

## TBC Bank UN Global Compact Communication on Progress #2

### Statement of the CEO

Corporate Social Responsibility is a relatively new concept in Georgia. However, TBC Bank has been dedicated to community and social development, human rights protection and promotion, and ethical business practices through its many programs, initiatives and campaigns since the first years of its founding.

We are happy to have completed another successful year, delivering against our growth targets. We enhanced our leadership positions in each segment we operate - retail, corporate, SME and micro. Moreover, we continued to place particular emphasis on our shareholders, customers, employees, and community, which we have always viewed as fundamental to our long-term success.

2014 has been a year of progress and achievement for TBC Bank. We secured a listing on the London Stock Exchange, resulting in the largest ever IPO from Georgia and the largest ever off-index IPO from the EMEA region, an important milestone for both TBC Bank and the country's economy.

#### *Culture of Giving Back*

TBC Bank places special emphasis on building the right employee culture and would like to lead by example as a company. To this end, we have created several programmes for and with our employees and I would like to highlight two of them this year.

Our Fund for Large Families responds to the role our team members play as mothers and caregivers in the community. This unique fund provides one-time monetary assistance to employees who welcome their fourth and next child and organises special events and gifts for their families.

Acting in the same vein, we are grateful for the care our employees have shown each other as well. They have started a fund – TBC for TBC – where employees volunteer to donate a portion of their salary each month. In addition to the Bank's own efforts, these resources are used to ease the financial burden for the family members of our employees who may not have appropriate health insurance.

#### *Social Responsibility*

Lastly, but importantly, we pride ourselves on being a socially responsible company and a leading supporter of arts and cultural development in particular. In 2014, TBC Bank financed several important new, as well as traditional projects and I would like to highlight some of these below.

#### TBC Supporting Georgian Art Abroad

TBC Bank financed four distinct efforts to promote and export Georgian art and culture beyond the country's borders. With TBC's support, several Georgian artists have become frequently featured in lots at auctions at Sotheby's. A unique exhibition was hosted by the London Rich Mix Art Space, featuring four Georgian artists. Several young talents from the country were also given an opportunity to showcase art pieces in Cologne, Germany, at an exhibition organized in partnership with DEG. Lastly, with TBC's backing Georgian photographers were able to participate in the prestigious photo contest and exhibition PHOTO OFF in Paris, France.

#### Sustaining Historical Heritage

TBC plays an important role in maintaining the country's historical heritage. In 2014 the Bank sponsored an exhibition of unique historical artefacts – a collection of bronze buckles dating as far back as the Eighth Century BC, at its headquarters in Tbilisi. The Bank also financed the reconstruction of a historical heritage site in a mountainous region of Georgia, the Mutso stronghold dating to the late medieval period, which is set to welcome its first visitors in early 2015.

#### Literary Award SABA and Online Bookstore

TBC continued to support the SABA Literary Awards programme, one of the most respected and anticipated literary events in the country. TBC Bank founded the programme in 2003 with 2014 marking its 12th anniversary ceremony. As of today the Bank has recognized over 110 authors and awarded c. GEL 377,000 in prizes.

SABA online bookstore, the satellite project to support the Awards Programme, has been gaining popularity among the local and expat communities. The bookstore, which introduced the first Georgian e-book app in 2014, promotes Georgian literature beyond the country borders and allows new authors to be discovered and appreciated. Until now, dozens of established and up-and-coming writers have created their own electronic books and sold them using our innovative e-book platform.

These, and many other initiatives, continue in 2015. A full account of our CSR activities is available in our Strategic Report.

Our second Communication on Progress provides details on the actions and measures TBC Bank has taken during 2014. We are proud and honored to share the commitment to doing business responsibly with other prominent members of the network and look forward to your comments and feedback on our work.

**Vakhtang Butskhrikidze**  
**Chief Executive Officer**

## TBC at a Glance

*We create new opportunities for the success of people and businesses.*

TBC Bank is a leading universal banking group in Georgia with an unmatched share of retail deposits at 33.7%<sup>1</sup>, and a number two position in loans and deposits with total market shares of 27.7% and 28.4%, respectively.

We service over 1.2 million clients through a diversified multichannel platform that comprises 122 branches of TBC Bank and Bank Constanta, one of the largest networks of ATMs and POS terminals in Georgia, global award-winning internet banking, market-leading mobile, iPad and iPhone banking, a call centre and TBC Pay terminals and kiosks.

We employ over 5,000 people<sup>2</sup> across our operations, more than half of whom have been with TBC for four or more years.

### ***Our Multichannel Distribution Platform***

TBC Bank's globally recognized multichannel distribution platform complements our full service model perfectly. While our branches are carefully designed with a primary focus on customer satisfaction, our leading multichannel distribution platform allows us to offload routine transactions from branches to e-channels. As a result, TBC has achieved the market-leading portfolio of gross loans per branch of GEL 27 million<sup>3</sup>.

Over the past year, our multichannel capabilities have been recognized as best in the country and in the wider region, as well as being acclaimed globally.

### ***Customer Experience***

TBC Bank has one of the best-known and most trusted brands in Georgia. This is largely due to our high quality customer experience, strong reputation, long-standing relationships with customers, and innovative marketing campaigns. According to internal and external research, TBC Bank maintained market leading positions in customer experience in 2014. A "Mystery Shopping" study conducted by IPM<sup>4</sup> named TBC Bank as the friendliest provider of banking services in Georgia.

### ***TBC Bank Brand***

TBC Bank has one of the best-known and most trusted brands in Georgia. This is largely due to our high quality customer experience, strong reputation, long-standing relationships with customers, traditional focus on social responsibility, and targeted marketing campaigns.

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<sup>1</sup> All market share data is quoted according to the figures published by the NBG and includes TBC Bank and Constanta.

<sup>2</sup> Including employees of all TBC Bank subsidiaries.

<sup>3</sup> Gross loan portfolio according to NBG accounting standards for comparison purposes. TBC Bank portfolio includes Bank Constanta.

<sup>4</sup> IPM is a leading market research company in Georgia with 15 years of experience of the market and 12 years within the financial services industry. IPM's Mystery Shopping survey evaluates the service quality of the Bank's branch and call center employees according to approximately 80 different parameters, each one earning one point for the assessed employee when fulfilled. Parameters cover such important qualitative and quantitative criteria as professionalism, meeting/closing skills, responsiveness, perceived service quality, etc. The final score is a percentage total of scores achieved by all employees out of the maximum 100%.

Over the years, we have received a number of prestigious industry awards, including being named as "Best Bank in Georgia" six times by *Global Finance* magazine, six times by *The Banker* and twice by *EMEA Finance* and *Euromoney*.

### **Products and Services**

TBC Bank offers a wide range of banking products and services to its retail, corporate, SME and micro clients with the majority of our business concentrated in Georgia, which accounted for 98.3% of TBC's total assets and 97.6% of its net income as at and for the year ended 31 December 2014.

### **Retail Banking**

As at 31 December 2014, TBC Bank is the market leader in retail loans and retail deposits. The retail segment represents 59.5% of the total deposit portfolio and 45.0% of the total loan portfolio, making it the Group's largest segment in terms of both deposits and loans. We offer a full range of products to our retail customers, including current and saving accounts, term deposits, consumer, instant, instalment and mortgage loans, credit cards and overdrafts. We serve more than one million retail customers through our extensive multichannel distribution network.

By 31 December 2014, the Group's retail loan portfolio reached GEL 1,666.9 million with the market share for individuals at 29.7%. At the same time, our market share in deposits of individuals stood at 33.7%.

### **Corporate Banking**

Corporate Banking is a traditionally strong area of the Bank representing 33.2% of TBC's total loan portfolio and 25.1% of total deposits portfolio. We serve more than 1,400 corporate clients in Georgia, offering a wide range of products including balance sheet finance, trade finance, asset finance, project finance, working capital and syndicated loans.

### **SME Banking**

SME banking accounted for 14.4% and 15.3% of TBC's total loans and total deposits portfolios, respectively. TBC offers a diverse range of products and services to its SME segment customers, including trade finance, project finance, asset finance and working capital loans. We serve approximately 56,000 clients.

As at 31 December 2014, we held the second largest market share for legal entity loans and deposits of 25.8% and 23.0%, respectively.

### **Micro Banking (Bank Constanta)**

TBC Bank completed the merger with Bank Constanta in January 2015. The former Bank Constanta operations are now presented as the microfinance operations of TBC Bank. Following the integration of Bank Constanta's business within TBC, the identical range of products and services is now available throughout the whole network of TBC and former Bank Constanta branches.

The micro banking segment is the smallest but fastest growing segment of the Group, accounting for 7.4% and 0.1% of total loans and total deposits, respectively. Total loans to the micro segment increased by 36% during 2014, while micro customer deposits increased by 9.9% YoY. This segment offers various types of loan and deposit products tailored to client needs. As at 31 December 2014, we served approximately 36,000 micro banking customers in Georgia.

In January 2015, TBC Bank also further strengthened its leadership on the market by acquiring ProCredit Bank's microfinance portfolio. At the time of the transaction, gross loans in this portfolio amounted to GEL 38.4 million.

### ***Subsidiaries***

In addition to its core banking business that TBC conducts within its retail, corporate, SME and micro segments through TBC Bank, Bank Constanta and TBC Kredit, TBC conducts supplementary operations through its other subsidiaries. These operations represented 1.9% of our total assets and 1.7% of our consolidated net income for the year ended 31 December 2014. For a more detailed overview of our subsidiaries, please see Operating and Financial Review on page #.

### ***Shareholders***

Since the Bank's IPO on the London Stock Exchange, 40% of TBC Bank shares are publicly traded. Our International Financial Institution (IFI) shareholders include International Finance Corporation (IFC), Deutsche Investitions und Entwicklungsgesellschaft mbH (DEG), the European Bank for Reconstruction and Development (EBRD) and Nederlandse Financierings-Maatschappij voor Ontwikkelingslanden N.V. (FMO), with a combined share capital of 27%. Other international institutional investors, J.P. Morgan Chase Bank, N.A., London Branch ("JPMorgan") and Ashmore Cayman SPC No. 2 Ltd. ("Ashmore"), in aggregate hold 4% of the Bank's shares. The two founding shareholders jointly hold 22% of the Bank's share capital, while the remaining 8% is owned by management and other minority shareholders.

### ***Ratings***

TBC Bank is rated by Fitch Rating Agency and Moody's Investor Services. The Bank's current ratings are BB- (Long Term IDR)/ B (Short Term IDR) assigned by Fitch and B1 (FC)/ Ba3 (LC) assigned by Moody's.

## CORPORATE GOVERNANCE REPORT

In June 2014, TBC Bank listed its shares on the London Stock Exchange through GDRs. As a public company, we are firmly committed to achieving highest standards of corporate governance, which are in accordance with all applicable regulatory requirements, best recommended practice, Basel requirements and the Bank's future development plans.

The Supervisory Board has the ultimate responsibility for the Bank's business, risk strategy and financial soundness, as well as how the Bank organizes and governs itself with the goal of ensuring the long-term success of the Bank in order to best serve the needs of shareholders.

Even before the Bank's IPO in 2014, TBC was committed to building a robust corporate governance framework supported by its International Financial Institution (IFI) shareholders. Over the past year, the Bank further strengthened its corporate governance by welcoming three new Directors to the Supervisory Board, two of whom are independent Non-executive Directors.

In this Corporate Governance Report, the Bank has prepared a comprehensive review of its corporate governance framework, which includes the Audit Committee Report on page 84 of the Bank's Annual Report (*please find the link below*), the Directors' Report on page 73 of the Bank's Annual Report (*please find the link below*), and the Remuneration Report on page 89 of the Bank's Annual Report (*please find the link below*). A review of the responsibilities and effectiveness of all committees on the Supervisory Board level is provided on page 73 of the Bank's Annual Report (*please find the link below*).

TBC takes great pride in the fact that it is one of the best and largest employers in the Georgian private sector. The Bank looks to create a working environment where the best people strive to excel in their fields every day.

We believe our advanced corporate governance ensures a fully engaged relationship between our company and our shareholders and stakeholders. The Bank's comprehensive investor communications programme has allowed its top management to meet with investors and shareholders on [three] separate roadshows since our listing in June 2014. Moreover, our Investor Relations website offers transparent, accurate and timely information to our investors. More information on the dialogue between TBC Bank and its shareholders is provided on page 196 of the Bank's Annual Report (*please find the link below*).

Please find the full description of TBC Bank Corporate Governance in the Bank's [Annual Report](#), page 71.

## RISK MANAGEMENT

TBC considers its risk management function to be fundamental to its business. The main objectives of risk management are to contribute to the development of TBC's business strategy by ensuring risk-adjusted profitability and guarantee TBC's sustainable development through the implementation of an efficient risk management system. The major inherent risks of TBC's business are credit risk, liquidity risk, market risk (including interest rate and foreign currency risk), operational risk, strategic risk and reputational risk. TBC's risk management process encompasses all the activities that affect its risk profile and consists of the following core elements: (i) active board and senior management oversight; (ii) adequate policies and procedures aimed at effectively controlling risk exposures; (iii) adequate risk identification, measurement and management systems; and (iv) comprehensive internal controls. TBC systematically reviews and continuously seeks to improve its risk management policies and systems to ensure that they are in line with any new challenges it faces.

TBC's risk management strategy identifies significant risks it faces, formulates risk appetite limits and communicates the risk management framework. The risk management process consists of the following stages:

<b>Risk identification</b>	Identification of the full range of business level risks TBC faces.
<b>Risk assessment</b>	Assessment of all identified risks based on the likelihood of occurrence and significance of their impact and creation of risk maps.
<b>Control</b>	Establishment of key control processes and practices, including limit structures and reporting requirements, and a formalized risk monitoring process to control adherence to predefined targets and risk limits.
<b>Reporting</b>	Establishment of an effective management information system in order to ensure a timely flow of information to the corresponding risk units.

The following principles are fundamental to TBC's risk management:

- *Sustainability*. TBC conducts its business with a view towards long-term sustainability. Therefore potential impacts on sustainability of TBC are assessed when making business decisions and when managing resources and infrastructure. TBC pursues a strategy that excludes any involvement in transactions that could pose an unacceptable risk for TBC's activities, development and reputation.
- *Materiality*. The materiality of each risk to which TBC is exposed across the corresponding asset classes is mainly determined based on size of exposure, the current nature of processes and related controls. All material risks are identified based on the risk identification and assessment processes that are undertaken regularly within TBC.
- *Proportionality*. The more material a risk exposure is, the more efforts and resources are devoted to its analysis and more sophisticated approaches and complex methods are applied to its measurement.
- *Risk acceptance / risk hedging*. The risk management framework within TBC encompasses all types of risks to which TBC is exposed and that should be managed. TBC either accepts exposure to a risk or hedges against it, depending on the type of risk. TBC accepts risk exposure according to the predefined risk appetite limits set by the Supervisory Board and Management Board.

Certain types of risks, such as operational risks, interest rate risk and market risks, are hedged by means of insurance and/or derivative transactions.

#### *Compliance Department*

The Compliance Department is focused on improving the entire compliance system. It is responsible for coordinating the identification, assessment and documentation of compliance risks associated with TBC's activities, including the development of new products and business practices, the proposed establishment of new types of business or customer relationships or material changes in the nature of such relationships and other related measures. The Compliance Department is authorized to plan and administer TBC's overall compliance systems, perform compliance-related direction and supervision, and instruct on corrective action and other measures to branches, offices, divisions, headquarters, subsidiaries, and affiliates, both in and out of Georgia, upon the occurrence of violations of compliance, all in an integrated fashion.

Anti-money laundering is one of the Compliance Department's main functions, established according to the compliance legislation and recommendations of competent international organizations. TBC is committed to high standards of anti-money laundering and requires Management and employees to adhere to these standards in order to prevent the use of TBC's products and services for money laundering purposes. Adherence to this policy is mandatory for all TBC group companies and for all employees.

Please find the full description of TBC Bank Risk Management function in the Bank's [Annual Report](#), page 99.

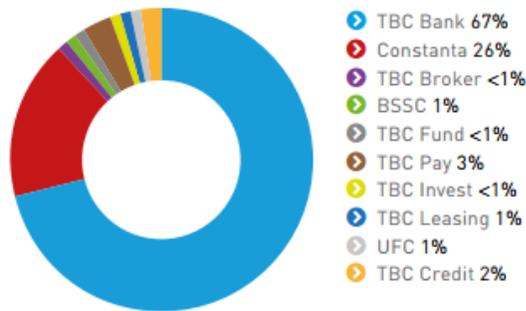
## PEOPLE

Our highly professional workforce is one of the key competitive advantages of the Bank. In 2014, we continued strengthening our corporate culture, developing our people and providing interesting opportunities to grow with the Bank.

As of 31 December 2014, TBC Bank, together with its subsidiaries, employed 5,128 people, 657 or 14.4% more than as of the same period in 2013. TBC Bank alone employed 67% of the total workforce, while 92% worked at TBC Bank and Bank Constanta combined. The remaining 8% of our employees were employed by TBC Kredit, TBC Pay, TBC Leasing and other smaller subsidiaries.

TBC Group Employees			
	2014	2013	2012
TBC Bank	3,427	2,906	2,890
Bank Constanta	1,306	1,256	982
Other	395	309	265

### TBC Group Personnel By Company (%)



### Equal Opportunity Employment and Gender Balance

TBC Bank is an equal opportunity employer. As part of our Code of Conduct we do not discriminate in employment decisions based on gender, ethnicity, religion, disability or other protected categories.

### Turnover rates by department

TBC Bank has one of the lowest employee turnover rates in Georgia at approx. 0.61% per month in 2014.

Turnover rates	2014		2013	
Head Office + Branches	7%	187	7%	153
Finance	14%	6	5%	2
Corporate	7%	4	13%	6
Retail & SME	5%	7	8%	8
Operations	4%	14	4%	12
Risks	7%	6	9%	7
IT	8%	10	12%	14
Branches	8%	107	7%	89

### Gender Breakdown of Employees

	Male	Female
TBC Bank	994 [29%]	2,433 [71%]
Constanta	583	723
TBC Broker	1	1
BSSC	33	1
TBC Fund	1	1
TBC Pay	108	23
TBC Invest	3	1
TBC Leasing	14	14
UFC	40	34
TBC Credit	72	48

	31-Dec-14	
TBC Bank Employee Breakdown by Gender	Male	Female
All employees	29%	71%

### Equal Opportunity Employment and Gender Balance

TBC Bank is an equal opportunity employer. As part of our Code of Conduct we do not discriminate in employment decisions based on gender, ethnicity, religion, disability or other protected categories.

#### TBC Bank Employee age breakdown

	2014	2013
<20	1%	2%
20-29	59%	56%
30-39	29%	30%
40-49	8%	9%
>50	3%	3%

Leadership in TBC Bank	31-Dec-14	
	Male	Female
Top Management	87%	13%
Middle Management	60%	40%
Supervisory Board	86%	14%

TBC Bank Employee Breakdown by Location	31-Dec-14	
	Branches	Head Office
All employees	53%	47%

#### Performance Assessment and Remuneration

HR has developed an extensive policy to evaluate professional growth and skills of our employees. Branches and other front office staff have a performance based motivation system (linked to financial and other operational KPIs) that was developed by external consultants.

Certain Head Office staff are evaluated against a Management by Objectives (MBO) system where an employee and the respective manager agree to the goals and objectives that are closely aligned with the broad organizational strategic objectives. The process includes ongoing tracking and biannual feedback on employee achievements. Performance Assessment and final feedback is standardised across the Bank and is based on a uniform scoring system that managers are required to use.

From 2014, TBC Bank HR reconsidered the policy of obligatory identification of top performers and under performers based on normal distribution, providing the middle management more independence in giving final score to their subordinates.

#### Employee Communication and Survey

Regular communication with employees is an integral part of the Bank's corporate culture. We make sure our team is up to date with the latest information of the Bank's activities via our executive presentations, TBC magazine, intranet content and different corporate events organised by the HR Department.

In 2014, TBC updated its communication strategy and started regular visits to branches in order to promote inclusive culture. Contact persons were established with the responsibility to concentrate on smooth communication between branches and the head office. The Bank also introduced an SMS Service – TBC Family – in order to send employees important updates directly via SMS. TBC also started a Talent Club to spotlight employees gifted in music, art, science or sports.

The HR department regularly conducts Employee Satisfaction and Engagement Surveys in order to assess the attitude of our staff members and take actions accordingly.

### **Employee Benefits Policy**

TBC Bank provides various types of non-wage compensation to employees including bonuses, paid annual leave and sick leave, competitive pension and health benefits and non-monetary benefits. We at TBC highly value our staff and recognize that our success largely depends on the outstanding performance of our workforce and thus, TBC offers a market-leading employee benefits package.

#### **Schedule of employee benefits**

	Trigger	Type of benefit
Health insurance	After 1 year	Monthly co-payment
Pension funds	After 2 years	Monthly co-payment
<b>Social benefits</b>		
Marriage	After 6 months	By case
Child birth	After 6 months	By case
Death of a family member	After 6 months	By case
Paid leave and day off	After 11 months	By case
Non-tangible motivation for middle management	0 months	Annual Ind. fund
International and local MBA, training, seminars	After 2 years	Competitive

### **Employee Training and Leadership Development**

TBC Bank's HR Strategy is to have the best employees on the market with high performance and company loyalty. Its HR management system is supported by a tailored IT system to manage personnel through career planning, training and performance evaluations. TBC Bank provides internal training programs via TBC Academy and mandatory training programs based on required skills for the department. TBC Academy is an in-house educational resource that provides the Bank's employees an opportunity to acquire knowledge in various banking disciplines. The Academy features lecturers from the Bank's top and middle management.

Fundamental changes were made in the employee training programme with the introduction of a distance learning system launched in 2013. This gives the opportunity to improve knowledge, skills and professionalism of employees in a shorter period of time and with less cost.

TBC will continue setting new instruments to improve employee qualifications in order to acquire and maintain the best professionals on the market.

### **MBA and Qualifications**

In addition to in-house training opportunities, TBC Bank provides support to the best employees for external training, financing internationally acknowledged qualifications such as CFA and ACCA as per the departments' requirements.

TBC also operates a Scholarship Fund, created in 2012, that has already financed ten middle managers from the Bank who have had their MBAs co-financed both locally as well as internationally.

## **CORPORATE SOCIAL RESPONSIBILITY**

TBC Bank's outstanding CSR track record was recognized by the EMEA Finance Magazine with the Best Corporate Social Responsibility in Central & Eastern Europe and CIS 2013 award. We firmly believe that it is our responsibility to support the community, the environment and our wider stakeholders among which we operate. The Bank's CSR Strategy covers four main areas: workplace, market place, environment and community.

### **Workplace**

TBC Bank is dedicated to creating the best workplace experience for its employees. We offer employees the largest benefits package in the country, as well as advanced professional education and training opportunities. Projects implemented for TBC Bank employees include:

- TBC Fund for Employees with Large Families (founded in 2013);
- TBC Academy providing training and workshops in different areas of business and banking free of charge for TBC Bank employees (founded in 2011);
- Tuition funding to ten members of the middle management for studies at an MBA level;
- Full social benefits package, including health insurance, pension schemes, and lengthy, fully-paid maternity and paternity leave.

These and other matters concerning employee relations are covered in greater detail on page #.

### **Marketplace**

TBC Bank has a traditional commitment to supporting small and medium size businesses. We have a track record for attracting dedicated facilities for SME financing – including local currency and sector-specific funds for high-priority industries in the country (such as agriculture, healthcare and energy).

Additionally, TBC Bank is the first bank in the region to offer free educational services to its SME clients through the TBC Bank Business Support Programme launched in 2013 with support from IFC and ADB and in partnership with IBM, Ernst & Young and BDO.

The Business Support Programme is covered in greater detail on page on page 32 of the Bank's Annual Report (*please find the link below*).

### **Environment**

TBC Bank believes it has one of the most advanced Environmental and Social Risk Management systems in the region. Our ESMS Policy is aligned with the requirements of all relevant recommended best practices. The system has been developed in cooperation with EBRD, IFC, DEG, ADB, and FMO and includes provisions that are often much stricter than national requirements. The Bank also ensures that its clients and sub-contractors comply with international social and environmental standards.

### **ESMS Policy**

TBC Bank was one of the first banks in the country to develop an Environmental and Social Management System (ESMS). Our International Financial Institution (IFI) shareholders – DEG, IFC, EBRD, and FMO – provided expertise and guidance throughout the process to ensure that the Bank implements the most advanced and comprehensive system based on the highest standards of international best practice.

The ESMS Policy focuses on the environmental and social issues associated with commercial lending and investments. The main provisions of the ESMS policy are as follows:

- Environmental and social (E&S) risks associated with the Bank’s operations, relying on tools like EBRD’s Environmental and Social Risk Management Manual, IFC’s web-based ES toolkit, FMOs Sectoral Guidelines for Environmental and Social Risk Assessment, IFC’s Sustainability Framework and Performance Standards and Guidance Notes, UNEP-FI’s Guide to Banking and Sustainability, and ADB’s ESMS Template for Banks and Funds.
- Protection of human and labour rights, especially those of vulnerable population groups, including children and indigenous peoples.

TBC Bank regularly updates the SEMS document together with its shareholder and partner IFIs.

The latest update to the policy was approved by the Supervisory Board and signed by our CEO in December 2012. Our commitment to regularly reviewing and upgrading our SEMS policy ensures that the Bank effectively manages environmental and social risks associated with its operations in order to minimize its impact on the environment and its stakeholders.

Full details of the TBC Bank ESMS policy are available on the Bank’s Investor Relations [website](#).

## **Community**

TBC Bank differentiates itself through long-term and significant financial commitment to developing culture, art and music in Georgia, as well as by maintaining Georgian national heritage. Our investment and support in the community has continued with several new, as well as sustained traditional projects in 2014.

Community Projects implemented by TBC Bank in 2014 include:

- Exclusive exhibition of Georgian cultural heritage
- Literary Award Saba
- Saba Electronic Bookstore
- First digital TV *Artarea*
- TBC Art Gallery
- TBC Gallery
- Public Private Partnership (PPP) for Georgian cinema development
- Art Wall, a unique display project
- Kolga Photo Competition
- Projects for tourism and the promotion of sports among young people

- TV project on money management

### ***From Bronze to TBC - Ancient Georgian Treasures at TBC Art Gallery***

The feature exhibition of 2014 at TBC Art Gallery was the presentation of a unique collection of ancient Georgian openwork bronze buckles, preserved to this date in the Oni Local Museum. The exhibition integrated 18 historical artifacts that date back to the eighth to sixth centuries BC and the first to fourth centuries AD.

These buckles are of special importance to the history of Georgian culture. They incorporate ancient traditions of artistic metalwork and decorative jewelry design. The openwork bronze buckles discovered in Georgia already attracted scientists' attention in the early 19<sup>th</sup> century. Due to the lack of appropriate regulatory framework, the artifacts were exported abroad and appeared in private collections. Thus it was of special importance to display the collection of 18 buckles still located in Georgia to the wider public, which was largely unaware of its existence, and preserve its significance in the history of Georgian culture.

### **Rehabilitation of Mutso – Georgian Cultural Heritage**

Mutso is a stronghold city in the Northern part of mountainous Georgia that dates back to the middle ages and integrates 25 fortress-houses and five battle towers. Constructions similar to Mutso are common in the Caucasus. However, this site is unique for its vertically developed urbanization. Unfortunately, only two to four of the original six floors of the battle towers have survived the test of time, while the rest of the buildings require urgent reconstruction as well. TBC Bank proudly supports the project of rehabilitation for this historic monument and the site is set to welcome its first tourist in 2015.

### **Literary Award Saba**

TBC continued to support the Saba Literary Awards Programme, one of the most respected and anticipated literary events in the country. TBC Bank founded the program in 2003 with 2014 marking the 12<sup>th</sup> anniversary of the ceremony. To this date, the Bank has recognized over 110 authors and awarded c. GEL 380,000 in prizes.

SABA online bookstore, the satellite project to the Awards Programme, has been gaining popularity among the local and expat communities. The e-bookstore, which also introduced the first Georgian e-reader apps for Android and iOS in 2014, promotes Georgian literature beyond the country's borders and allows new authors to be discovered and appreciated. To this date, up to 150 established and up-and-coming writers have created their own electronic books and sold them using our innovative e-book platform. The e-bookstore can be accessed at [www.saba.com.ge](http://www.saba.com.ge).

### **Artarea - [www.artarea.tv](http://www.artarea.tv)**

In 2014, TBC Bank continued its active support in the development of the first online and digital TV project focusing on culture. Due to the unique content of the channel and the authors gathered around it, Artarea went beyond virtual space in 2014 and started broadcasting on cable. Artarea provides viewers with news on the latest developments and achievements in culture and arts, featuring popular Georgian authors and cultural figures. In 2014, the project expanded its activity and in conjunction with the digital work, became a physical space where people interested in arts can attend various master classes and meet artists and

authors. Furthermore, the practice of sharing experience with students transformed into a firm tradition at Artarea.

### **TBC Art Gallery and TBC Gallery**

TBC Art Gallery actively presented significant art events to the public throughout 2014. Four exclusive exhibitions were held during the year and aimed to promote the most outstanding representatives of Georgian visual arts.

TBC Gallery, located in TBC Bank's head office, hosted more than 50 cultural events, among them were presentations of new books, movies, musical albums, paintings and photos, concerts, and creative evenings. TBC Gallery is one of the most active and prestigious galleries in the country.

### **TBC Supporting Georgian Art Abroad**

In 2014, TBC Bank actively promoted Georgian artists abroad. Four independent projects were implemented in this direction:

#### London Richmix Art Space exhibition: *Heritage*

With financial backing from TBC Bank, the project entitled *Heritage* was presented at the London Rich Mix Art Space. This project united four Georgian and one Argentinian artist and took place at the Shoreditch RichMix Contemporary Art Space in London.

#### Georgians at the New Talents – Biennale Cologne

Two Georgian artists, together with 56 others representing different countries, appeared at the New Talents – Biennale Cologne event held in Germany. TBC Bank was the presenting sponsor of these young Georgian artists and the official partner of the Biennale.

#### Promotion of Georgian artists to Sotheby's

In 2014, TBC Art Gallery presented two Georgian artists at the Sotheby's Auction House sale event *Crossroads*. The event also incorporated artworks from Turkey, Iran, Afghanistan and Tajikistan. The project was implemented with active support from the Chairman of TBC Bank Supervisory Board, Mamuka Khazaradze. The event marked the second time TBC Gallery has presented works of art from Georgian artists at a Sotheby's auction event.

#### Georgian artists in PHOTO-OFF

TBC Art Gallery presented several Georgian photographers with the project C.V.-LISATION OF MADNESS at the yearly photo exhibition PHOTO-OFF in Paris in 2014. This was the second time Georgian photographers were invited to the event. Like last year, the Georgian project became very popular among photo critics and international magazines and newspapers. TBC Art Gallery was the presenter both years.

### **Public Private Partnership for Georgian Cinema**

In 2014 TBC Bank started the first ever public private partnership (PPP) programme in support of Georgian cinema, an area of contemporary Georgian art that we believe has the greatest potential for international success. With the donation of approximately GEL 100,000 to the Georgian National Film Center, TBC Bank

sponsored the production of eight short fiction and documentary films. All eight products are currently at the post-production stage, and TBC Bank and the Film Center will jointly present them in May 2015.

#### **Art Wall - digital space for contemporary artists**

TBC Bank created the first digital space dedicated to modern video art titled ART WALL. Located at one of the Bank's branches in the central part of the capital city, the Wall presents open-air art shows by established and promising Georgian artists.

#### **Promotion of young photographers**

Another traditional project pioneered by TBC Bank in 2004 celebrated its 11<sup>th</sup> anniversary this year. Kolga, a photo competition for young artists, seeks to discover and promote yet unknown photographers. The winning pieces were displayed at the Bank's head office.

#### **Development of tourism and promotion of sports among youth**

- **Infrastructure works in Tusheti** – TBC continued to rehabilitate the horse-riding routes and other tourist infrastructure in the remote mountainous region of Georgia, which attracts special interest from campers and hikers.
- **Zeta Camping** - Zeta is a seasonal camp in a mountainous city of Georgia, financed by TBC Bank. The camp can host approximately 30 people each season and provides necessary infrastructure for tourists and visitors. The Bank's investment was crucial for developing and promoting tourism in the region.

#### **Notable social projects**

- **Financial aid to the Green House Psychological Support Centre** – with this project, TBC Bank supports disabled children, who receive therapeutic and psychological aid free of charge. The center treats up to 150 children every day.

#### **Developing financial literacy – money management advice for retail customers**

The TV show on money management is TBC Bank's multi-media initiative designed to improve general financial literacy of the Georgian retail consumers. The project utilized old media, new media and live events to maximize its reach and effectiveness, covering three platforms: a weekly TV show on a popular news channel, YouTube tutorials, and live master class events.

The main idea of the project is to provide customers with advice on managing their personal finances, including using products offered by the banks and other financial institutions, such as insurance companies. The overall goal is to raise financial literacy among the Bank's existing and potential retail clients so that they can better utilize and service their financial resources and obligations.

## PROGRESS ON CG PRINCIPLES

### GC Principles 1-2: Human Rights

#### ESMS Policy

Our SEMS provides that the Bank manages the environmental and social risks associated with its operations in order to minimize impacts on the environment and our stakeholders and to enhance long term returns to our shareholders. TBC is committed to ensuring our customers are also fulfilling their environmental and social responsibilities.

TBC Bank ESME policy is available through the Bank's Investor Relations [website](#). Please refer to the section titled *Corporate Social Responsibility - Environment* for more details.

### GC Principles 3-6: Labor

TBC Bank's HR strategy is fully in line with the local requirements and international best practices. The Bank complies with and endorses labour standards that are well above the national minimum as required by the current labor code, including in important areas as health insurance, adequate working environment and competitive pay. TBC Bank is also committed to protecting all policies against child labor.

Please refer to the section titled *People* for more details on trainings, professional development and employee performance assessment.

### GC Principles 7-9: Environment

#### ESMS Policy

The ESMS policy fully covers local requirements and international best practices with regards to standards of environmental protection. Please refer to the ESMS policy document (linked above) for additional details.

The Bank ensures that all of its clients are in compliance with the guidelines and requirements detailed in the SEMS document. Environmental reporting guidelines are covered in detail in Annexes D and E of the SEMS policy document.

Please refer to the section titled *Corporate Social Responsibility - Environment* for more details.

### GC Principles 10: Anti-Corruption

#### Local Legislation Overview

The authority that coordinates the AML/CTF processes in country is Financial Monitoring Service (FMS) of Georgia. FMS of Georgia is a member of Moneyval (Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism) and actively cooperates with international organizations and foreign Financial Intelligence Units.

#### AML/CTF Overview

TBC Bank is committed to high standards of anti-money laundering/counter terrorist financing (AML/CTF) and requires all TBC group companies, management and employees to adhere to these standards in order to prevent the use of TBC's products and services for money laundering/terrorist financing purposes. Implemented AML/CTF compliance program comprises written policies, procedures, internal controls and systems including but not limited to:

- The identification of potential AML/CTF risks relevant to each bank's activities.
- Global and local AML/CTF policies and procedures to ensure compliance with AML laws and regulations.
- Customer identification and verification ( including beneficial owners)
- Rules regarding transactions of Politically Exposed Persons (PEPs)
- Enhanced due diligence of increased risk clients
- Internal procedures for monitoring and reporting suspicious activities of the Bank's customers
- Customer screening against global list of terrorists and specially designated nationalities, relevant financial and other sanctions lists
- Maintenance of relevant records
- Regular staff training and awareness raising
- Management of regulatory inquiries and incidents
- Coordinating day-to-day compliance by responsible compliance staff

Standards set out in the internal AML/CTF policy are based on applicable legal and regulatory requirements to prevent TBC Bank and its clients from money laundering, terrorist financing or other fraudulent activities.

**TBC Bank conducts its business in compliance with the following general principles:**

#### **Know Your Client and Customer Identification procedures**

KYC procedures include the following key elements: customer identification, customer acceptance policy, risk management and permanent monitoring of high risk clients' accounts. Prior to executing any type of business, the Bank determines and documents the true identity of customers and obtains information about the purpose and real nature of the business. The Bank obtains and documents any additional information, appropriate to the assessment of the money laundering risk with a risk-sensitive approach.

TBC Bank clarifies whether the customer is acting on behalf of third party or legal entity as trustee or intermediary. In such cases, the Bank obtains satisfactory evidence about the identity of any intermediaries and of the persons upon whose behalf they are acting, as well as the nature of the trust measures in place.

KYC procedures are always complied with when customers open accounts and establish a new business relationship. The Bank's AML/CTF and KYC procedures are conducted on a risk-based approach. Consequently, anonymous accounts are not opened in the Bank.

TBC Bank has an automated controlling system in place whereby the Bank, constantly monitors private individuals and legal entities against global watch lists.

#### **Correspondent Banking Relationship**

The Bank does not have correspondent relations with "shell-banks".

The Bank always determines the reputation of correspondent institutions, including whether they have been subject to money laundering or terrorist financing investigations or other regulatory actions/sanctions.

#### **Monitoring and Reporting of Suspicious Transactions and Activities**

In accordance with the requirements of the law of Georgia on Facilitating the Prevention of Illicit Income Legalization, TBC Bank implements and maintains measures for handling suspicious transactions. The Bank considers indications that a customer's money originated from unlawful activities or other money laundering activities and reports all identified instances of suspicious activities to the relevant authorities.

The Bank avoids providing support or assistance to parties seeking to deceive law enforcement authorities through the provision of false, altered, incomplete or missing information.

Reporting of suspicious transactions/activities complies with the law of Georgia on Facilitating the Prevention of Illicit Income Legalization, with the Order N 4 of the Head of Financial Monitoring Service of Georgia on Receiving, Systemizing and Processing the Information by Commercial Banks and with other normative acts and regulations. Accordingly, all the staff is diligent in monitoring of any unusual or suspicious transactions/activities based on the relevant applicable criteria.

All employees of TBC Bank who come into a direct or indirect contact with customers are trained to deal with and respond to transactions that raise suspicion of money laundering or financing of terrorism.

#### **Record and Document Keeping**

Records of all documents obtained for the purpose of identification and all transaction data, as well as other documents are kept electronically for at least 15 years.

If you have any questions or require additional information regarding TBC Bank's Anti- Money Laundering efforts, please contact:

[FMS@tbcbank.com.ge](mailto:FMS@tbcbank.com.ge)  
Chief Compliance Officer  
JSC TBC Bank

#### **FATCA Disclosure**

JSC TBC Bank and its subsidiary FFIs were registered with the IRS to be FATCA compliant on 2nd of May, 2014. The FATCA regulations require JSC TBC Bank to review existing onboarding and withholding processes and enhance them accordingly with the regulations, where required. JSC TBC Bank must collect and verify appropriate client information, then report to local government authorities that have entered into intergovernmental agreements.

GIIN assigned to JSC TBC Bank is the following: YWY4EU.00000.LE.268.

JSC TBC Bank is proactively implementing changes to its current business in order to comply with FATCA regulations while best serving its clients and counterparties.

Please refer to the section titled *Risk Management* for more information, as well as the Investor Relations [website](#).

## **MEASUREMENT OF OUTCOMES**

### **Human Rights and Environment (SEMS)**

There have not been any complaints or violations observed in terms of Human rights and environmental policies as provided in the ESMS document. TBC Bank continues to rigorously endorse the ESMS requirements and standards among all of its partners and submits reports on each of its clients every six months. Please refer to the section titled *Corporate Social Responsibility - Environment* for more details.

### **Labour (HR)**

TBC Bank performs employee satisfaction surveys annually, where the Bank consistently achieves high levels of employee satisfaction. Please refer to the section titled *People* for more details.

### **Anti-corruption (AML)**

The Bank is fully compliant with all relevant local and international AML, KYC and Compliance legislation.