. In Uzbekistan, the tax review periods for the five preceding calendar years remain open to review by authorities. In Georgia, the period of limitation for tax review is three years. To respond to the risks, the Group has engaged external tax specialists to carry out periodic reviews of Group's taxation policies and tax filings. The Group's management believes that its interpretation of the relevant legislation is appropriate, and the Group's tax and customs positions will be substantially sustained.

Compliance with covenants. The Group is subject to certain financial and non-financial covenants primarily related to its debt. Non-compliance with such covenants may result in negative consequences for the Group including mandatory prepayment and declaration of default. The Group was in compliance with all covenants as of 30 June 2024 and 31 December 2023.

For all financial covenants the Group has sufficient headroom for any potential violation risks to materialize.

Management of Capital. The Bank manages capital requirements under regulatory rules. The Bank complied with all its imposed capital requirements for the period to 30 June 2024 and throughout 2023. Based on information provided internally to key management personnel, the amount of capital that the Bank managed was GEL 4,344,472 thousand as of 30 June 2024 (31 December 2023: GEL 4,235,033 thousand), regulatory Tier 1 capital amounts to GEL 5,749,522 thousand (31 December 2023: GEL 4,772,913 thousand), total regulatory capital amounts to GEL 6,671,739 thousand (31 December 2023: GEL 5,374,301 thousand).

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

According to the Uzbekistan Regulation on the Requirements for the Adequacy of the Capital of Commercial Banks No. 2693 registered by the Ministry of Justice on 6 July 2015 and its supplement, the following requirements are set for banks:

- The minimum level of K1 is set at 13%;
- Banks are required to ensure a minimum level of K2 of 10%, taking into account the capital conservation buffer of 3% of risk-weighted assets.

According to the supplement dated 5 April 2023 No. 2693-10 of Uzbekistan regulation, the requirement is set for existing banks to increase the minimum share capital to UZS 200 billion by September 1, 2023, to UZS 350 billion by April 1, 2024, and to UZS 500 billion by January 1, 2025.

As at 30 June 2024 and 31 December 2023, the Group met the requirements to regulatory capital set by the Regulation of the CBU On the Requirements for the Adequacy of the Capital of Commercial Banks No. 2693 dated July 6, 2015.

On 16 September 2016, ISSSG (Insurance State Supervision Service of Georgia) issued directives №15 and №16 on the determination of the Regulatory Solvency Margin ("RSM") and Regulatory Capital, respectively. The laws also impose the requirements on maintaining minimum Regulatory Capital benchmarking against RSM. JSC TBC Insurance was in compliance with capital requirements set by ISSSG during 2023 and as at 30 June 2024.

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 authorizing a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralized by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to prolong credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to a loss in an amount equal to the total unused commitments. However, the likely amount of loss is lower than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term ones.

23 Contingencies and Commitments (Continued)

As of 30 June 2024, outstanding credit related commitments presented by stages are as follows:

in thousands of GEL	Stage 1	Stage 2	Stage 3
Undrawn credit lines	741,295	11,425	5,240
Letters of credit issued	161,424	-	-
Financial guarantees issued	558,593	3,146	10
Total credit related commitments (before credit loss allowance)	**1,461,312**	**14,571**	**5,250**
Credit loss allowance for credit related commitments			
Undrawn credit lines	(882)	(164)	-
Letters of credit issued	(232)	-	-
Financial guarantees issued	(823)	-	-
Credit loss allowance for credit related commitments	**(1,937)**	**(164)**	**-**
Total credit related commitments	**1,459,375**	**14,407**	**5,250**

As of 31 December 2023, outstanding credit related commitments presented by stages are as follows:

in thousands of GEL	Stage 1	Stage 2	Stage 3
Undrawn credit lines	1,031,588	13,388	4,039
Letters of credit issued	283,671	-	-
Financial guarantees issued	509,835	1,139	723
Total credit related commitments (before credit loss allowance)	**1,825,094**	**14,527**	**4,762**
Credit loss allowance for credit related commitments			
Undrawn credit lines	(1,268)	(219)	-
Letters of credit issued	(428)	-	-
Financial guarantees issued	(783)	-	-
Credit loss allowance for credit related commitments	**(2,479)**	**(219)**	**-**
Total credit related commitments	**1,822,615**	**14,308**	**4,762**

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 30 June 2024 were 241,871 GEL thousand (2023: 293,278 GEL thousand).

Performance guarantees. Performance guarantees are contracts that provide compensation in case of another party fails to perform a contractual obligation.

As of 30 June 2024, outstanding performance guarantees presented by stages are as follows:

in thousands of GEL	Stage 1	Stage 2	Stage 3
Outstanding amount	1,760,569	23,976	15,598
Credit loss allowance	(2,567)	(12)	(6,590)
Total performance guarantees	**1,758,002**	**23,964**	**9,008**

As of 31 December 2023, outstanding performance guarantees presented by stages are as follows:

in thousands of GEL	Stage 1	Stage 2	Stage 3
Outstanding amount	1,602,672	2,804	29,230
Credit loss allowance	(2,462)	(7)	(6,126)
Total performance guarantees	**1,600,210**	**2,797**	**23,104**

23 Contingencies and Commitments (Continued)

Fair value of credit related commitments financial guarantees provisions was GEL 2,101 thousand as at 30 June 2024 (31 December 2023: GEL 2,698 thousand).

Total credit related commitments and performance guarantees are denominated in currencies as follows:

in thousands of GEL	**30 June 2024**	**31 December 2023**
Georgian Lari	1,700,962	1,681,375
US Dollar	991,591	1,138,414
Euro	486,404	569,022
Other	102,319	90,278
Total	**3,281,276**	**3,479,088**

Capital expenditure commitments. As of 30 June 2024, the Group has contractual capital expenditure commitments amounting to GEL 92,898 thousand (31 December 2023: GEL 100,995 thousand). Out of total amount as at 30 June 2024, contractual commitments related to the head office construction amounted GEL 48,892 thousand (31 December 2023: GEL 54,348 thousand).

24 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:

	30-Jun-24					31-Dec-23				
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										
- Certificates of Deposits of National Bank of Georgia	9,975	-	-	**9,975**	**9,975**	-	-	-	**-**	**-**
- Corporate Bonds	92,763	1,092,647	-	**1,185,410**	**1,185,410**	40,466	1,184,535	-	**1,225,001**	**1,225,001**
- Foreign government treasury bills	732,754	-	-	**732,754**	**732,754**	303,850	-	-	**303,850**	**303,850**
- Ministry of Finance of Georgia Treasury Bills	2,180,779	-	-	**2,180,779**	**2,180,779**	1,944,132	-	-	**1,944,132**	**1,944,132**
- Corporate shares	-	-	1,118	**1,118**	**1,118**	-	-	2,478	**2,478**	**2,478**
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	-	47,424	-	**47,424**	**47,424**	-	17,464	-	**17,464**	**17,464**
-Investment held at fair value through profit or loss	-	-	8,424	**8,424**	**8,424**	-	-	8,062	**8,062**	**8,062**
Total assets recurring fair value measurements	**3,016,271**	**1,140,071**	**9,542**	**4,165,884**	**4,165,884**	**2,288,448**	**1,201,999**	**10,540**	**3,500,987**	**3,500,987**
Liabilities carried at fair value										
Financial liabilities										
Foreign exchange forwards and gross settled currency swaps, included in other financial liabilities	-	56,987	-	**56,987**	**56,987**	-	62,124	-	**62,124**	**62,124**
Total liabilities recurring fair value measurements	**-**	**56,987**	**-**	**56,987**	**56,987**	**-**	**62,124**	**-**	**62,124**	**62,124**

24 Fair Value Disclosures (Continued)

There were no transfers between levels 1, 2 and 3 during the period 30 June 2024 (2023: 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			
in thousands of GEL	**30 June 2024**	**31 December 2023**	**Valuation technique**	**Inputs used**
Assets carried at fair value				
- Ministry of Finance of Georgia Treasury Bills, foreign government treasury bills, corporate bonds	1,092,647	1,184,535	Discounted cash flows ("DCF")	Government bonds yield curve
- Foreign exchange forwards and gross settled currency swaps, included in due from banks	47,424	17,464	Forward pricing using present value calculations	Official exchange rate, risk-free rate
Total assets recurring fair value measurements at level 2	**1,140,071**	**1,201,999**		
Liabilities carried at fair value				
- Foreign exchange forwards included in other financial liabilities	56,987	62,124	Forward pricing using present value calculations	Official exchange rate, risk-free rate
Total liabilities recurring fair value measurements at level 2	**56,987**	**62,124**		

The description of the valuation technique and the description of inputs used in the fair value measurement for level 3 measurements:

	Fair value at				
in thousands of GEL	**30 June 2024**	**31 December 2023**	**Valuation technique**	**Inputs used**	**Unobservable inputs**
Assets carried at fair value					
- Investment held at fair value through profit or loss	8,424	8,062	Discounted cash flows ("DCF")	Weighted average borrowing interest rate	Cash flow
- Corporate shares	1,118	2,478	Discounted cash flows ("DCF")	Government bonds yield curve	Cash flow
Total assets recurring fair value measurements at level 3	**9,542**	**10,540**			

There were no changes in the valuation technique for the level 2 and level 3 recurring fair value measurements during the period 30 June 2024 (2023: none).

24 Fair Value Disclosures (Continued)

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analyzed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	30 June 2024				
in thousands of GEL	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**	**Carrying Value**
Financial assets					
Cash and cash equivalents	1,047,335	2,641,031	-	**3,688,366**	**3,688,366**
Due from other banks	-	20,742	-	**20,742**	**20,742**
Mandatory cash balances with NBG and CBU	-	1,511,508	-	**1,511,508**	**1,511,508**
Loans and advances to customers:					
- Corporate loans	-	-	8,942,875	**8,942,875**	**9,006,262**
- Consumer loans	-	-	4,302,484	**4,302,484**	**4,115,565**
- Mortgage loans	-	-	5,101,297	**5,101,297**	**4,956,142**
- Loans to micro, small and medium enterprises	-	-	5,703,860	**5,703,860**	**5,679,882**
Bonds carried at amortized cost	-	103,070	-	**103,070**	**103,070**
Finance lease receivables	-	-	449,956	**449,956**	**468,395**
Other financial assets	-	250,713	-	**250,713**	**250,713**
Non-financial assets					
Investment properties, at cost	-	-	19,899	**19,899**	**14,506**
Total assets	**1,047,335**	**4,527,064**	**24,520,371**	**30,094,770**	**29,815,151**
Financial liabilities					
Due to credit institutions	-	-	4,846,350	**4,846,350**	**4,846,332**
Customer accounts	-	12,668,023	8,804,904	**21,472,927**	**21,464,578**
Debt securities in issue	1,848,397	-	-	**1,848,397**	**1,849,800**
Other financial liabilities*	-	729,926	-	**729,926**	**729,926**
Subordinated debt	-	-	1,145,546	**1,145,546**	**1,152,841**
Total liabilities	**1,848,397**	**13,397,949**	**14,796,800**	**30,043,146**	**30,043,477**
Performance guarantees	-	-	9,169	**9,169**	**9,169**
Financial guarantees	-	-	823	**823**	**823**
Credit related commitments	-	-	1,278	**1,278**	**1,278**
Total credit related commitments and performance guarantees	**-**	**-**	**11,270**	**11,270**	**11,270**

*Other financial liabilities amount includes lease liabilities and dividend payable balances.

24 Fair Value Disclosures (Continued)

	31 December 2023				
in thousands of GEL	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**	**Carrying Value**
Financial assets					
Cash and cash equivalents	940,140	2,823,947	-	**3,764,087**	**3,764,087**
Due from other banks	-	47,941	-	**47,941**	**47,941**
Mandatory cash balances with NBG and CBU	-	1,577,074	-	**1,577,074**	**1,577,074**
Loans and advances to customers:					
- Corporate loans	-	-	8,312,499	**8,312,499**	**8,210,100**
- Consumer loans	-	-	3,688,782	**3,688,782**	**3,431,482**
- Mortgage loans	-	-	5,156,836	**5,156,836**	**4,702,477**
- Loans to micro, small and medium enterprises	-	-	5,489,839	**5,489,839**	**5,378,048**
Bonds carried at amortised cost	-	73,963	-	**73,963**	**73,963**
Finance lease receivables	-	-	384,500	**384,500**	**400,411**
Other financial assets	-	254,742	-	**254,742**	**254,742**
Non-financial assets				**-**	**-**
Investment properties, at cost	-	-	21,903	**21,903**	**15,235**
Total assets	**940,140**	**4,777,667**	**23,054,359**	**28,772,166**	**27,855,560**
Financial liabilities					
Due to credit institutions	-	-	4,393,715	**4,393,715**	**4,395,182**
Customer accounts	-	13,567,384	6,806,495	**20,373,879**	**20,375,498**
Debt securities in issue	1,413,069	-	-	**1,413,069**	**1,426,174**
Other financial liabilities*	-	388,277	-	**388,277**	**388,277**
Subordinated debt	-	-	860,433	**860,433**	**868,730**
Total liabilities	**1,413,069**	**13,955,661**	**12,060,643**	**27,429,373**	**27,453,861**
Performance guarantees	-	-	8,595	**8,595**	**8,595**
Financial guarantees	-	-	783	**783**	**783**
Credit related commitments	-	-	1,915	**1,915**	**1,915**
Total credit related commitments and performance guarantees	**-**	**-**	**11,293**	**11,293**	**11,293**

*Other financial liabilities amount includes lease liabilities and dividend payable balances.

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 during the period 30 June 2024 (2023: none)

25 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:

- The key management personnel include members of TBCG's Board of Directors and the Management Board of the Bank.
- Related parties not included in significant shareholders and key management personnel are presented in other related parties.

Transactions between TBC Bank Group PLC and its subsidiaries also meet the definition of related party transactions.

As at 30 June 2024 and 31 December 2023 the Group's outstanding balances with related parties were as follows:

in thousands of GEL	**Contractual interest rate**	**Key management personnel**	**Other related parties**	**Associates**
30 June 2024				
Gross amount of loans and advances to customers	3.9%-36.0%	4,607	1,525	-
Credit loss allowance for loans and advances to customers	-	3	1	-
Customer accounts	0%-12.2%	8,173	32,951	2,086
31 December 2023				
Gross amount of loans and advances to customers	3.9%-36.0%	5,655	1,461	-
Credit loss allowance for loans and advances to customers	-	-	1	-
Customer accounts	0%-12.4%	7,272	25,846	4,386

The Group's income and expense items with related parties except from key management compensation for the periods of 6 months ended 30 June 2024 and 30 June 2023 were as follows:

in thousands of GEL	**Key management personnel**	**Other related parties**	**Associates**
Six months ended 30 June 2024			
Interest income - loans and advances to customers	187	51	-
Interest expense	172	377	95
Fee and commission income	7	70	2
Administrative and other operating expenses (excluding staff costs)	446	-	-
30 June 2023			
Interest income - loans and advances to customers	121	46	-
Interest expense	174	322	82
Fee and commission income	9	71	1
Administrative and other operating expenses (excluding staff costs)	668	-	-

25 Related Party Transactions (Continued)

The aggregate loan amounts disbursed to and repaid by related parties during periods of 6 months ended 30 June 2024 and 30 June 2023 were as follows:

in thousands of GEL	**Key management personnel**	**Other related parties**
Six months ended 30 June 2024		
Amounts disbursed to related parties during the period	2,016	969
Amounts repaid by related parties during the period	(3,322)	(994)
Six months ended 30 June 2023		
Amounts disbursed to related parties during the period	823	1,794
Amounts repaid by related parties during the period	(1,117)	(1,117)

The compensation of the TBCG Board of Directors and the Bank's Management Board is presented below:

	Six months ended	
In thousands of GEL	**30 June 2024**	**30 June 2023**
Salaries and short-term bonuses	8,769	7,461
Equity-settled share-based compensation	10,171	8,230
Total	**18,940**	**15,691**

Included in salaries and bonuses for six months ended 30 June 2024 GEL 923 thousand relates to compensation for directors of TBCG paid by TBC Bank Group PLC (six months ended 30 June 2023: GEL 1,141 thousand).

26 Events after Reporting Period

On 19 July 2024 TBC Bank Group PLC has paid final dividend for 2023 in the amount of GEL 254,885 thousand.

[1] A full list of related undertakings and the country of incorporation is set out below.

Company Name	Country of incorporation
JSC TBC Bank	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
VENDOO LLC (Geo)	44 Petre Kavtaradze street, 0128, Tbilisi, Georgia
Natural Products of Georgia LLC	1 Chavchavadze Avenue, 0128, Tbilisi, Georgia
Mobi Plus JSC	45 Vajha Pshavela Street, 0177, Tbilisi, Georgia
Mineral Oil Distribution Corporation JSC	11 Tskalsadeni Street, 0153, Tbilisi, Georgia
Georgian Card JSC	106 Beliashvili Street, 0159, Tbilisi Georgia
Georgian Central Securities Depositor JSC	74 Chavchavadze Avenue, 0162, Tbilisi, Georgia
Givi Zaldastanishvili American Academy in Georgia JSC	37 Chavchavadze Avenue, 0162, Tbilisi Georgia
United Clearing Centre	5 Sulkhan Saba Street, 0105, Tbilisi, Georgia
Banking and Finance Academy of Georgia	123, Agmashenebeli Avenue, 0112, Tbilisi, Georgia
Tbilisi's City JSC	15 Rustaveli Avenue, 0108, Tbilisi Georgia
TBC Trade LLC	11A Chavchavadze Ave, 0179, Tbilisi, Georgia
Redmed LLC	25 Al. Kazbegi Avenue, 0160, Tbilisi, Georgia
T Net LLC	7 Marjanishvili st. Didube-chugureti District, Tbilisi,Georgia
TKT UZ	12, Shota Rustaveli, Yakkasaray district, Tashkent, Uzbekistan
Mypost LLC	129a Sh. Nutsubidze St. Vake,Tbilisi, Georgia
Billing Solutions LLC	14 Khelovanta St. Isani, Tbilisi, Georgia
F Solutions LLC	36, Kakheti Hwy, Isani-Samgori District, Tbilisi, Georgia
Inspired LLC	1, Chust, Mirzo Ulugbek district, Tashkent, Uzbekistan
TBC Fin Service LLC	10B, Fidokor, Yakkasaray, Tashkent, Uzbekistan
Marjanishvili 7 LLC	7 Marjanishvili st. Didube-chugureti District, Tbilisi,Georgia
TBC Bank Uzbekistan JSC	118/1, Amir Temur Avenue, Yunusobod district, Tashkent, Uzbekistan
TBC Group Support LLC	7 Marjanishvili st. Didube-chugureti District, Tbilisi,Georgia
Tbilisi Stock Exchange JSC	floor 2th block 8, 71 Vazha Pshavela Ave, Tbilisi, Georgia
Georgian Stock Exchange JSC	74a chavchavadzis avenue, vake-saburtalo, Tbilisi, Georgia
Kavkasreestri JSC	74a chavchavadzis avenue, vake-saburtalo, Tbilisi, Georgia
Freeshop.ge LLC	74 chavchavadzis avenue, vake-saburtalo, Tbilisi, Georgia
The.ge LLC	20 amaglebis st. old Tbilisi, Georgia
SABA LLC	5, Gabashvili street, vake-saburtalo Tbilisi, Georgia
Artarea.ge LLC	25 Al. Kazbegi Avenue, 0160, Tbilisi, Georgia
TBC Art Gallery LLC	6, Tsimakuridze str, Tbilisi, Georgia
TBC Asset Management LLC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
Swift	1 Adele Avenue, B-1310, La Hulpe, Belgium
Space International JSC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
Space JSC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
Diversified Credit Portfolio JSC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
TBC International Holdings Limited	100 Bishopsgate, C/O Law Debenture, London, England, EC2N 4AG
Tpay LLC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
Globally Diversified bond fund JSC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
Diversified Credit Portfolio JSC	7 Marjanishvili Street, 0102, Tbilisi, Georgia
Beta 2024	7 Marjanishvili Street, 0102, Tbilisi, Georgia
DWH CO	Republic of Uzbekistan, g. Tashkent, Mirabadsky district, ul.Fidokor, 10B.
Fondy Payments LTD	The Mill Enterprise Centre, Newtown Link Road, Drogheda, Louth, Ireland