CARTU BANK JSC

Pillar 3 Annual Report

(As of 31st December 2024)

2025 Year

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1. Overview

Pilar 3 annual report is a document that is based on the requirements of the Basel Committee on Banking Supervision, on EU 575/2013 directives (EU regulation N575/2013) and on the Regulation by National Bank of Georgia on Disclosure requirements for commercial banks within Pillar 3.

The document discloses information on the banks capital in relations with the existing requirements, on risk management policies, strategies and corporate governance model.

Pilar 3 annual report is published annually. The document is available on the web-sites of the commercial and central banks, in Georgian, as well as English languages.

2. Management Announcement

The management board of the bank hereby confirms the trustworthiness of all the figures and information provided in given Pilar 3 report. The report is prepaired in accordance with internal control systems and procedures approved by the Supervisory Board. The given report satisfies requirements set by the June, 2017 Order #92/04 by the President of the National Bank of Georgia about the Disclosure requirements for commercial banks within Pillar 3 and other directives and norms of the National Bank of Georgia. According to the regulation Pillar 3 Annual Report is not required to be audited by an external auditor.

3. Key Metrics

The table of Key Metrics presents information about regulatory requirements of the capital and liquidity. Additional information is given in repective paragraphs.

3.1: Capital Adequacy Ratio

In 1,000 GEL	31.12.2024	31.12.2023
Common Equity Tier 1 Capital	412,587	376,292
Additional Tier 1 Capital	75,784	74,532
Tier 2 Capital	16,279	22,053
Total Regulatory Capital	504,650	472,877
Risk Weighted Assets (RWA)	1,914,280	1,709,985
Current Ratios		
Common Equity Tier 1 Ratio	21.55%	22.01%
Tier 1 Capital Ratio	25.51%	26.36%
Total Regulatory Capital Ratio	26.36%	27.65%

3.2: Liquidity Coverage Ratio (LCR)

In 1,000 GEL	31.12.2024	31.12.2023
Total HQLA	844,949	976,675
Net Cash Outflow	562,728	668,582
Liquidity Coverage Ratio (%)	**150%**	**146%**

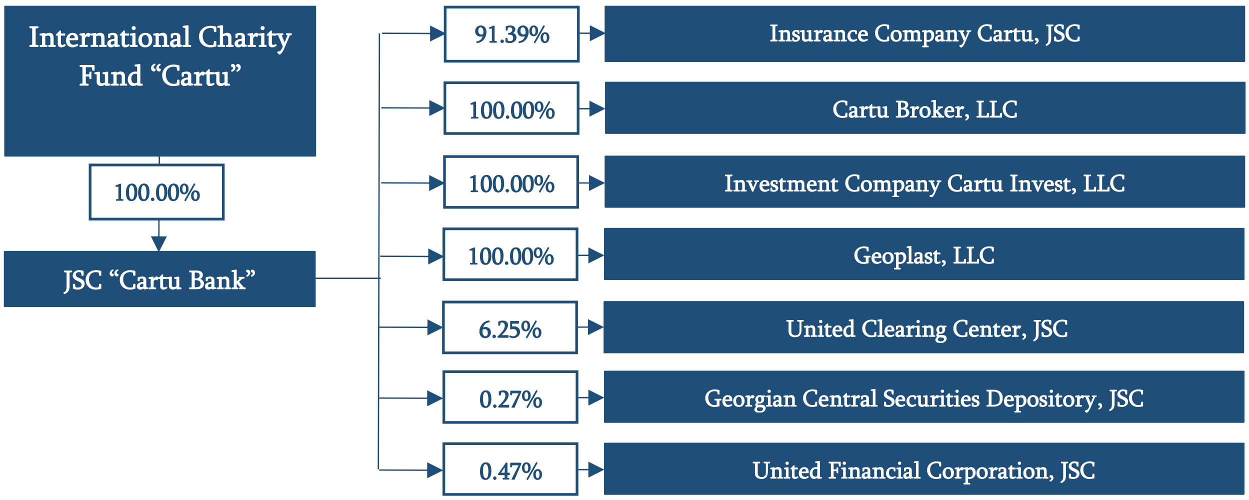
3.3: Net Stable Funding Ration (NSFR)

In 1,000 GEL	31.12.2024	31.12.2023
Available Stable Funding	1,587,876	1,582,703
Required Stable Funding	869,845	771,423
Net Stable Funding Ratio (%)	**183%**	**205%**

Other key financial ratios of the bank is given as an annex on the page “Key Ratios” of the 2024’s 4th quarter report of quarterly report form.

4. Group Structure

The ultimate/beneficiary shareholder of 35% stake in the bank is Uta Ivanishvili. The group's structure is illustrated in the following graph:



JSC Insurance Company Cartu, JSC – The company has been established in 2001 and holds health, as well as non-health insurance licenses. The company information is provided in the following URL: https://insurance.gov.ge/Statistics.aspx/Statistics

Cartu Broker, LLC - the company has been established in 2001 and is licensed by the National Bank of Georgia, as the regulator of the securities exchanges market, as broker. The company information is provided on the following URL: http://gse.ge/broker-companies/cartubroker

Investment Company Cartu Invest, LLC - the company was established in 1999. The company is inactive since its establishment.

Geoplast, LLC – the bank established the company in 2017 for the effective management of its repossessed assets. No investments have been made for the moment.

United Clearing Center – the company owns and manages huge online portal MYPAY.GE which provides online payments for the plastic (debt/credit) cards owners. The company information is provided in the following URL: https://www.mypay.ge/Payments/main

Georgian Central Securities Depository – the company is the system operator of GCSD since 1999. The purpose of this system is to nominally hold securities that are held by its partners, provide clearing and payments, but excluding government securities. GCSD is owned by 4 local commercial banks and Georgian Stock Exchange. The company information is provided in the following URL: http://www.gcsd.ge/

United Financial Corporation (UFC), JSC – Georgia's first Processing Center was established in January 1996. Currently the processing center is serving 25 financial institutions, including banks, PSPs, and MFOs. It provides a full range of services according to international VISA International, MasterCard Worldwide and China UnionPay regulations and PCI (Payment Card Industry) data security standards. https://www.ufc.ge/

5. Capital Structure

Common Tier 1 Capital (in 1,000 GEL)	31.12.2024	31.12.2023
Common Stocks	114,430	114,430
Other Reserves *	7,438	7,438
Accumulated Other Comprehencive Income	53	-
Retained Earning (Loss)	301,122	263,388
Intangible Assets (including Goodwill)	10,403	9,007
Deferred Tax Assets	-	-
Revaluation Reserves on Assets	53	(43)
Common Tier 1 Capital	**412,587**	**376,292**
Additional Tier 1 Capital	**31.12.2024**	**31.12.2023**
Additional Tier 1 Capital Instruments	75,784	74,532
Additional Tier 1 Capital	**75,784**	**74,532**

Tier 2 Capital (in 1,000 GEL)	31.12.2024	31.12.2023
Subordinated Debt	16,279	22,053
Reserves	-	-
Total Tier 2 Capital	**16,279**	**22,053**
Total Regulatory Capital	**504,650**	**472,877**

* The reserve and target fund of the bank were formed from the retained earnings of the year. Their purpose is to cover any potential losses arising from the bank's operations, if necessary.

6. Capital Adequacy

6.1: Risk Weighted Assets

In 1,000 GEL	31.12.2024	31.12.2023
Credit Risk Weighted Risk Assets	1,747,754	1,557,810
Market Risk Weighted Risk Assets	7,684	16,727
Operations Risk Weighted Risk Assets	158,842	135,449
Total	**1,914,280**	**1,709,985**

6.2: Credit Risk Weighted Risk Asset

Date: 31.12.2024 In 1,000 GEL	Balance Sheet Amounts	Risk Weighted Amounts	Risk Weights						Credit Risk Weighted Amounts		
			0%	20%	50%	100%	150%	250%	Before Mitigation	Mitigation	After Mitigation
On-Balance Sheet Positions											
Due from Governments and Central Banks	430,122	430,069	76,181	-	-	353,889	-	-	353,889	-	353,889
Due from Commercial Banks	353,524	353,524	-	15,356	338,168	-	-	-	172,155	-	172,155
Due from Corporate Customers	1,013,160	1,013,160	-	-	-	1,013,160	-	-	1,013,160	93,271	919,889
Overdue Loans	57,991	57,991	-	-	-	57,991	-	-	57,991	-	57,991
Property And Equipment *	32,226	21,823	7,764	-	-	14,060	-	-	14,060	-	14,060
Cash and Cash Equivalents with Commercial Banks	34,764	34,764	34,764	-	-	-	-	-	-	-	-
Investments in FI's and Tax Assets	9,522	9,522	-	-	-	-	-	9,522	23,806	-	23,806
Other Investments in FI's	168	168	-	-	-	168	-	-	168	-	168
Other Assets **	94,881	94,881	-	-	-	87,001	-	7,881	106,702	4,365	102,337
Total On-Balance Sheet Amounts	2,026,359	2,015,903	118,708	15,356	338,168	1,526,268	-	17,403	1,741,930	97,636	1,644,295
Off-Balance Sheet Positions											
Guaranties	21,990	21,990	-	-	-	21,990	-	-	21,990	652	21,338
Non-credit criteria Guaranties	134,814	67,407	-	-	-	67,407	-	-	67,407	5,577	61,830
Credit Contingencies ***	41,925	20,963	-	-	-	20,963	-	-	20,963	672	20,291
Total Off-Balance Sheet Positions	198,729	110,360	-	-	-	110,360	-	-	110,360	6,900	103,460
Risk positions weighted by counterparty's credit risk											
Contracts with maturity less than 1 year	-	-	-	-	-	-	-	-	-	-	-
Total	**2,225,088**	**2,126,262**	**118,708**	**15,356**	**338,168**	**1,636,627**	**-**	**17,403**	**1,852,290**	**104,535**	**1,747,754**

* Differences between carrying value and risk exposure of property and equipment is due to intangible assets, which is deducted from the regulatory capital;

** The point includes risk exposure to retail customers, repossessed assets and other receivables.

*** Risk exposure is calculated by 50% of commitment

While calculating RWA, bank uses only money on deposit accounts or cash equivalent financial instruments as means of mitigation.

6.3: Market Risk Weighted Risk Exposure

Risk exposure exposed to Market Risk weighting equals to overall open FX position defined by "Regulation Setting, Calculating and Maintaining Overall Open Foreign Exchange Position Limit of Commercial Banks".

6.4: Operational Risk Weighted Risk Exposure

In 1,000 GEL	2024	2023	2022
Net Interest Income	75,175	68,979	58,008
Profit (Loss) from property realisation	1,131	0	11
Total Non-Interest Income	29,148	20,950	3,029
Total Income	103,192	89,929	61,026
Average Total Income for last 3 Years	84,716	72,239	69,709
Operational Risk Capital (15.00%)	12,707	10,836	10,456
Operational Risk Weighted Risk Exposure	158,842	135,449	130,705

7. Liquidity Coverage Ratio (LCR)

Liquidity Coverage Ratio (According to NBG)			
31.12.2024 (in 1,000 GEL)	**GEL**	**FX**	**Total**
Total HQLA	128,471	716,478	844,949
Net Cash Outflow	57,860	504,868	562,728
Liquidity Coverage Ratio (%)	**222.0%**	**141.9%**	**150.2%**
Minimum Requirement	>75%	>100%	>100%

Other key financial ratios of the bank is given as an annex on the page "Key Ratios" of the 2024's 4th quarter report of quarterly report form. (https://nbg.gov.ge/supervision/banking-supervision?pageKey=pilar3Quarter)

Liquidity Coverage Ratio (According to BASEL)			
31.12.2024 (in 1,000 GEL)	**GEL**	**FX**	**Total**
Total HQLA	82,090	396,213	478,303
Net Cash Outflow	11,305	43,386	54,691
Liquidity Coverage Ratio (%)	**726.1%**	**913.2%**	**874.6%**

Ratios calculated based on NBG methodology represent minimum regulatory requirements for banks, while figures calculated based on Basel methodology are disclosed for illustrative purposes. Detailed information can be found in quarterly appendix 14. LCR.

8. Shareholders

The charter regulates rights of the shareholder and general shareholders meetings. Shareholders rights include: amending charter, changing the company brand name, choosing and changing members of the supervisory board, approving bank's annual reports, financial reports and audit committee reports. General shareholders meeting is eligible for taking decision of the reorganization and liquidation of the bank.

According to the charter, shareholders meeting has to be held every year, normally, in 2 months after beginning of the reporting year. As bank has an only one shareholder, there is no necessity of the meeting and the shareholder makes an individual decision.

9. Corporate Management

9.1: The Supervisory Board

As of 31st of December of 2024, the Supervisory board of"Cartu Bank" JSC consisted of four members:

1. Nato Khaindrava - The Chairperson
2. Lasha Megrelidze – Independent Member, Deputy of The Chairperson
3. Besik Demetrashvili – Member
4. Zaza Verdzeuli – Senior Independent Member

As of the publication date of the report, the bank's supervisory board consists of five members, with the addition of a fifth member, Irine Kinkladze, to the existing composition.

The Chairperson of the Supervisory Board, Nato Khaindrava, graduated from Tbilisi State University with a degree in Economics in 1988. She has been working in the banking sector since 1982. Starting from 2023, she takes the position of Chairperson of the Supervisory Board and becomes a member of the Audit Committee. From 2016 to 2023, she served as CEO of Cartu Bank JSC and as Chief Non-executive Officer at Cartu Group JSC. Prior to her role of CEO, she was Chief Financial Officer from 2013 to 2015. From 2011 to 2013, Mrs. Khaindrava held the position of First Deputy Director at JSC Cartu Bank. Between 2003 and 2011, she was Deputy Director of the bank and headed the Internal Audit and Financial Departments. In 2002-2003, she worked as a liquidator in the National Bank of Georgia's Division of Banks Supervision. Before joining NBG, in 2001-2002, she was the Chief Accountant of the Liquidation Committee at Tbilkombank. From 1993 until 2001 was taking positions of Chief Accountant, Deputy Director, and Chief Accountant of the Liquidation Committee at Sigma Bank. Prior to joining Sigma Bank, from 1982 she served as Chief Controller, Head of the Branch, and Chief Accountant at the Saving Bank's Nadzaladevi Branch.

Lasha Megrelidze graduated from Business School Lausanne with bachelor's degree in business administration. Starting from 2023, he is appointed as Deputy of The Chairperson of the Supervisory Board of Cartu Bank JSC and is independent member. He is also the Chairperson of Audit Committee and member of Risk Management Committee. From 2019 to 2022, he held the position of Head of International Business in JSC Bank of Georgia. Prior to that, from 2017 to 2019, he was a Business Development Manager. In 2015-2017, he served as senior assistant at Galt and Taggart JSC. In 2011-2014, he worked as a trader at "Commodities International", commodity trading house, in the United States of America.

Besik Demetrashvili has graduated from the Faculty of Law of Tbilisi State University. From 2012, he takes positions of the Head of LLC Management Service and LLC Georgian French School. From 2014, he is the Chief Executive Officer at LLC Agro Cartu, while from 2015 takes the same position in following companies LLC Riviera XXI and JSC Didveli. He is being a member of Georgian BAR Association from 2008. Simultaneously, he is a Legal Adviser at LLC FINSERVICE XXI. Mr. Demetrashvili used to be a Head of Legal Departments at LLC Burji and Non-Profit Organization Association ATU in 2005-2006 years, while in 2002-2006 took position of Securities Registrar at LLC Registry XXI. Besik Demetrashvili worked as a lawyer at Tbilisi City Council in 1999-2000 and at NGO Article 42 of the constitution.

Zaza Verdzeuli has obtained his bachelor and master's degrees in Trade Economics and Commodity Studies from the Tbilisi State University. In 2019 Mr. Verdzeuli was assigned to the position of the independent member of the supervisory board of Cartu Bank, JSC. Additionally, from 2024, he takes the position of the Independent Member of the Supervisory Board at the Insurance Company Cartu, JSC. From 2007 till 2019 he was taking position of the Head of Risk Management Department as well as the Deputy Director at Ziraat Bank, JSC. In 2006 he was in charge of the Head of Retail Business Department at Silk Road Bank, JSC. From 1995 till 2004 he was responsible for Currency Operations, Branch Management, Correspondent Relations, and Settlements at Georgian Post Bank, JSC. His career start is connected to Caucasus Bank in Georgia and Bank Liutvi JSC in Russia, where he oversaw accounting.

The authority period for the members of the Supervisory Board is set to 4 years. Supervisory board is actively involved in planning and monitoring of all the ongoing processes and has the leading role in managing the bank.

The main roles of the Supervisory Board include:

- Consideration and approval of the main principles of the bank's operation and the strategic development plan;
- Invitation of a general meeting of shareholders, determining the agenda;
- Appointment of the Director General and other members of the Board of Directors, supervision of their activities, restriction/termination of their authorities. Determination of the terms of remunerations and termination of an employment contract with them;
- Control the activities of the Board of Directors (ad of each of its members);
- Nomination of a candidate for approval to the general meeting of shareholders, for carrying out an external audit of the bank;
- Establishment of committees under the Supervisory Board, including the Audit Committee and Risk Committee, determination of their quantitative and personnel structure, terms and remunerations of members. As well as the approval of the policy documents of these committees;
- Revision, evaluation and approval of the bank's Recovery Plan;
- Monitoring the Pillar 3 reporting process, including ESG issues, and approval of the annual Pillar 3 report;
- Approval of the Banks ESG risk management policy;

In accordance with the Order No. 215/04 of the President of the National Bank of Georgia dated September 26, 2018 "On the Approval of the Corporate Governance Code of Commercial Banks", the Supervisory Board of the Bank performs an annual self-assessment of its activities.

The Supervisory Board considers the following components when self-evaluating the activity:

- Periodicity of the Board meetings, quality, and readiness of the members;

- Board culture, work environment, core values, and ethical principles;
- Board’s functions, duties, and the quality of their performance;
- The role and involvement of the Board in the bank's activities, as well as in monitoring the implementation of the defined strategy;
- Effectiveness of the work of the Board's committees and the decisions made;
- Quality of the relationship between the Board and the The Management Board;
- Quality of the relationship between the Board and shareholders;
- The manner of staffing the Board, compliance of its members' competencies and abilities with applicable legislation, as well as with the needs of the bank.

Based on the aforementioned components, the Board members individually assess the Board's activities and conduct individual self-assessments. On the basis of the obtained results, a self-assessment document of the activities of the Supervisory Board, Board committees and members is compiled, which is then reviewed by the Board.

The Supervisory Board positively assessed the activities of 2024. However, it highlighted a primary concern that will receive considerably more attention in 2025. Specifically, during the upcoming year, the Board intends to ensure the inclusion of invited consultants more extensively when discussing pertinent issues.

During 2024, the Supervisory Board reviewed matters within its competence, including:

- The 2024 budget for income and expenses, and the projected balance sheet.
- The 2023 Pillar 3 annual report;
- The 2024 recovery plan;
- Issue related to capital increase in a bank subsidiary;
- Risk appetite document;
- Interest rate risk management policy;
- Liquidity risk management policy;
- Currency risk management policy;
- Fraud risk management policy;
- Third-party risk management policy;
- Credit and treasury products pricing policy;
- Operational risks management policy;
- ESG risk management policy;
- Conflict of interest management regulaltion;
- Conflict of interest management, control, and monitoring policy;
- Reporting system and disclosure/transparency policy related to transactions with related parties;
- Anonymous reporting policy;
- ICT and cybersecurity risk management policy;
- Human resources risk management policy;
- Reputational risk management policy.

9.2: The Management Board

The Management board is the executive board of the bank, and its authority is set for 4 years. As of December 31, 2024 the Management Board consisted of following members:

1. Zurab Gelenidze - Chief Executive Officer
2. Givi Lebanidze – Deputy CEO, Chief Financial Officer
3. Beka Kvaratskhelia - Deputy CEO, Chief Risk officer
4. Zurab Gogua - Deputy CEO, Chief Commercial Officer
5. Giorgi Korsantia – Deputy CEO, Chief Information Technology Officer
6. Vakhtang Machavariani - Deputy CEO, Chief Administrative Officer

Chief Executive Officer, Zurab Gelenidze, graduated from the faculty of Economics, majoring in international economic relations, at Tbilisi State University in 1997. In 2020, he obtained a master's degree in business administration from the University of Sheffield, UK. From October 2023, takes the current position of Chief Executive Officer at Cartu Bank. In the years 2020-2023, he was the general director of CBS Group LLC. From 2021 until 2023, he also used to be the deputy chairman of the Supervisory Board of JSC Telasi. From 2013 to 2019, he held the position of Chief Financial Officer in Industrial Group of Georgia LLC. From 2011 until 2013, Served as deputy corporate director at TBC Bank. In 2010-2011, Mr. Zurab was the Deputy Chief Commercial Officer at HSBC Bank. During the years 2006-2010, he held the position of the Chief Commercial Officer at BTA Silk Road Bank. Starting from 2004 until 2006, he used to work as the Chief financial Officer of "Iberia Refreshments, Pepsi Cola". In the years 2003-2004, served as the director of the corporate department at Bank of Georgia, and before that, in 2000-2003, used to be the head of the international relations department. In 2000, he was heading the credit analysis division of the risk department in the same company. From 1999 to 2000, he served as the head of the Documentary Business Division of the Department of International Relations and simultaneously held the position of Senior Economist in the Credit Department.

Chief Financial Officer, Givi Lebanidze, graduated from the Economic Faculty of Tbilisi State University with the degree of Economic Cybernetics and qualification of Economist-Mathematician. In 2019, Mr. Lebanidze obtained master's degree in finance from the Georgian Technical University. From March 2016, takes current position of Chief Financial Officer at Cartu Bank, while in 2018 he also became the Chief Financial Officer of the Insurance Company Cartu, JSC. From January 2013, Mr. Lebanidze became Deputy Director of Risk Management Department as well as Head of Financial Risk Management Division at Cartu Bank before he was promoted to Director of Risk Management Department in January 2016. He was heading Investment Division of Cartu Bank in 2010-2013 years. In years 2009-2010 and 2007-2009 used to be Corporate Banker and SME Credit Expert respectively. From December 2012, he simultaneously was working at Global Contact Consulting, JSC as a member of the supervisory board and after 2 years became the Chairman of the Supervisory Board of the same company.

Chief Risk Officer, Beka Kvaratskhelia, got a degree in International Economic Relations at Tbilisi State University, Faculty of Economics. From 2013 until now, he is a Chief Risk Officer at Cartu Bank. Before being promoted to CRO, Mr. Kvaratskhelia served as a Director of Risks Management Department in years 2009-2013, whilst as a Head of Risks Management Division during 2006-2009 years. He used to work as a Deputy Director of the Credit Department and Head of Corporate Credit Division from 2004 until 2006. From 1997 to 2001 was a Credit Officer and later till 2004 the Chief Credit Officer at Cartu Bank.

Chief Commercial Officer, Zurab Gogua, holds graduate and postgraduate degrees in Economics and Macro Economics from Tbilisi State University and Ministry of Economy Institute of Economy and Social Problems. From 2013, Mr Gogua takes the current position of Chief Commercial Officer. He used to lead Credit Department in years 2004-2013, whilst Credit Division in 2002-2004 years. Starting from 2000, until 2002 he was serving as a Deputy Head of Credit Division. He was Head of Monitoring and Analysis Division in 1998-2000 years, whilst Credit Officer in 1997-1998 and Economist of Cartu Bank in 1997. Before joining Cartu Bank, Mr. Gogua was a Manager of Marketing Research Center in 1995-1997.

Chief Information Technology Officer, Giorgi Korsantia, graduated from the Faculty of Energy and Telecommunications at the Technical University of Georgia in 2009. From 2023 until now, takes the current position of Chief Information Technology Officer at Cartu Bank. While serving as the head of the Payments and Data Management Department at Liberty Bank from 2020 to 2022, he previously held the position of Deputy Head of the Information Technology Department from 2018 to 2020. Starting from 2014 until 2018, he was the head of the Information Technology Department at “International Bank of Azerbaijan” of Georgia. In 2012-2014, he used to work as the IT service outsourcing manager at Asseco Georgia. In the years 2008-2012, he held the position of software engineer at Onyx Consulting.

Chief Administrative Officer, Vakhtang Machavariani, received a master's degree in law from Tbilisi State University in 1998. Additionally, he obtained a doctorate in civil law in 2003, and a master's degree in business administration, specializing in economics in 2006. In 2021, he got another master’s degree in law from the Illinois Institute of Technology/Chicago-Kent College of Law, USA. From 2023 until now, takes the current position of Chief Administrative Officer at Cartu Bank. During the years 2009-2023, he used to be the Vice-President of VTB Bank Georgia, and from 2008 until 2009, he held the position of Deputy Chief Executive Officer. Starting from 2011 until 2018, he worked as an associate professor at Caucasus University. During the years 2005-2008, served as a consultant to the Chief Executive Officer of Tbilisi Water LLC and was a member of the supervisory board. In 2007-2008, he used to be the head of the legal department of Taoprivate Bank. In the years 2007-2008, he was an invited legal expert at the MONEYVAL COMMITTEE. Starting from 2003 until 2007, he served as the Deputy Head of Service at Financial Monitoring Service of Georgia. From 1998 to 2003, he concurrently held the positions of the deputy head of the legal department, the head of the legal department of the banking activity and the leading lawyer in the National Bank of Georgia. In 1996-1998, he was a consultant/advisor in the Department of Private Law at the Ministry of Justice of Georgia.

The Management board organizes banks day-to-day activities, executes decisions made by supervisory board and general shareholders meeting. Board is responsible for banks financial standing. The main duties of the board of directors also include:

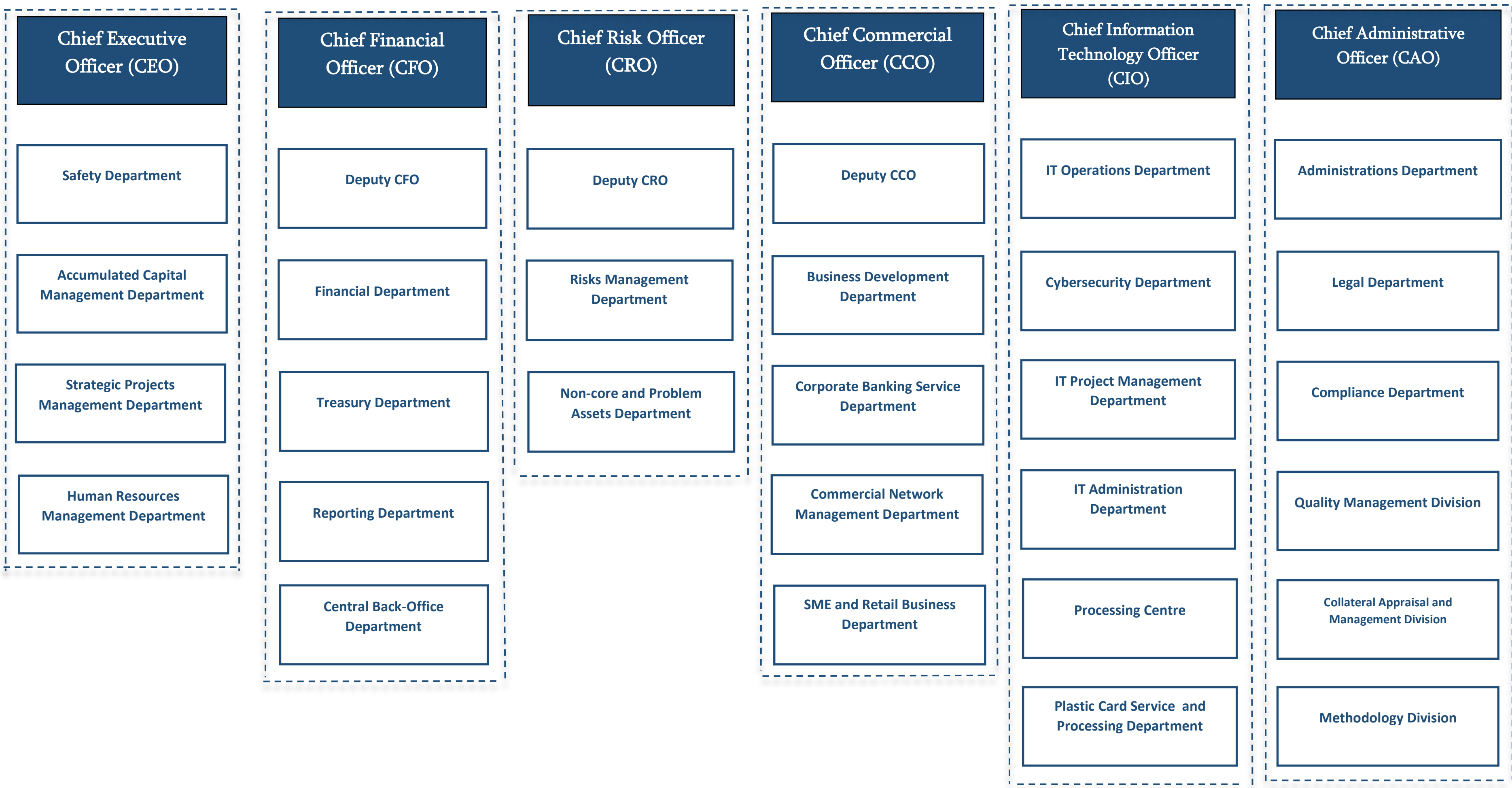
- Generation of the banks Recovery Plan and presentation to the supervisory board for approval;
- Periodically discuss and evaluate the banks credit assets through the ESG standards set by the ESG Policy approved by the supervisory board.

In case of equal distribution of votes during voting procedure, CEO’s vote is decisive. At the same time, directors individually represent the bank in relation to third parties.

During the period of 2024, the Management Board developed and discussed the following issues:

- The 2024 budget for income and expenses, and the projected balance sheet;
- The 2023 Pillar 3 annual report;
- Development of the Gold Certificate product;
- The bank's involvement in a project organized by the Georgian Financial Markets Treasuries Association to purchase a common treasury program;
- The bank’s membership in the Banking Association for Central and Eastern Europe (BACEE);
- A policy for identification of material risk takers.
- Adoption of the Mortgage Product Buy a Home with the Developer
- Adoption of Payroll Overdraft Product
- Reorganisation of Bank’s Vake Service Center

The following chart provides information on the curatorial directions of bank directors.



9.3: Audit Committee

The Audit Committee represents the consultative body existing under the surveillance of the Supervisory Board, decisions made by the Audit Committee serves as a recommendation to the Supervisory Board. The key role of the committee is to promote the functioning of the internal and external auditors.

The purpose of the committee is to support the Board to carry out supervising functions and to properly inform members of the board on the following issues:

- Completeness and reliability of the Banks financial statement;
- Efficient functioning of the Internal Audit Department;
- Independence and qualification of the external auditor, also the quality of the service provided, amount of work and payment;
- Internal control system of the bank, efficiency and reliability of risks management;
- Details considered in the recommendation letter issued by the external auditor and information about the monitoring results of the board of directors implementing the solvings for the gaps highlighted by the auditor;

The Audit Committee addresses the Supervisory Board with an oral or written recommendation, expresses its own view and valuation about improving the forms of supervision. At the end of the year it makes reports about the performed work.

The Audit Committee consists of three members, including two independent ones. They are not connected to a bank, also, they or people related to them, according to the Civil Code of Georgia, who are among the circle of legal heirs, in the I and II grade, do not have the financial responsibility towards the bank. None of them is a member of a supervisory board or management board of any other commercial bank. The supervisory board, while choosing members, takes into consideration the compliance of the education and the experience also compliance of the quality of independence with the internal standards.

Committee shall meet in person minimum once in a quarter, as for special cases the meeting is called by the request of the chairman of the supervisory board, chairman of the committee or two members of the committee. Also, by the request of the head of Internal Audit Department of the bank.

In accordance to the Order No. 215/04 of the President of the National Bank of Georgia dated September 26, 2018 “On the Approval of the Corporate Governance Code of Commercial Banks”, the Audit Committee annually considers and assesses the independence level of the external auditor. The member of the Big Four, EY, LLC provides the audit service to the bank for the financial year 2024, whose independence quality was well evaluated and accepted by the Audit Committee. Information about the costs and fees connected to the service of the external auditor can be found in the banks Audit Report for the financial year 2024.

The Audit Committee Statute approved by the supervisory board in 2021 regulates the work of the committee.

9.4: Risk Committee

Risk Committee represents the collegial body of the risk management in the bank existing under the surveillance of the Supervisory Board. The work of the committee is conducted according to the bank strategy and the risk appetite. It is based upon the local legislature, charter of the bank and other internal standards, also, the international practice in effective risk management is being taken into consideration.

Amongst functions of the risk committee are as follows:

- Defining the risk management strategy on the level of individual risk as well as on the aggregated basis. Reporting results to the Supervisory Board on the quarterly basis in the written manner, including information about acting as well as about the future risk appetite;
- At least annually reporting to the Supervisory Board about the internal risk management culture and results of the surveillance of the acting policies about the risk management;
- Coordination with the Chief Risk Officer and monitoring the performance;
- Monitoring the management strategy for the capital, liquidity at the same time all types of other risks including credit, market, operational and reputation risks, in order them to me aligned with the risk appetite;
- Conducting the stress scenario analysis as well as all types of scenarios with the possible impact on the risk profile;
- Analysing the Pillar 3 reports including ESG reports and providing recommendations to the Supervisory Board;
- Discussing the Recovery Plan of the bank and presenting the following recommendations to the Supervisory Board;

The Risk Committee consists of three members, including two independent ones. They are not connected to a bank, also, they or people related to them, according to the Civil Code of Georgia, who are among the circle of legal heirs, in the I and II grade, do not have the financial responsibility towards the bank. None of them is a member of a supervisory board or management board of any other commercial bank. The supervisory board, while choosing members, takes into consideration the compliance of the education and the experience also compliance of the quality of independence with the internal standards.

The risk committee is chaired by the independent member of the supervisory board.

Committee shall meet in person at minimum once in a quarter, taking the risk type of the bank as well as requirements and development, the meeting can be called additionally.

The Risk Committee Statute approved by the supervisory board in 2021 regulates the work of the committee.

9.5: Credit Committee

The committee represents the highest collegial body in the credit management of the bank. The supervisory board delegates the authority to the committee to adopt decisions about bank procedures connected to crediting and managing it. The work of the committee is fully based upon the charter of the bank, internal standards and the international practice used in crediting.

The direct functions of the committee are to discuss all types of credit applications; to make final decision on approval or rejection; to agree on parameters related to specific loans, such as limits, currency, validity periods and interest rates; to make decision on defining and changing them, restructuring, prolonging, and correcting the possible loan loss provisions.

The Committee is being appointed and approved by the supervisory board. The committee unites the following authorized permanent members:

- Chief Executive Officer (Chairman of the committee)
- Chief Risks Officer
- Chief Financial Officer
- Chief Commercial Officer
- Corporate Banking Service Department
- Director of Legal Department

The Credit committee member cannot be a person who is not an employee of the bank, an employee of the internal audit or any other person of a controlling body, in order to avoid the conflict of interests due to their position.

The chairperson of the committee defines the agenda and topics to discuss.

The credit management committee is directly responsible towards the managing board.

The work of the committee is regulated by the Credit Committee Regulation approved by the Bank's Supervisory Board in December 2024.

9.6: Small Credit Committee

Like the credit committee, small credit committee also represents the banks collegial body in the credit business management, though it can operate within the limited frames defined by the supervisory board.

The supervisory board appoints members and defines people with the appropriate delegated authority. The committee consists of three authorized members: Chief Commercial Officer (chairperson of the committee), Chief Risk Officer and Director of the SME and Retail Business Department.

Any loan application, which does not confront with the credit policy of the bank, may be reviewed by the committee, thereto the whole debt of the business group, approved loan or requested amount in total should not be more than USD 300,000 or equivalent in other currency.

Committee is neither allowed to review the non-colateralized application, the application of the insider and of the enterprise created with the government share. Furthermore, it is not allowed to establish less interest rate on standard classified loans than it is already established, to introduce more than six-month grace period on profit payout and twelve- month grace period on capital amount.

The small credit committee is directly responsible towards the credit committee.

The work of the committee is regulated by the Small Credit Committee Regulation approved by the Bank's Supervisory Board in December 2024.

9.7: Assets and Liabilities Management Committee

Assets and liabilities management committee represents a collegial body, its purpose is to maintain and improve the financial qualitative factors on the basis of effective management of assets and liabilities of the bank.

The primary mission of the committee is to ensure the alignment of the ALM policy with the bank's strategy and other policies, to support the management of mobilized resources through effective management, and to define the desired volume and parameters related to liabilities, allocations, and treasury operations.

The committee is appointed and approved by the Supervisory Board. The Committee consists of six authorized members:

- Chief Financial Officer (Chairman of the committee)
- Chief Executive Officer
- Chief Risk Officer
- Chief Commercial Officer
- Director of the Treasury Department
- Director of the Reporting Department

Assets and Liabilities meeting is scheduled by the chairperson, if required. The ALM Committee charter approved by the supervisory board of the bank in April, 2024 regulates the activity of the committee.

9.8: Business Process Management Committee

The main functions of the Business Process Management Committee are to discuss and adopt new/current/optimised business processes, block-diagrams of business processes and in case it is needed, auxiliary documents (applications, technical tasks, etc).

Members of the committee are chosen and approved by the supervisory board of the bank. The committee consists of seven authorized members:

- Chief Administrative Officer (Chairman of the committee)
- Head of Operational Risk Management Division
- Head of Quality Management Division
- Head of Methodology Division
- Director of IT Project Management Department
- Deputy Director of the Reporting Department / Head of Management Reporting and Budgeting Division
- Head of Compliance Division

The member of the committee cannot be a person who is not an employee of the bank, an employee of the internal audit department or any other person of a controlling body, in order to avoid the conflict of interests due to their position.

The committee meeting is scheduled by the chairperson, if required. Head of Methodology Division is in charge of the secretary of the committee. The topics for discussion are proposed by Methodology Division.

The committee is directly responsible towards the managing board of the bank.

The work of the committee is regulated by the Business Process Management Committee Regulation approved by the Bank's Supervisory Board in May 2024.

10. Risk Management

10.1: Corporate Strategy

The significant part of the bank's corporate strategy is credit granting to corporate and small and medium-sized enterprises (SMEs). The bank is planning to maintain existing profile and increase the share of SMEs in its credit portfolio in the medium term.

It is significant for the bank to improve the quality of assets, which implies the bank to reduce the share of repossessed assets in its total assets, reduce the share of non-performing loans in the total credit portfolio, maintain or upgrade its international credit ratings and diversify its credit portfolio across the different industries.

In the long term the bank is planning to change the structure of raised funds, in name, to substitute comparatively short-term funds by the longer-term funds and also to diversify funding sources.

10.2: Risk Management Framework

JSC Cartu Bank's business model is designed to ensure that the bank preserves above-average capitalization level, and resources are distributed to the sectors and assets that supports the achievement of sustainable and balanced growth.

The principal risks that Cartu Bank encounters in the pursuit of its strategic objectives have been categorised as follows: Credit, Market, Liquidity, Operational and Other Non-Financial Risks.

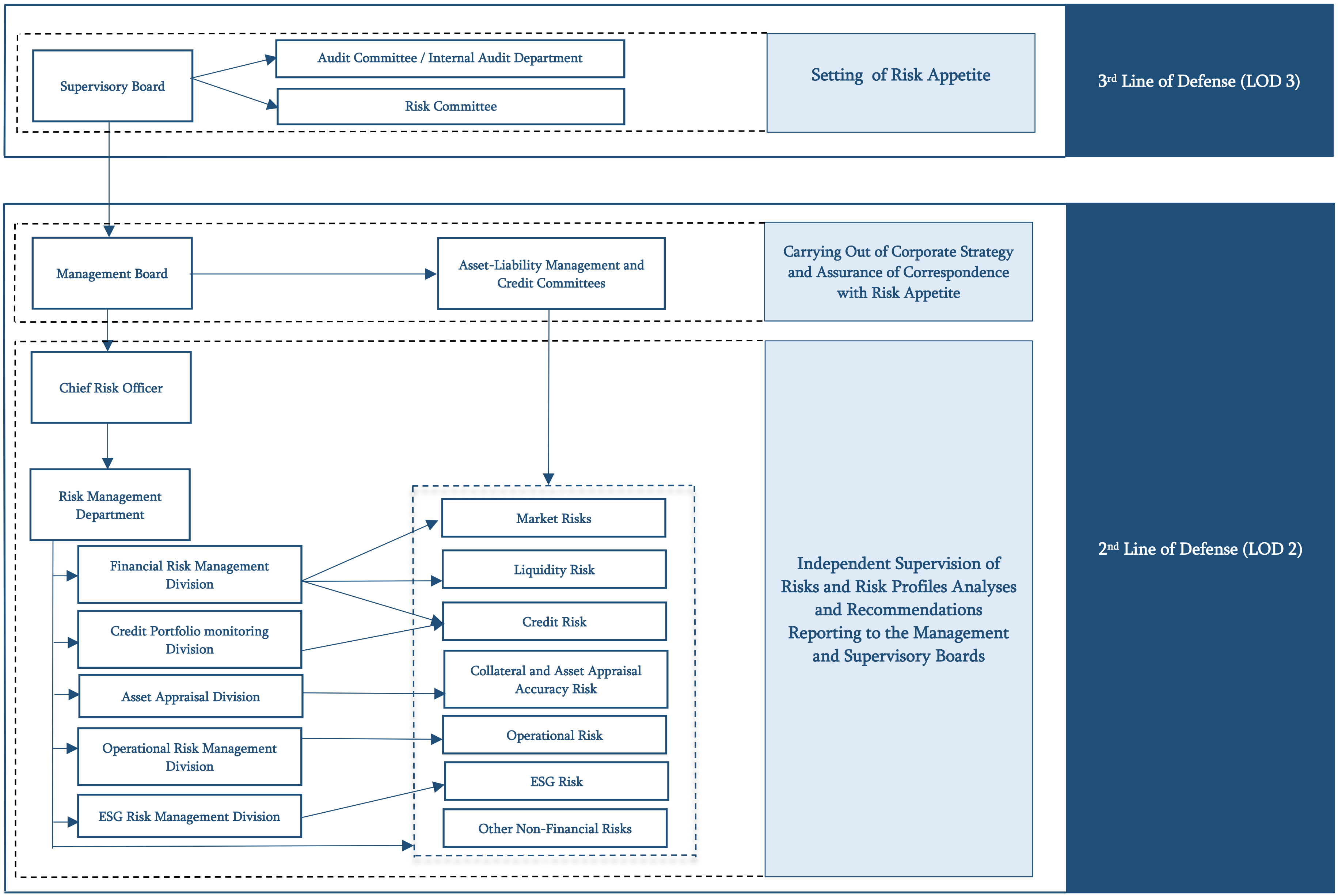
The Bank's risk management objectives are as follows:

- To determine a risk appetite that maximises risk/return whilst ensuring that the Bank maintains adequate capital at all times;
- To ensure that prudent levels of liquidity are in place to fulfill short-term liabilities of the Bank even under stressed conditions;
- To have an adequate and effective control mechanisms ;
- The complete compliance and adherence to the rules and regulations governing the bank's business.

The key principles that ensure an effective risk management strategy are:

- Existence of the robust 2nd Line of Defence in the bank;
- Correspondence of the overall principles set by the bank's corporate strategy and the level of risk the bank is able and willing to undertake (the bank's risk appetite);
- Ensuring that the risk issues associated with business development activities are being correctly identified, measured and properly reported;
- Obtaining appropriate assurance that there are sufficient controls in place for controlling risk.

Bank's risk management structure is given on the following chart:


Supervisory Board
Audit Committee / Internal Audit Department
Risk Committee
Setting of Risk Appetite
3rd Line of Defense (LOD 3)
Management Board
Asset-Liability Management and Credit Committees
Carrying Out of Corporate Strategy and Assurance of Correspondence with Risk Appetite
Chief Risk Officer
Risk Management Department
Financial Risk Management Division
Credit Portfolio monitoring Division
Asset Appraisal Division
Operational Risk Management Division
ESG Risk Management Division
Market Risks
Liquidity Risk
Credit Risk
Collateral and Asset Appraisal Accuracy Risk
Operational Risk
ESG Risk
Other Non-Financial Risks
Independent Supervision of Risks and Risk Profiles Analyses and Recommendations Reporting to the Management and Supervisory Boards
2nd Line of Defense (LOD 2)

Risk Appetite Document

Supervisory board reviews and approves risk appetite document, which facilitates the bank's long-term, sustainable growth and balances the need for long-term profitability with prudential risk management. The bank's risk appetite is defined by quantitative measures. The bank uses risk appetite to define the broad-based level of risk that the bank is able and willing to undertake in carrying out its business.

Capital Planning

The supervisory board assesses the capital requirements as for supporting the business plan, so to withstand the stressful environment.

Liquidity Planning

Management board critically assesses the liquidity the bank needs as for supporting the business plan, so to withstand the stressful environment. Each month bank's treasury and risk management departments prepare liquidity forecasts of up to 1 month, 3-6 months and 6-12 buckets and submit to the management board.

Enterprise Risk Management Model

The Bank uses the 3 Lines Of Defense ("3 LOD") model to manage its risk across the enterprise. The model is used as a means of communicating clear accountabilities to achieve and assure overall effective risk governance, which facilitates reinforcing the Bank's internal control framework.

The 3 LOD approach separates the ownership/management of risk from the functions that oversee risk and the functions that provides independent assurance:

- **1st Line of Defense (LOD 1)** - bank's structural units, which own and manage risks. This line comprises business and operational units. Heads of divisions and directors of departments, as owners of risks and controls, are ultimately responsible for all risks and controls that fall within their area of responsibility.
- **2nd Line of Defense (LOD 2)** - structural units, that identify and supervise risks. Risk management process, that exists for functioning a robust second line of defense is as follows:
    - Risk Control Assessment;
    - Scenario Analysis;
    - Active Credit Portfolio Quality Management;
    - Key Risk Indicators / Early Warning Signs;
    - Governing Bank's Different In-house Models
    - New Products and Services
    - Internal Control Assessment/Attestation
    - Ongoing Monitoring of the key risk management Policies and Procedures
    - Operational risk events reporting
    - Etc.
- **3rd Line of Defense (LOD 3)** - Units that:
    - Set Risk Appetite;
    - Conduct Independent Audit;
    - Independently Control Processes and Key Indicators;

Risk measurement and monitoring systems

The main principles for effective risk measurement and monitoring are:

- Measure risk exposures by expected credit loss modelling, risk indicators and scenarios on enterprise level;
- Facilitate top management understanding of the severity of the risk;
- Reporting of risk profiles analyses to the supervisory Board and management board with risk indicators and mitigation means, in order the supervisory and management board to assess risk appetite and in case of necessity to adjust it;
- Proper record-keeping of accepted risks.

Quarterly risk profile reports submitted to the supervisory and management boards include:

- Credit risk profile analysis;
- Liquidity risk profile analysis;
- FX risk profile analysis;
- Interest Rate risk profile analysis;
- Operational risk profile analysis;

Standardised Approach

To calculate risk exposures for the regulatory purposes the bank uses only the standardized approach according to the NBG regulation about "capital adequacy requirements of commercial banks" (which is in correspondence to the Basel Committee on Banking Supervision's capital adequacy framework).

Stress Tests

The bank conducts different stress tests and analyzes forecasted scenarios by changing different parameters. This ensures bank to assess/measure not only currently identified risks, but also the new potential risks arising in times of stressful development of events.

The bank is exposed to certain risks in conducting its business. The bank's principal risk categories are shown below:

- **Credit Risk** - the risk of default of an exposure that may arise from a counterparty failing to make required payments. The Credit Risk may arise from the Bank's various dealings with its clients, such as credit issuance, treasury and investment activities, trade financing and etc. The detailed information about Credit Risk, its evaluation and methodology can be found in the Annual Audit Report 2024.
- **Market Risk** - the risk that may arise because of change of interest rates, foreign exchange rate, shares and/or tradable commodities on international exchanges will change the net asset value of the bank, which entails loss. For the regulatory purposes, the bank calculates market risk according to the overall open FX position, which as of December 31, 2024 is equal to 7.7 mln GEL. The detailed information about Market Risk can be found in the Annual Audit Report 2024.
- **Liquidity Risk** - the risk associated with the bank's inability to meet its liabilities when they are due or meet them by disposing of assets with significant discount, which will reduce bank's capital. The bank measures liquidity risk by liquidity coverage ratio (LCR) and average liquidity ratio.
- **Collateral and Repossessed Assets Apraisal Accuracy Risk** – The risk is connected to:
    - Inaccuracy of apraisal of the collateral, which means inaccurate risk assesstment in case of the possible default. It can affect the decision about crediting.
    - Not accurate apraisal of the repossessed asset which affects the decision about sales of the asset;

In order to manage mentioned types of risks, the market price for the mentioned assets are calculated according to IVS by internal as well as external appraisers. As for the larger assets the following report is being prepared by the asset appraisal monitoring division, which ensures the compliance to IVS standards.

- Operational Risk- the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. For supervisory purposes, Bank calculates operational risk using Basic Indicator Approach.
- ESG Risk – Environmental, Social, and Governance (ESG) risk refers to the potential financial, operational, legal, or reputational damage caused to the bank by environmental issues (e.g., climate change, resource depletion), social factors (e.g., human rights, labor practices, community impact), and governance matters (e.g., corporate ethics, transparency, regulatory compliance). The bank's ESG risk profile is influenced by both its own operational activities, as well as the attitudes of its clients towards ESG issues within its credit portfolio.
- Other Non-Financial Risks - the bank while conducting its business may face other potential risks, such as reputational, legal, strategic, compliance and other risks. Because currently these risks are non-quantified and they are managed according to the corresponding policies, the bank currently does not assume necessity for additional capital buffers for such risks.

10.3: Credit Risk Management

The Credit Risk is the risk of default of an exposure that may arise from a counterparty failing to make required payments. The Credit Risk may arise from the bank's various dealings with its clients, such as credit issuance, treasury and investment activities, trade financing and etc.

The top-down management of the Credit Risk starts from the Supervisory Board of the Bank, who is responsible for the setting the Credit Risk Appetite as well as Credit Risk Management General Framework, the Board of Directors is responsible for fulfilling the set requirements. The Risks Committee, has own scope, which should include the following responsibilities:

- Assess the Bank's risk tolerance in terms of credit risk;
- Ensure the implementation of credit risk identification, measurement, monitoring and controlling fundamental principles in the bank;
- Establish bank's limits on credit positions and concentrations;
- Prediodically review bank's credit portfolio and its riskiness;
- Periodically get the report about credit risk management process;
- Provide risk-taking divisions, credit department and financial risk management division, with appropriate qualified human and technical resources.

The first element of credit risk policy is to determine the risk level that the bank can take. Credit risk tolerance has to be determined by considering the amount of capital and general risk appetite of the bank.

Credit Risk Assessment

The Bank uses in-house rating system and provision methodology for impairment loss of credit portfolio (for IFRS reporting purposes), in order to effectively manage credit risks.

Credit Risk Monitoring

Monitoring process of credit risk is mainly performed by credit portfolio monitoring division, which represents part of risk management department.
The above-mentioned division performs financial analysis of the large borrowers and prepares monitoring reports with appropriate recommendations on a semi-annual, quarterly, or/and monthly basis (depends on the business specifics, amount of debt and financial strength of the borrower).

Collateral

The bank actively uses pledged collateral for the purpose of mitigating the credit risk arising from corporate and retails borrowers default probability. Pledged collateral is not considered as a risk mitigant in credit risk weighted assets for the regulatory purposes. Collateral risk assessment process includes assessing collateral value, liquidity and execution risks. Collateral is also grouped according to correlation with the financed business. During the decision-making process of loan disbursement higher time haircuts are used for the collateral assets with high correlation with the business for LGD purposes. Information about the loans, in terms of collateral, is given in 2024 Audit report.

Bank has collateral valuation and management division, which performs the valuation/revaluation process of the assets put forward as a collateral by the borrowers. On several occasions, bank uses valuation services of outside firms/individuals specialized in asset valuation. The bank has the Asset Appraisal Monitoring Division in the Risks Management Department for monitoring the appreaisal quality on the level of the whole process as well as the individual asset.

External Credit Assessment Institutions (ECAIs)

Bank uses external ratings of the ECAIs for calculations of the capital adequacy ratios only.

Bank considers Standard & Poor’s, Moody’s, Fitch’s and Scope Ratings’ credit ratings.

10.4: Interest Rate Risk Management

The top-down management of the Interest Rate Risk starts from the Supervisory Board of the Bank, who is responsible for the setting the Interest Rate Risk Appetite as well as Interest Rate Risk Management General Framework, the Board of Directors is responsible for fulfilling the set requirements. Regarding the interest rate risk management, the Risks Committee of the Bank has the responsibilities given below:

- Definition of the bank’s risk tolerance towards the interest rate risks;
- Implementation of the guidelines of identification, measurement, monitoring and control of the interest rate risks;
- Periodical revision of the results of the bank's fixed-income investment and trading portfolio and assess the market risk strategy.
- Periodically submit reports to the bank's supervisory board regarding interest risk management in the bank.
- Supply of the qualified staff and technical resources to the interest risk bearing and managing structural units.

Determination of the risk level that the bank can assume shall be the key element of the bank's interest rate risk policy. The interest rate risk tolerance and appetite shall be defined according to the capital of the bank and commonly, in consideration of its risk tolerance.

The risk arising from the interest rate change due to various terms of the interest earning assets and interest-bearing liabilities is a key aspect of the interest risk. In order to measure the above mentioned risk, the bank employs the "revaluation gap" method involving comparison of the same term assets and liabilities by their amounts. A potential loss arises when there is a gap (in terms of sums) between the same term interest-earning assets and the interest-bearing liabilities and the market interest rate changes.

The bank prepares the pricing model for each individual interest rate bearing asset, which considers every parameter participating in building the interest rate.

10.5: FX Risk Management

The FX risk is the risk of reducing net foreign currency denominated assets or the increase of net foreign currency denominated liabilities, caused by exchange rate fluctuations, which reduces bank's regulatory capital.

The top-down management of the FX Risk starts from the Supervisory Board of the Bank, who is responsible for the setting the FX Risk Appetite as well as FX Risk Management General Framework, the Board of Directors is responsible for fulfilling the set requirements. Regarding the FX risk management, the Risks Committee of the Bank has the responsibilities given below:

- Defining the bank risk tolerance level towards FX risks;
- Providing the establishment of main (fundamental) principles of detecting, measuring, monitoring and controlling of FX risks;
- Determining the Bank's limits for open foreign-currency position for various currencies;
- Periodically evaluating Bank's currency position in current cash assets as well as in long term credit investments;
- Periodically request FX risk management report;

For the purpose of FX risk management, the Bank determines the following limits: Common open foreign-currency positions limit for all foreign currencies, both according to on-balance sheet and off-balance sheet as well as the overall FX positions, shall not exceed 20% of the Bank's regulatory capital.

10.6: Liquidity Risk Management

The liquidity Risk is a risk associated with the Bank's ability to meet its liabilities when they are due without disposing of assets with significant discount. The top-down management of the Liquidity Risk starts from the Supervisory Board of the Bank, who is responsible for the setting the Liquidity Risk Appetite as well as Liquidity Risk Management General Framework, the Board of Directors is responsible for fulfilling the set requirements.

The liquidity management is mainly based on the monitoring and satisfying of the standards set by the regulatory requirement of the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The systematic forecast of cash flows is conducted in the bank based on individual assessment of significant inflows and outflows and statistical analysis of liabilities and liquid funds.

The Financial Risk Management Division of the risk management department together with the Asset-Liability Management Division of the treasury department analyze general economic and market conditions as well as possible effect on the bank's liquidity positions based on the information available about the funding sources.

10.7: Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. The top-down management of the Operational Risk starts from the Supervisory Board of the Bank, who is responsible for the setting the Operational Risk Appetite as well as Operational Risk Management General Framework, the Board of Directors is responsible for fulfilling the set requirements.

Operational risk arises due to the bank's day to day operations and is relevant to every aspect of the business. The bank identifies, assesses, and manages its operational risks through the following processes and tools:

- Operational Risk Event Reporting – this is the process of reporting losses arising from operational risks, process failure and other non-monetary events. These events are captured and logged centrally and are analysed to pro-actively manage risk through root cause analysis.
- Scenario Analysis (RCA) – this process seeks to identify the high impact, low likelihood but plausible events that could impact the bank and also estimate the respective severities and probabilities used across main risk categories to ensure that the bank can adequately understand and quantify not only risks as they currently exist, but also those in extreme circumstances. The analysis focuses on high impact, low probability events.
- Risk and Control Self Assessment (RCSA) – this process is used to assess the banks' existing or expected risks through the analysis of existing business processes in the bank. It assesses the inherent risks, control effectiveness and resultant residual risks of the key risks that the bank is exposed to, and which could negatively impact the achievement of strategic objectives. In this way the bank ensures that appropriate controls and/or remediation plans are in place to mitigate risk and loss impact.
- Risk Acceptance – the first line and department heads are expected to identify risks, risk issues or control failings that need to be mitigated. In certain circumstances, risk mitigation may not be possible or may require a longer period for remediation. In such cases, the risk must be accepted. This process supports this need and describes the approach for raising, accepting, monitoring and reporting a Risk Acceptance.
- New Risk Assessment – this process enables the operational risk assessment before adopting any change, which supports the risk profile control against the Risk Appetite.

The output from the above processes is analysed in order to give a view of the operational risks to which the bank is exposed considering its risk appetite. Consequently, operational risks are mitigated or accepted (as required) in order to be taken into account into the business activities and strategy of the bank.

Because of the technological updates, the framework of the operational risk management constantly expands.

11. ESG Risk Management

The bank put a huge emphasis on sustainable financing and its role in the economic development, growth, eliminating poverty and funding availability. Identification and management of the Environmental, Social and Governance risks on the level of the bank as well as on the level of the credit assets is the outstanding part of the sustainable financing.

For identification and management of the ESG risks, the bank has developed the internal procedures, methods and approaches which are fully complied with the international best practices.

The bank has very specific procedures for identification, valuation and management of the ESG risks.

While developing the business strategy and development plan, the bank is considering the environmental, social and governance related issues, as far as the non-effective management of interconnected risks may become the reason for financial, legal and reputational problems.

The management of the ESG risks is based on two pillars, which include general principles of the risk management on the bank level and on the level of the possible impact analysis of the credit assets. On the level of the own ESG risks management, bank considers the following issues but not only:

- Decreasing the level of CO emission – In this regards bank prioritises the eco-friendly systems while choosing heating and cooling infrastructure for the local offices;
- Choosing the transport means – The bank chooses hybrid engine vehicles and/or electrocars;
- Counterparty Consideration - The bank while cooperating with the counterparties, takes their attitudes towards ESG issues into consideration and gives preference to ones with the less possible negative environmental impacts;
- Policy/Procedures – The bank is planning to introduce the waste management, reducing, reusing, recycling and composting policies, at the same time ensuring collection of waste paper and deliver to the recycling entities;
- Reducing the Waste – By using the modern information technology tools, bank is striving to reduce the material documents usage internally;
- Social Activities – Bank is being proactively involved in the envitonmental activities and supports social companies with the mean of restoration of the green ecosystem;

In terms of measuring the possible impact on the environment, bank annually calculates the overall CO emission, which includes the following three categories – Scope 1, Scope 2 and Scope 3 as defined by the GHG protocol.

- Scope 1 - Direct emissions from banking group owned and controlled vehicles as well as all fuels used with different means;
- Scope 2 – Usage of different types of the energy resources with different means by the banking group;
- Scope 3 – Costs of the used resources, including the resources used during business trips (Local as well as international) and other office materials;

Information about the overall CO emission by the bank can be found in the annual ESG Reporting and Disclosure Report of year 2024.

Within the Social Risks Management framework, the management of the bank guarantees the fair approach, equal opportunities and nondiscriminating attitude towards all the employees. The management board puts a huge effort in creating safe and healthy working environment in the bank. The supervisory board as well as the board of directors are encouraging the employee involvement in trainings, seminars and education activities, which is well believed to be the key for long-term sustainable relations with the staff.

In terms of the Governance Risks Management, the transparency is crucial for the bank. ESG risks management issues are equally discussed and considered by the supervisory board as well as the board of directors. The Supervisory Board of the bank is responsible for adopting and monitoring the implementation of the internal ESG risk management policy. The bank has an ESG Risk Management Division within the Risk Management Department, which ensures the implementation of the ESG policy within the bank.

The bank annually discloses information connected to ESG issues under Pillar 3 disclosure principles. The information will be uploaded on the official web-page of the bank. Additional information is reflected in periodical reports for partners.

The bank valuates the initial claim of the client as well as the current credit portfolio is being monitored based on ESG principles. The bank has a list of prohibited activities for financing.

ESG risk valuation is being considered for evey single credit asset. Valuation of the ESG risks is the part of the credit surveillance process, the results are delivered to the credit committee. Discussing and considering the ESG risks are having the identical importance while the decision-making procedure as all other issues.

While evaluating the ESG risks, the bank is using the internally developed model which is based on the international best practices and experience. Through the valuation process, firstly bank is considering the following important components of the asset:

- Type of Loan
- Maturity of Loan
- Business Industry
- Business Category
- Business Subcategory;

Based on the criterion mentioned, bank assigns the ESG risk quality in terms of the business industry and overall, general risk quality.

In case of Low Risk profile, bank check the compatibility with the local legislature only, whilst for Average and High-Risk Profile assets, the following additional parametres for monitoring are being used:

- Organisational capacity and competences
- Commitment of the company to identify and manage ESG risks.
- Appropriate mechanisms for external communication, accounting and reporting;

The bank has planted the Sustainable Finance Taxonomy for Georgia provided by the National Bank of Georgia while evaluating the green loans in terms of environmental issues. The mentioned update will provide much more transparency and comparability towards other market players.

Through supporting the sustainable development, the bank is striving for the positive changes in decreasing the possible influence on the environment, effectively utilizing resources, cutting the costs, providing with the innovative services and products by which the negative effect on the environment can be decreased drastically. The future priority set for the bank is to work on the sustainable development issues in cooperation with the development financial institutions.

12. Important Updates

The Bank has introduced a new product – the Gold Certificate. The Gold Certificate is a perpetual and interest-free security that confirms the National Bank's obligation to hold a corresponding standardized gold bar in its possession. In the event of a request for redemption of the certificate, the National Bank, in accordance with its established terms and within the prescribed timeframe, will issue the corresponding standardized gold bars to the certificate holder (through the bank acting on their behalf).

Cartu Bank joined a project A Unified Treasury Management Platform initiated by National Bank of Georgia, which will help banks improve the efficiency of their treasury operations, better manage operational and financial risks, and significantly enhance the functioning of local financial markets. This, in turn, will help increase investor confidence and promote long-term economic growth.

The Bank has become a member of the Banking Association for Central and Eastern Europe. The members of the Association are commercial banks registered in the European Union, Central and Eastern Europe, the Caucasus, and Central Asia. The Association aims to support the stability and sustainable development of the financial sector in these regions, facilitate the sharing of experience among commercial banks regarding financial products, and develop common approaches to ongoing challenges and innovations in a collaborative format. Membership in this Association provides the bank with additional opportunities to strengthen relationships with international partners and explore new potential collaborations, which, in turn, will serve as a basis for the bank's high-quality service.

In 2024, the new credit product "Buy a Home with the Developer," developed by the bank, was launched. This is a customer-oriented mortgage sub-product that simplifies the process of purchasing residential or commercial property in real estate development projects financed by Cartu Bank JSC. The product effectively balances risk management with customer needs, offering minimal documentation requirements, flexible participation terms, and simplified issuance mechanisms, which enhances the efficiency of the bank’s lending process and promotes the timely sale of properties in development projects.

In 2024, the bank successfully launched an updated product – the Payroll Overdraft. This product includes more flexible and customer-oriented terms. With this new approach, an employee of the bank’s corporate client is provided with the opportunity to use an overdraft of up to three times their net salary, thereby increasing financial freedom and helping to more easily cover both current expenses and unforeseen needs.

13. Information About Remuneration

All members of the Supervisory Board get remuneration. Information about 2024 year remuneration is given in Pillar 3 annual report, Appendix 24.Rem1.

Supervisory board determines the remuneration of members of management board. Information about 2024 year remuneration is given in Pillar 3 annual report, Appendix 24.Rem1.

For identifying other Material Risk Takers bank has Policy/Instruction for identification of the Material Risk Takers on place, which itself is based on the Corporate Governance Code for Commercial Banks, approved by the order 215/04 of the President of National Bank of Georgia on September 26, 2018, Guideline for Identifying the Material Risk Takers of National Bank of Georgia and the European Bank Authority Guideline. Information about other MRTs identified by the bank as well as the remuneration for the year 2023 can be found in Pillar 3 annual report, Appendix 24.Rem1.

Stock related instruments are not involved in the bank's remuneration system. None of the employees total remuneration has exceeded 1 million GEL during the reporting year.