JSC Silk Bank

Pilar 3 Annual Report

2024

Table of content

1. Introduction

The main purpose of this report is to comply with the Pillar 3 requirements as defined by the National Bank of Georgia in line with the Basel III framework. The disclosure of the Bank's basic information is mandatory for all commercial Banks and leads to increased transparency and confidence of the risks facing the Bank and adequacy of supervisory capital.

2. Management Statement

The Bank's Board of Directors confirm the accuracy and the authenticity of all the data and information outlined within this the Pillar 3 Annual Report. The document is prepared in full compliance with the internal processes agreed with the Supervisory Board. It is in line with all the requirements of "Rule for disclosure of information by commercial Banks within the framework of Pillar 3" approved by the Order #92/04 of the President of the National Bank of Georgia, on 22 June, 2017 and other rules and norms established by the National Bank of Georgia.

3. Strategy

The bank's strategy is to provide innovative digital financial and non-financial products and high-quality services throughout Georgia.

The bank's business model involves generating revenue by providing banking services to customers. The sources of funding for such a business model are the bank's capital and the funds attracted through deposits from individuals and legal entities.

The bank's strategic goals are primarily focused on high-quality assets, the development of new products and information technology infrastructure, strengthening human resources and technical capabilities, compliance with responsible banking norms, and strengthening risk management capabilities.

The Bank plans to actively work on its strategic segments: retail and micro sector. Its goal is to increase access to financial services for the underbanked segment.

The Bank's vision is to create a high standard of banking services. To be the preferred Bank and reliable partner of entrepreneurs, their employees and their customers. Active player in the Banking sector.

The Bank will invest in different sectors and industries in terms to avoid the losses caused by industry crushes, therefore the diversified sector sourcing will allow the Bank to gain maximum possible profits with minimum possible losses.

Digitization

The Bank is currently undergoing a substantial and strategic reorganization with the aim of fundamentally transforming its business model. The Bank's management has planned the fundamental digitization of the business. This entails a fundamental overhaul of the existing infrastructure, transitioning to cloud-based services and adopting a micro-services architecture, which are expected to enhance both the speed and quality of product delivery, streamline data storage protocols, and facilitate intelligent data analysis for informed decision-making, leveraging artificial intelligence technologies.

The Bank's growth strategy is centered on gradually expanding its customer base by providing products and services meticulously tailored to their requirements. As a key performance indicator, the Bank consistently tracks the growth of Monthly Active Users (MAU) and Daily Active Users (DAU), and the customer loyalty index (NPS).

As part of this technological transformation, the Bank not only adopts cutting-edge digital tools but also embraces a new strategic platform, revitalizing its visual identity. While its primary services migrate into the digital sphere, the Bank strategically maintains physical branches in densely populated regions across Georgia.

The Bank utilizes several key technological avenues including payments, product innovation, digital Banking services, loyalty programs, and tailored financial services. In the initial phase, the focus is on boosting the number of registered and verified customers through digital channels like mobile application, various social platforms, and SMS outreach.

Furthermore, the Bank aims to enhance user engagement through technologically driven loyalty programs and other captivating digital initiatives. Anticipating greater customer satisfaction derived from technology-centric solutions, which will naturally lead to verbal advertising and cross-selling opportunities.

This comprehensive technological strategy aligns with the Bank's commitment to maintaining a leading position in the ever-evolving landscape of Banking services. Leveraging cutting-edge technologies, the Bank aims to deliver tailored, efficient, and innovative financial services to its clients.

4. Regulatory Capital

The capital requirements for the Georgian Banking sector are based on the Basel III standard, Regulation 575/2013 of 26 June 2013 and Directive 2013/36/EU of the European Parliament and of the Council (CRR-CRD package). The Bank's regulatory capital consists of the following elements: Tier 1 and Tier 2 capital.

The minimum capital requirements are defined in the Regulations on Capital Adequacy Requirements for Commercial Banks, which says that, under Pillar 1, the minimum requirements are defined as follows:

- CET1 Capital Ratio 4.5%;
- Tier1 Capital Ratio (CET 1 + AT1) 6%;
- Regulatory Capital Ratio (CET 1 +AT1+ Tier 2) 8%.

Pillar 2 requirements include the following buffers:

- Non-hedged currency induced credit risk buffer (CICR);
- Loan Portfolio Concentration Risk Buffer (HHI), consisting of nominal concentration and sectoral concentration buffers;
- Net Stress Test Buffer - a buffer set on the basis of regulatory stress tests;
- Credit Risk Adjustment buffer (CRA), which is set due to the transition from the local GAAP to the International Financial Reporting Standards (IFRS). The purpose of establishing a CRA buffer is to reduce the credit risk caused by insufficient expected credit losses set up for assets, and to determine an adequate capital buffer.

  Net GRAPE Buffer - a buffer established by the National Bank of Georgia after reviewing: the risks under the general risk assessment program (GRAPE), and results of the Bank's internal capital adequacy assessment process; The purpose of introducing net GRAPE buffer is to determine adequate capital buffers for the risks identified within GRAPE and not covered or inappropriately covered by the Pillar 2 capital buffers.

Additionally, commercial Banks are required to have a combined capital buffer consisting of a capital conservation buffer (2.5%, which Banks are required to meet from January 1, 2024), a countercyclical buffer (commercial Banks are required to adhere to the following buffer rate adjustments: by March 15, 2024, at 0.25%; by March 15, 2025, at 0.5%; by March 15, 2026, at 0.75%; and by March 15, 2027, at 1%.), and a systemic buffer.

As at 31 December 2024 and 2023, the capital requirements for Bank's Tier 1 and regulatory capital is following:

Minimum requirements	**2024***		**2023***	
Pillar 1 requirements	**Amount**	**%**	**Amount**	**%**
CET 1	8,690,155	4.50%	5,438,366	4.50%
Tier 1	11,586,873	6.00%	7,251,154	6.00%
Total regulatory capital	15,449,164	8.00%	9,668,206	8.00%
Combined buffer				
Conservation buffer	4,827,864	2.50%	-	0.00%
Countercyclical capital buffer	482,786	0.25%	-	0.00%
Systemic risk buffers	-	0.00%	-	0.00%
Pillar 2 requirements				
CET 1	18,050,583	9.35%	14,312,974	11.84%
Tier 1	22,669,382	11.74%	17,619,125	14.58%
Total regulatory capital	28,746,750	14.89%	21,969,325	18.18%
Total requirements				
CET 1	32,051,388	16.60%	19,751,340	16.34%
Tier 1	39,566,906	20.49%	24,870,280	20.58%
Total regulatory capital	49,506,564	25.64%	31,637,531	26.18%

The actual capital adequacy ratios as of the end of the year are:

	2024*	**2023***
CET 1	**52,965,231**	**53,095,548**
Tier 1	**52,965,231**	**53,095,548**
Tier 2	**1,708,780**	**2,875,000**
Total regulatory capital	**54,674,011**	**55,970,548**
Total Risk Weighted Assets	**193,114,549**	**120,852,574**
CET 1 Ratio	**27.43%**	**43.93%**
Tier 1 Ratio	**27.43%**	**43.93%**
Total regulatory capital ratio	**28.31%**	**46.31%**

*In 2024 and 2023 capital adequacy ratios are calculated based on IFRS standards.

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the National Bank of Georgia ("NBG") in supervising the Bank.

The primary objectives of the Bank's capital management are (i) to ensure that the Bank complies with externally imposed capital requirements set by the NBG, (ii) to safeguard the Bank's ability to continue as a going concern and to monitor mentioned on a daily/monthly basis with the reports outlining the calculations that are later reviewed and subsequently submitted to the NBG.

The Bank manages its capital structure and makes adjustments to it in the light of changes in the economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may reassess its business strategy or adjust the amount of return capital to shareholders or issue capital securities. Compared to previous years, there has been a heightened prioritization in the Bank's objectives towards the enhancement of digital channels and product development.

As at 31 December 2024, share capital of the Bank comprised 867,464 of authorized shares with nominal value GEL 100 each, out of which 843,846 authorized shares are fully paid (2023: share capital of the bank comprised 727,464 of authorized shares with nominal value GEL 100 each, out of which 717,332 authorized shares are fully paid).

5. Ownership and Group Structure

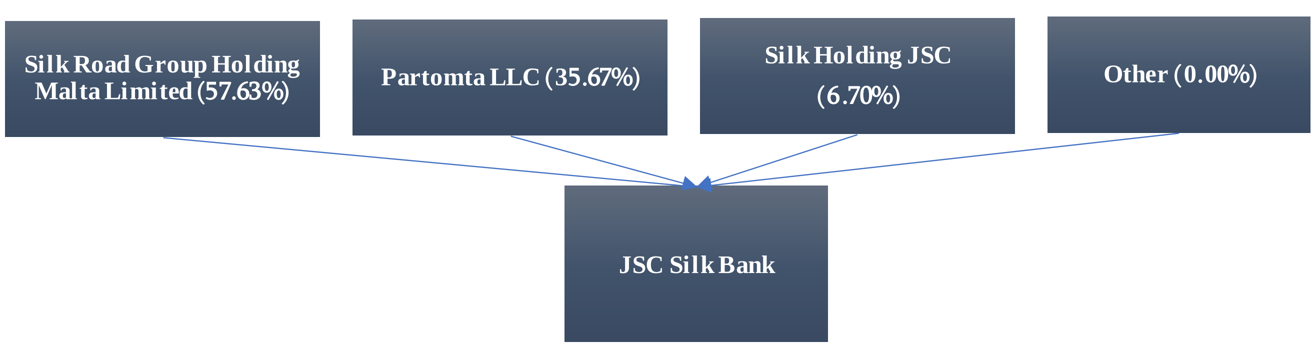
In 2024, the Bank issued a total of 140,000 ordinary shares with a nominal value of 100 Georgian Lari (GEL) each to existing shareholders and increased share capital by GEL 14,000,000 of which GEL 11,638,200 is paid as at 31 December 2024 (The share issuance occurred on April 10, September 16, and November 13, 2024, comprising 34,647; 35,353; and 70,000 ordinary shares, respectively, each share with a nominal value of 100 GEL to its existing shareholders).

As at 31 December 2024 and 2023 the shareholders of the Bank are:

Silk Road Group Holding (Malta) Limited (I/N C41521) with 57.63% ownership of the Bank, Partomta LLC (I/N 404580271) - with 35.67% shares, Silk Holding JSC (I/N 405496404) – 6.70%, others - 0.00% (2023: Silk Road Group Holding (Malta) Limited (I/N C41521) – 58.83%, Partomta LLC (I/N 404580271) – 36.42%, Silk Holding JSC (I/N 405496404) – 4.74%, others - 0.01%).

Beneficial owners holding more than 5% of the Bank's shares are Giorgi Ramishvili, Yerkin Tatishev, Aleksi Topuria, Aleksander Khetaguri and David Franz Borger.

Ownership and Group Structure as at 31 December 2024:



Silk Bank is a shareholder of JSC United Clearing Center and the member of: Treasury Association of Financial Markets of Georgia N(N)LE, Georgian-Swiss Business Association Statute N(N)LE, Council of European Chambers in Georgia N(N)LE, Legal Entity Joint Industry Committee N(N)LE, Banking Association of Georgia N(N)LE.

6. Corporate Governance

The Bank’s corporate structure consists by the Shareholders' General Meeting, Supervisory Board and the Board of Directors, each has its own responsibility and authority in accordance with the Georgian legislation and the Bank's Charter. Key objectives in designing the corporate governance structure of the Bank are to warrant the highest degree of transparency and accountability at all levels, and to incentivize agents (directors) to act in conformity with the objectives of the business and its shareholders. The governance structure was designed so as to warrant a clear distinction between the functions of the Supervisory Board and the Board of Directors, which assigns to the former the supervision of the management (“decision controlling”), and to the latter the responsibility for the operative business (“decision management”).

The General Meeting of Shareholders

The General Meeting of the Shareholders is the Bank's highest governing body, which elects the supervisory board members, which itself is responsible for supervising the Board of Directors.

Rights of the General Meeting of Shareholders:

- Change of the Bank's charter;
- Amendment of the Bank's authorized capital, trade name, legal address
- Reorganization and liquidation of the Bank;
- The decision on merger or division;
- Restriction of preferred share purchase option for shareholders, during additional capital emission;
- Decision making on distribution of net profit;
- Appointment/dismissal of Supervisory Board members;
- Approval of the Management and Supervisory Board reports;
- Determination of remuneration for Supervisory Board members;
- Selection of an independent auditor;
- Approval of Supervisory Board regulation;
- Approval of acquisition/disposal/exchange of property, if its value is more than 50% of the Bank's total assets.

During 2024, three General Meetings of Shareholders were held, where following matters were discussed:

- Capital increase, issuance of additional shares;
- Amendment of the Bank’s charter and its approval;
- Approval of the founding agreement of the Bank;
- Early repayment of the bank’s subordinated loans and early termination of the corresponding agreements;
- Appointment of the bank’s external auditor.

Supervisory Board

The Supervisory Board consists of six members (none of them are also a member of Board of Directors), of which three (including chairman), are independent members. Supervisory Board members are appointed for 4 (four) years. Re-appointment of Supervisory Board members is unlimited. The authority of the Supervisory Board member continues till the contract expiration or, after the contract expiration till the General meeting of Shareholders, where the new Supervisory Board member is elected.

The Bank's Supervisory Board is actively involved in the Bank's activities and is systematically informed regarding Bank's important operations. During 2024, 83 (eighty three) Supervisory Board meetings were held. The issues discussed and approved included: Issuance of bank guarantees and loans; Attraction of subordinated loans; Disposal of property by the bank; Approval of various policies, regulations, and internal instructions; Repayment of subordinated loans received from "Silk Road Group Holding (Malta) Limited"; Approval of the bank's recovery plan; Analysis of the credit portfolio; Discussion of the budget for the first, second, and third quarters of 2024 and comparison of the results; Discussion of bond offering matters and the current plans proposed by brokers; Changes to the composition of the Audit Committee; Launch of the mobile banking application; Approval of the Pillar 3 annual disclosure report; Update of AML-related documentation; Appointment of an external auditor for the audit of Silk Bank JSC's financial statements for 2024 and 2025, prepared in accordance with International Financial Reporting Standards (IFRS); Approval of the Silk Bank JSC's Supervisory Board's self-assessment report, Opening of a new service center of JSC 'Silk Bank' in the cities of Batumi and Kutaisi and etc.

Rights of the Supervisory Board:

- Determination of the Bank's business policy, acceptance and approval of policy guidelines;
- Approval the strategic and annual plan of the Bank's development, including the budget;
- Preparation of recommendations for the General Meeting of Shareholders and fulfilment of the tasks assigned by the General Meeting of Shareholders;
- Choose/release the members of the Board of Directors (including general director);
- Approval of internal policies and procedures for creating credit, investment, currency, asset and liability management, asset assessment, their classification and adequate coverage of possible losses. Approval of the the internal provisions of the Bank's Credit Committee, Directorate, Corporate Secretary and Audit;
- Approval of the amount of minimum and maximum interest rates applicable to the Bank's credit resources and deposits;
- Control the activities of the Bank's Management;
- Decision on acquisition, alienation or loading of the property owned by the Bank;
- Decision regarding Bank financing, either through taking loans, issuing bonds, or other forms of finance;
- Request direct reporting from the auditor;
- Approval of acquisition/disposal/exchange of property, if its value is more than 10% of the Bank's share capital;
- Approval of establishment/liquidation of a subsidiary;
- Approval of starting/terminating of new Banking business;
- To fulfill the tasks assigned by the shareholders.

Independence of the Supervisory Board member is determined by the Corporate Governance Code and the Georgian Legislation.

Supervisory Board Diversity

Diversity of skills, backgrounds, knowledge, and experience is important for the Supervisory Board to effectively govern the business. The Bank believes that its size and composition, as well as the size and composition of the Bank's Supervisory Board are appropriate. Each of the Bank's Supervisory Board member occupies, and/or has previously occupied senior positions in a different directions of business, in different countries. When making each decision, all above mentioned, gives the Supervisory Board the opportunity to rely on the personal and varied experience of the Supervisory Board members. The degree of independence of the members of the Supervisory Board, is in full compliance with the relevant requirements of the National Bank of Georgia.

Supervisory Board members of the Bank

Irakli Managadze
Chairman of Supervisory Board (Independent member)

Chairman of Supervisory from February 2019

Education:
1991-Tbilisi State University, Scientific Research Institute of Social Economic and Regional Problems.

Professional Experience:
1991-1992-Attaché of the Ministry of Foreign Affairs of Georgia;
1992-1993-State Committee on Foreign Economic Relations, Chief Expert of Economic Relations Department with America and Western Europe;
1993-1994-Cabinet of Ministers of Georgia, Head of Economic Management Department;
1994-Cabinet of Ministers of Georgia, with relation of International Finance and Economic Organizations, Leading State Adviser;
1994-1996-deputy director of the World Bank (Washington D.C. USA);
1996-1998 - Institutional specialist of the Municipal and Social Infrastructure Department of the Fourth European Department of the World Bank;
1998-2005-President of the National Bank of Georgia;
2005-2015-Senior Policy Advisor, EBRD, Financial Institutions Group, London;
2015-present-Senior Advisor J. Stern & Co. LLP, London, UK;
2017-present-Consultant, the World Bank Group, Washington D.C. USA;
2018-2019-Member of the Supervisory Board, Liberty Bank JSC, Georgia;
2019-present-Chairman of the Supervisory Board, JSC Silk Bank;
2022-present-Holland Road Limited, United Kingdom, Director;

Irakli Managadze has the degree of the candidate for economics sciences

Vasil Kenkishvili
Deputy Chairman / Co-Chairman of Supervisory Board

Co-Chairman of Supervisory Board from 2018

Education:
1995-2000- I.Javakhishvili Tbilisi State University, Law Faculty, Tbilisi, Georgia, Lawyer;
2000-2003-Institute of State and Law of the Academy of Sciences of Georgia, Tbilisi Georgia, Aspirant;
2003-2004-American University, Washington College Of Law, Washington D.C. USA, LLM/Master of International Legal Studies.

Professional Experience:
2005-Georgian International Oil Corporation (GIOC) Tbilisi, Georgia, Legal Consultant;
2004-2006-JSC Georgian Railway, Head of the Department of Legal Support of Restructuring;
2010-2011-SRG Investments Limited, Director;

2010-present P.L.S LLC, Director;
2011-2018-JSC Silk Bank, Chairman of the Supervisory Board;
2012-2024, SRG Investments, General Director;
2012–present — NNLE NG Georgia, Member of the Board;
2015–present —Silk Road Group Holding (Malta) Limited, Director;
2016–present — NNLE Men Against Violence, Member of the Board;
2017-2020-JSC Silknet, Member of the Supervisory Board, from 2020-present Supervisory Board Deputy Chairman/member;
2018-present JSC Silk Bank, Member of the Supervisory Board;
2019-present Silk Road Group Holding LLC, Director;
2022-present Silkent Holding LLC, Director;
2022-present Silk Real Estate LLC, Member of the Supervisory Board;

David Franz Borger
Member of Supervisory Board

Supervisory Board member from 2014

Education:
1985-1987-Berufsakademie, Mannheim, Germany, Studied in Applied Information Technology, Degree: Wirtschaftsassistent;
1990-1995-Witten/Herdecke University, Germany, Studied in Business Economics, Degree: Diplom-Ökonom;
1996-2000-London School of Economics, United Kingdom, Research in the financial evaluation of risk and the accounting of financial instruments, University Degree: PhD in Accounting and Finance

Professional Experience:
1993-1996-International Trade Center (ITC UNCTAD/WTO), Geneva, Switzerland Consultant, project-based;
1996-2000-London School of Economics, United Kingdom, Tutorial Fellow and Lecturer;
2000-2003-Boston Consulting Group, Munich, Germany, Project Leader;
2005-Present-Silk Road Services GmbH, Managing Director,2006–present-JSC Almond Gardens, Deputy chairman/ Supervisory board member;
2008-2009-Terracotta Group Ltd., Board member, Business Development,
2013-present-Bergspitz Verwaltungs GmbH, Germany, Managing Director;
2013–present-Bergspitz Betriebs LLC, Germany, Managing Director;
2013–present-Indigo Capital Group LLC, Germany, Liquidator;
2014-present-JSC Silk Bank, Member of the Supervisory Board;
2014–present — Cotton Club Investments B.V., Member of the Board of Directors;
2016-present SRS Georgia Fund LLC, Director;
2016-present Silknet JSC, Member of the Supervisory Board;
2017-present-Member of the Board of Non-entrepreneurial (non-commercial) legal entity "Tsinandli Festival";
2017–present-Eilamed Raj Malta Limited, Director;
2017–present-LLC Bakhvi Hydro Power, Member of the Supervisory Board;
2019–present-SRG Real Estate B.V., Director;
2019-2023-JSC New Hotel, Member of the Supervisory Board;
2021–present-Tbilisi Central Plaza B.V., Director;

2022-present SRG Real Estate LLC, Member of the Supervisory Board;
2022-present Limoni 2009 LLC, Supervisory board member.
2022–present-Nephrite Holdings Limited, Director;
2023–present-Kopala Holding LLC, Director;
2024–present-Silk Road Infrastructure A.S., Member of the board of Directors;
2024–present-Adjara Water s.r.o., Member of the board of Directors;

Mzia Kokuashvili
Member of Supervisory Board (Independent member)

Supervisory Board member from 2018

Education:
1986-1992-I. Javakhishvili state University of Georgia, Construction Economics and Management Economics, Bachelor’s Degree;
1999-2001-Georgian Federation of professional accountants and audits, Certificate of Professional accountant.

Professional Experience:
2005-2007-Lomisi LTD, Chief Accountant;
2007-2009-Interplast LTD, Chief Accountant;
2009-2010-Barambo LTD, Chief Accountant;
2010-present-Financial Management Group LTD, Auditor;
2011-present-FMG Consultant LTD, Managing Partner, Director;
2018-Present-JSC Silk Bank,Member of the Supervisory Board;

Archil Lursmanashvili
Member of Supervisory Board

Supervisory Board member from 2023

Education:
2005-2009-Bachelor of Business Administration, Caucasus University, Georgia.

Professional Experience:
2009-2012-PwC Georgia LLC, Financial Audit Consultant / Senior Financial Audit Consultant;
2012-2014-SRG Investments LLC, Financial Manager;
2014-2021-SRG Investments LLC, Deputy CFO;
2016-2021-Business Literature LLC, director;
2021-2022- JSC Silk Bank, Chief Executive Officer;
2013-2023-Biodiesel Geogria LLC, Director;
2016-2023-Ltd Li-Ioni, Director;
2016-2023-Coffee box LLC, Director;
2020-2023-Ltd Gajetmobili, Director;
2020-2023-Ltd Plintmobili, Director;
2021-2023-Blue waters LLC, Director;
2021-2023-Gam capital LLC, Director;
2022-2023-L&L Holding LLC, Director;
2022-2023-JSC Silk Bank, First Deputy Chief Executive Officer;

2023-present JSC Silk Bank, Member of the Supervisory Board.

Nana Chkhobadze
Member of Supervisory Board (Independent member)

Supervisory Board member from 2022

Education:
2005-2009-Caucasus Business School, Finance.
2010-2014-ACCA Member.

Professional Experience:
2007-JSC Bank of Georgia, Credit Card Operator;
2008-Present – LLC PricewaterhouseCoopers Georgia, Audit Manager;
2022-Present-JSC Silk Bank, Member of the Supervisory Board;

Evaluation of the Supervisory Board, its committees and members

In order to increase its effectiveness, the Bank's Supervisory Board uses the annual self-assessment process and once in 3 years evaluation by external evaluator, which is an important tool for achieving the stated goal. To evaluate the performance for 2022 by external evaluator, the Supervisory Board hired the consulting company - Grant Thornton. The main areas of assessment were the composition of the board and committees, diversity of members, competence of members, Board charter, Board`s work processes, strategic governance, monitoring of systems and processes, implementation of strategic goals, access to information, communication with the directorate, participation in meetings, role of the chairman of the supervisory board, frequency of meetings, risk level management, implementation of control systems, existence of a whistleblowing mechanism and implementation of transactions with related parties.

The assessment of each activity was based on the information received from the Bank, in accordance with the documents, procedures and statutes, and it was determined to what extent the current situation corresponds to the effective functioning of the Supervisory Board.

As a result of the assessment, areas were identified in which the Supervisory Board performed its role and functions well, and it was determined that the activities of the Board are generally effective and in compliance with existing regulations. The Supervisory Board is actively working to improve the issues requiring improvement to eliminate them in the near future.

In 2024, the annual self-assessment of the activity of the Supervisory Board was conducted, within which the Supervisory Board evaluated the following main issues: determination of the Bank's organizational structure; Ethics standards and code of conduct; Anonymous whistleblowing system; Defining the Bank's strategy and monitoring its implementation; ensuring compliance with legislation and regulatory requirements; Determination of risk appetite and compliance of risk management with it; monitoring and evaluation of activities/decisions of the Directorate; monitoring of the payment system; ensuring efficiency and independence of controlling functions; development of the Bank's business continuity policy and strategy; control of related party transactions;Discussion of issues that may give rise to conflicts of interest; Review of significant risks; Formalization of Supervisory Board meetings; and others. The Board's activities are generally efficient and in compliance with existing regulations. The board is actively working on the areas that need improvement.

Board of Directors

The Bank`s day-to-day activities are carried out by the Board of Directors. Its members (directors) are appointed by the supervisory board for the term not exceeding 4 (four) years, their re-appointment is unlimited.

The representation power of the Bank is granted to the member of the Board of Directors – directors, who are registered in the entrepreneurial register.

The Board of Directors is authorized to take decisions if the meeting is attended by more than half of the members.

The Board of Directors consists of at least three (3) members, including General Director, and decision is made by a majority of votes. Each member has one voting right. In case of equal distribution of votes, the vote of the General Director is decisive.

Rights of the Board of Directors:

- Supervise lending, financing, cash services, accounting and reporting, internal controls, security, and other majority activities of the Bank to ensure that the Bank provides proper service to the customers;
- To ensure that the Bank provides proper services to clients and to supervise other main activities of the Bank;
- Deal with any other matters assigned to the Board of Directors (or its individual members) by the supervisory board and/or the general meeting of shareholders;
- Develope the policy, normative and other regulatory documents approved by the Supervisory Board and ensure respective compliance with such documents;
- Preparation and presentation of Bank’s business plan for approval to the Supervisory Board;
- Appointment/dismissal of emlpoyees, including determination of respective reimbursement;
- Invitation of extraordinary General Meeting of Shareholders (upon necessity);
- Approval of the Bank's internal regulations;
- Approval of regulations on for each internal unit of the Bank;
- Develop policies, rules and regulations, which is subsequently approved by the Supervisory Board and ensure enforcement of each regulation.

Qualifications of the Members of the Board of Directors

Aleksi Khoroshvili
Chief Executive Officer

Education:
2000-2004 - Bachelor of Business Administration, Finance and Accounting, Caucasus University, Georgia.
2002-2003 - Bachelor of Business Administration, Finance and Accounting, University of North Dakota, USA;
2019 - MIT Sloan & MIT CSAIL, An executive course on artificial intellect and its impact on business strategy.

Professional Experience:
2003-JSC Bank of Georgia, SME loan Officer;
2003-2006-LLC Ernst & Young, Senior Auditor, Tbilisi, Georgia;
2006-2008-LLP Ernst & Young, Senior Auditor, New York, USA;
2008-2009-LLC Ernst & Young, Audit Manager, Tbilisi Georgia;
2009-2015-JSC Liberty Bank, Chairman of the Audit committee (executive);
2015-2017-JSC Liberty Bank, CEO;
2018-Ilia State University, member of the Business School Dean's Advisory Council;
2019-Batumi Georgian-American School, member of the Supervisory Board;
2020-2021-Independent member of the Supervisory Board of TBS Leasing JSC;
2018-2022-JSC Nexus, Director;
2018-Present-JSC Nexus, Executive founder;
2019-Present-JSC Nexus, Member of the Supervisory Board;
2019-Present-Member of the Board of the Non-entrepreneurial (non-commercial) legal entity "Economic Policy and Research Center";
2021-2022-JSC Silk Holding, CEO;
2022-Present-JSC Silk Bank, CEO.

George Gibradze
Chief Legal Officer

Departments/Units under control:
Legal Unit; Court - Enforcement Support Unit; Legal Compliance and Banking Products Legal Support Department.

Education:
1993-1997, Tbilisi secular university „GAENATI“, Humanitarian and Social faculty, Academic degree of Master of Laws.

Professional Experience:
2005-Head of Legal Department of JSC Kakheti Energy Distribution;
2005-Senior Specialist of JSC People’s Bank of Georgia Legal Department;
2005-2021-Head of the Legal Department, Risk Director at JSC Silk Bank;
2007-2012- „Kontakti-95“ LLC, Sole Director;
2015-2018-GLC LLC, Director;
2012-Present - „Kontakti-95“ LLC, General Director;
2021-Present- Chief Legal Officer at JSC Silk Bank.

Giorgi Kaloiani
Chief Risk Officer

Departments/Units under control:
Risk Management Department, Labor security department

Education:
1991-1995 –Tbilisi State Institute of Economic Relations, Bachelor of International Economics;
2000-2004 – Leopold-Franzens University, International Economics Study Program, Austria;

2009-2010 – George Washington University, School of Business, Master of Project Management;

Professional Experience:
2008-2009-JSC People's Bank SME and Corporate Credit Risk Department Head;
2009-2013-Co-head of the Credit Risk Management Department of JSC Liberty Bank;
2013-2018-Head of Credit Risk Management and Reporting Department of JSC Liberty Bank;
2018-2019-Boyport Financial Services, Credit Process Optimization Consultant, Accra, Republic of Ghana;
2022-JSC Nexus, Product Owner;
2022-Silk Technology JSC, Product Owner;
2022-Present-JSC Silk Bank, Chief Risk Officer.

David Ninidze
Chief Product and Innovations Officer

Departments under control:
Product support Department, Products Department

Education:
2001-2005 – Caucasus University, Bachelor in Finance.

Professional Experience:
2005-2007-JSC Bank Republic, internal auditor;
2007-2010-JSC Bank Republic, Deputy Head of Retail Banking Department;
2010-2014-JSC Liberty Bank, Head of Projects Department;
2014-2018-JSC Liberty Bank, head of the alternative channel, deputy executive director;
2018-2022-JSC Nexus, Director of Products and Innovations;
2022-Present-Silk Pay LLC, Director;
2022-Present-Silk Commerce LLC, Director;
2022-Present-JSC Silk Bank, Chief Product and Innovations Officer.

Natia Merabishvili
Chief Operating Officer

Departments under control:
Operations Management Department; Administration

Education:
1987-1992-Tbilisi I.Javakhishvili State University, Macroeconomics;
1993-1994-University of Ferrara, Macroeconomics, Italy;
2010-2012-Association of Chartered Certified Accountants (ACCA).

Professional Experience:
1992-1993-National Bank of Georgia, economist of cash circulation department;
1993-1994-National Bank of Georgia, Chief Economist of the Foreign Currency Exchange Department;
1994-1999-National Bank of Georgia, Head of Licensing Division;
1999-2007-National Bank of Georgia, Head / Deputy of Head of Monetary Operation Department;

2007-2009-JSC Silk Bank Head of Administration of InterBank Operations;
2007–present-Caucasus Resource Center for Tolerance (NNLE), Member of the Board;
2009-2010-JSC Silk Bank, Head of Department of Service Center Management,
2010-2011-JSC Silk Bank, Head of Operational Department;
2011-2021-CFO at JSC Silk Bank;
2021-Present-COO at JSC Silk Bank.

Irakli Bendeliani
Chief Technology Officer

Departments under control:
Software development Unit, IT Infrastructure Management Unit, Services&Support Unit, Project Management Unit, Quality assurance service.

Education:
2004-2008-Ivane Javakhishvili Tbilisi State University, Faculty of Exact and Natural Sciences, Physical Informatics.

Professional Experience:
2008-2010- Programmer JSC BTA Bank;
2010-1015-Head of Software Department, JSC BTA Bank;
2015-2021-Head of Information Technology Department, JSC „Silk Bank“;
2021-Present- Chief Technology Officer, JSC „Silk Bank“.
2024–Present-Frementech LLC, Director.

Audit Committee

The Committee is a permanent collegial body and is fully accountable to the Supervisory Board. The Audit Committee is a significant element of the Bank's corporate governance system. The Audit Committee supervises the activities of the Internal Audit Department, develops appropriate recommendations for this service and protects the interests of shareholders in terms of the reliability of financial statements. The Audit Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

During 2024, seven audit Committee meetings were held. Issues discussed and approved included: Audit of the bank's financial monitoring activities; Discussion on the appointment of an external auditor for the audit of Silk Bank JSC's financial statements for 2024 and 2025, in accordance with International Standards on Auditing (ISA); Review of the internal audit report regarding the operations of the bank's loan department; Discussion of conflict of interest matters (related party transactions) and the results of cash counting procedures; Internal audit report on operational risk management processes; Annual audit plan for 2025 and others.

The Audit Committee is comprised by five members, including chairwoman as independent member. The rights and responsibilities of the board of the Audit Committee are:

- Facilitating the functioning of internal audit and external auditors of the Bank;

- Inspection of the integrity and accuracy of the Bank's preliminary reporting;
- Control of compliance by the Bank with the legislative and normative-legal requirements established by the National Bank of Georgia;
- Control of the existence and proper functioning of the relevant systems of internal control and financial risk management in the Bank;
- Control of Bank’s financial statements and annual independent external audit;
- Quality control of external auditor's qualification and level of independence;
- Ensuring the effectiveness of internal audit and independent auditor's work and controlling the accompanying processes.

The duty of the Audit Committee is limited to control and development of relevant conclusions and recommendations for the Supervisory Board.

Risk Committee

The Committee is fully accountable for its activities to the Supervisory Board. The committee is a permanent collegial body, which, within its competence, ensures the proposals for the development of risk management systems; development of internal regulatory documentation of risk management; coordination of decisions and projects on individual issues of risk management under the applicable regulations.

In accordance with regulatory requirements, the Risk Committee reviews the bank's performance results on a quarterly basis. In 2024, the Committee held three meetings, while the review of the fourth quarter's results was conducted in January 2025. Matters discussed and approved included the following: Overview of risks by category and type (financial and operational risks); Discussion of ongoing, planned, and completed projects under the risk management function during 2024; Review of the Internal Capital Adequacy Assessment Process (ICAAP) and its results, based on data as of December 31, 2023, etc.

The risk committee consists of three members, among whom the chairman of the risk committee is an independent member. The risk committee within the competence:

- Asseses risk strategies, both in terms of aggregated and individual risk, and provides appropriate recommendations to the Supervisory Board, including the Bank's current and future risk appetite;
- Prepares and submits reports to the Supervisory Board about the risk culture in the Bank and reviews the Bank's risk policies;
- Monitors the directorate to ensure compliance of the Bank's activities with the risk policies;
- Cooperates and monitors the activities of the risks director;
- Makes recommendations to the Supervisory Board on the effectiveness of risk strategies and policies, including the maintenance and allocation of sufficient capital for identified risks.
- Monitors capital and liquidity management strategies, as well as all types of risks, such as credit, market, operational and reputational risks, in order to be in line with risk appetite;
- Ensures coordination of the Bank's strategic goals with operational indicators and related risks;
- Provides identification and assessment of the Bank's risks;
- Develops recommendations in order to respond to risks in specific situations, based on the request of the Bank's supervisory board, other committees of the Bank or other structural divisions of the Bank;
- Evaluates Banking and other types of risks related to the Bank's operation and supervises/monitors the proper functioning of Banking risk minimization processes and makes recommendations;

- Monitors the compliance with minimum supervisory capital requirements, and assesses the readiness of shareholders in terms of increasing the Bank's capital when necessary;
- Monitors risk management measures;
- Monitors changes in external factors and adapts the risk management system;Analyzes the issue of increasing the Bank's expenses for one-time projects, which goes beyond the scope of competence defined by the charter and collegial bodies, and gives recommendations;
- In terms of recommendation, determines the issue of the amount of loss reserves, which exceeds the established norms;
- Prepares a proposal on risk appetite indicators and their value structure for the next calendar year;
- Prepares conclusions on the draft strategic plan, the investment plan of the Bank in accordance with the increased risk and, if necessary, prepares proposals for changing the structure of risk increase indicators.

Executive level committees

Assets and Liabilities Committee (ALCO)

Assets and Liabilities Committee (ALCO) is engaged in managing and supervising market risk, liquidity risk, currency risk, interest rate risk. ALCO sets and monitors compliance with external or internal liquidity requirements, plans future cash flows, sets limits to manage interest rate risk, currency risk, liquidity and solvency risks. ALCO comprises of treasury, financial risk and reporting department employees and Bank's top management. ALCO meetings are held regularly.

Composition of ALCO

- Chief Executive Officer – Chairman of the Committee;
- Head of Commercial Department and Head of Credit Department – Committee Member;
- Deputy Chief Financial Officer – Committee Member;
- Chief Risk Officer – Committee Member;
- Head of Treasury Unit – Committee Member.

Main responsibilities of ALCO:

- Efficient management of the Bank's assets and liabilities;
- Review of current and prospective liquidity positions and funding sources;
- Management of financial risks in order to achieve optimal ratio between risks and yield;
- Development of parameters for the pricing and maturity distributions of deposits, loans and investments;
- Monitoring financial risks (liquidity, interest and currency risk).

Credit Committee

Credit Committee is engaged in supervising, managing and approving credit exposures to Bank's retail, MSME, corporate and private Banking clients.

The purpose of the committee's activity is the organization, management and control of the Bank's lending process, which is based on the principles of transparency, collegiality, delegation of powers. The committee is guided by the principle of risk minimization and the Bank's profit in making decisions.

Depending on the type of loan, the Bank has 1 and 4 level credit committees, which have separately defined limits. All loans are approved at the credit committee of the appropriate level, according to the amount, after the loan applications are analyzed.

The presenter and initiatior of the process at the credit commitee is credit officer or the person authorized by the Chief Execxutive Officer without the right to vote.

A necessary condition for holding a credit committee is that the committee should include at least two voting members.

The committee has a charter that regulates its activities and includes provisions on powers, competencies, composition, work procedures, and the framework for rights and responsibilities.

Credit Committee members:

Committee level	Committee Members
IV level	1. Movable property expert-appraiser 2. Employee of the retail credit risk management department
III level	1. Chief Risks Officer 2. Employee of the retail credit risk management department 3. Head of business loans department
II level	The second-level credit committee is composed of the following members, to whom the review/approval of various products has been delegated by the decision of the Board of Directors, with consideration given to their limits: 1. Chief Risk Officer (with the right of veto) 2. Head of the risk management department 3. Employee of the retail credit risk management department or employee of the micro and small business credit risk management department 4. Head of the retail lending department; or head of the micro loans unit within the business loans department 5. Credit officer 6. Head of business loans department 7. SME Risk Manager of the credit risk management department.
I level	1. Chief Risk Officer (with the right of veto, chairman of the committee) 2. Legal Director 3. Head of the commercial department

Responsibilities and rights of Credit Committee:

- Within the scope of authority, reviews and approves the limits and conditions of financing of clients;
- reviews and approves monitoring reports of financed projects;

- Makes a decision on the extension/restructuring of loans issued by the retail, small and medium lending department;
- Makes decisions on the partial removal of collateral from the credit security structure and/or the replacement (change) of collateral;
- Makes a decision on the initiation of legal proceedings for credits issued within the framework of its regulations (transfer to the court);
- Makes a decision on forgiving the penalty on overdue loan(s) for the client;
- Makes a decision regarding the purpose of the amount of the loss caused by the insurance accident credited to the client by the insurance company (the amount should be used to repair the collateral or to cover the loan amount) if this amount exceeds 50 (fifty) percent of the current principal amount of the loan;
- Prepares proposals for optimization of current credit processes in the Bank.

The Methodological Committee

The objective of the Committee is to organize, structure, and optimize ongoing business process through creation/updating of internal regulations in conjunction with Board of Directors.

The Methodological Committee members:
- Chief Operating Officer - Chairman of the Committee;
- Chief Technology Officer – Member/Co-chairman of the Committee;
- Head of the Training Center – Committee Member;
- Head of the Legal Compliance and Banking Products Legal Support Department – Committee Member;
- Project Manager of the Project Management Unit – Committee Member;
- Head of the Operations Department – Committee Member;
- Specialist in the Operational Risk Management Division – Committee Member;
- Head of the Credit Administration Division – Committee Member;
- Head of the Product Support Department – Committee Member;
- Corporate Secretary – Committee Member.

7. Risk Management

Management of risk is fundamental to the business of Banking and forms an essential element of Bank's operations. Risk management policies aim to identify, analyze and manage risks faced by Bank, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits.

Along with the growth of the Bank, the risk management function has been strengthened.The changes implemented in the organizational structure of risk management in 2023 and 2024, which involved the creation and development of new departments, have actively started functioning. Strengthening the risk management function is an ongoing and evolving process, which includes a thorough review of the existing risk management strategy, the implementation of necessary risk management systems, and the staffing of risk management functions with qualified personnel. In the medium and long term period, the changes made in the direction of risk management will enable the bank to be more growth-oriented while ensuring the timely identification and effective management of risks.

The risk management process should provide transparent risk management process and confidence from stakeholders. Simultaneously, it facilitates the implementation of the bank's strategic objectives and positions risk management as a source of competitive advantage for the institution.

Daily risk management is supervised by the Chief Risk Officer, who itself is under the control of Chief Executive Officer. The Risk Management Department is responsible for defining, implementing, and managing the risk management system.

The Supervisory Board holds overall responsibility for the risk management framework, oversight of key risks, and the bank's risk management policies and procedures. The Board of Directors is responsible for establishing a comprehensive risk culture across the entire bank, monitoring and implementing risk mitigation measures, and ensuring that the bank operates within the defined risk parameters.

Defining and managing risk parameters is an integral part of the risk appetite framework, which includes components of risks that are both relevant and material to the bank.

The process of defining risk appetite aims to strengthen the bank's risk management capabilities, ensuring that the level of risk aligns with the bank's strategic objectives. Risk appetite–based targets establish the acceptable risk boundaries for the bank, create opportunities for value generation within defined limits, ensure systematic risk control, and support the timely identification and mitigation of risks. The bank's risk appetite is approved by the Supervisory Board.

The Board of Directors submits, or within its authority approves, risk management–related policies and procedures for the Supervisory Board's consideration. The Board of Directors is responsible for aligning the risk strategy with the bank's overall strategic goals. The Board of Directors oversees risk-related matters through various reports and committees, where key performance indicators and risk matters are reviewed and discussed.Bank identifies and manages the following risks related to its business:

Credit risk - the most material risk type for the Bank and arises from the possibility that counterparty to a financial instrument may fail to meet its contractual obligation and this failure may cause a loss to Bank. The Bank's credit risk control is carried out by the Credit Risk Department and the decisions are made on different levels of Credit Committee, which is composed by the employees of risk management department at all levels. The highest level of Credit Committee members also includes Directors of the Bank. Certain credit decisions are made by the Supervisory Board in accordance with internal policies and the National Bank's Risk Policy.

\Collateral plays an important role in mitigation of the credit risk. Collateral is valued in accordance with NBG regulations and international standards and registered in public register. Appraisal of movable property is carried out by the Bank's internal appraiser, who is licensed by the relevant institution and has extensive experience in this field. From September 2024, real estate valuation is carried out by the bank's internal certified appraisers. However, in cases where regulatory requirements or other exceptions apply, the bank will engage an external appraiser with a strong reputation and the necessary qualifications.

Total collateral value on credit portfolio by the end of 2024 amounted GEL 1,823 mln and has following structure: third party guarantee - 88.8%, real estate - 9.9%, movable property - 1.0%, other - 0.3%.

The Bank currently has an internal credit model agreed with the National Bank of Georgia for one type of retail credit product. Credit-Info Georgia credit ratings are used in the loan approval process when reviewing all types of borrowers and credit products. The credit rating calculated using the bank's internal model is applied for business loans.

The Bank has also introduced limits defined by risk appetite on related parties, groups of borrowers, economic sectors and products. These limits are approved by the Supervisory Board.

Financial assets on which the expected credit losses are applied:

- Funds placed in NBG;
- Funds placed in other credit institutions;
- Investment securities;
- Loans to customers;
- Issued financial guarantees;
- Other financial assets.

Liquidity risk - arises from the mismatch of the maturities of liabilities and assets. This mismatch may affect on the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. Daily liquidity is managed by the treasury unit. The Bank also complies with short-term Liquidity coverage ratio (LCR) and Nest stable funding (NSFR) coefficients as required by NBG.

Liquid funds are placed only in high liquidity financial instruments such as cash, deposits in the National Bank and local commercial Banks; The Bank also actively utilizes Investment Securities.

Market risk - is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of currency risk, interest rate risk and other price risks. Market risk mainly arises from open positions in interest rate financial instruments, which are exposed to general and specific market movements and changes in the level of volatility of market prices and foreign currency rates. The Bank does not have a trading portfolio and is not involved in speculative trading. Accordingly, it faces mainly interest and currency risk arising from traditional banking activites. These risks are monitored and managed by the Risk Management Department using various reporting tools and models.

Interest rate risk - The Bank faces the interest risk caused by traditional Banking activities related to the revaluation of mismatch between interest bearing assets and liabilities. The daily risk management process of interest risks is carried out by treasury unit in accordance with the framework set by Assets and Liability Committee (ALCO). Interest rate positions and “gaps” are presented by revaluation periods for each relevant currency, and interest rate risk is assessed on a monthly basis.

Currency risk - the Bank understands the risk of loss of losses due to the revaluation of the assets and liabilities caused by the exchange rate change. The Bank's strategy towards currency risk is not to get involved in speculative activity through an open currency position. The daily FX Risk management process is carried out by treasury unit in accordance with the framework set by ALCO.

Operational risk – is the risk of loss arising from systems failure, human error, fraud or external events (such as cyber attack risks, etc). Such events and/or failure may cause damage to Bank’s reputation, have regulatory or legal implications, may result in financial losses. Operational risk control is carried out by the Risk Management Department in accordance with the bank’s Operational Risk Management Framework.

The objective of operational risk management is to define acceptable risk exposure limits for the bank, identify the factors and root causes that give rise to risks, and ensure adequate capital allocation to support effective risk mitigation. The bank actively focuses on fraud risk prevention, the proper functioning of internal control mechanisms, and the minimization of operational errors. To support these goals, a Fraud

Risk Management Program has been implemented, which promotes a strong corporate culture and fosters an environment in which the risk of fraud is minimized.

Prior to introducing new products, services, processes, or systems—as well as before undertaking any significant business activity—the bank conducts an appropriate operational risk assessment. In parallel, regular reviews of existing processes and products are carried out, including analysis of internal control mechanisms. These practices support the mitigation of associated risks and are based on creating an environment that ensures clear allocation of responsibilities among involved parties and the establishment of an effective and enforceable governance framework.

Compliance risk – is a risk that Bank may not act in compliance with existing regulations, laws and agreements and may incur financial loss as part of such non-compliance.

Bank has approved risk management policies, procedures and established governance structures to manage these risks.

Supervisory Board has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures. Board of Directors is responsible for implementing overall risk culture within the organization, monitoring and implementing risk mitigation measures, and ensuring that Bank operates within established risk parameters. Board of Directors presents to the supervisory board or approves independently, within its delegated authorities, risk related policies and procedures. Board of Directors is responsible for aligning risk strategy with Bank's overall strategy. Board of Directors controls risk related issues via various reports and committee meetings where risk related topics and performances are related.

Stress Testing

Stress Test, i.e. simulation of crisis is an instrument allowing to assess impact of potential unforeseen development on the Bank as a whole, as well as on particular elds of its activity. Those are used to enable Bank adequately assess and manage risk, evaluate capital adequacy and create buer necessary to maintain capital adequacy, if needed.

Hence, stress-testing is a signicant instrument for assessing sustainability and risk-prole of the Bank.

Stress test results are considered in terms of:

- Profit and Loss - one year projection is made, taking into account stress test effects;
- Interest Rate Risk – one year effect is calculated considering increased interest rates;
- Capital Adequacy - Supervisory capital is calculated by taking into account stress test effect both on supervisory capital elements itself and effects coming from post stress corrections.

8. Remuneration

Remuneration system involves certain forms of remuneration in compliance with the occupation, including the fixed remuneration, variable remuneration(bonus) and additional benefit (including and not limited to: the additions defined under the applicable legislation/internal regulations, pension contribution, business trip, professional development, health insurance, other forms of material incentive and other types of benefits).

The fixed part of remuneration is salary, while variable part may include bonuses (monthly, quarterly, one time), annual bonuses based on the performance results of the Bank and other motivational payments.

The ratio of fixed and variable parts in the pay structure varies depending on the following factors:

- Variable parts of remuneration are higher on positions, which are directly involved in Bank’s customer service (Front Office), such as: Credit Officers; Branch and Treasury Unit employees.
- The fixed remuneration is the main part back office employees. They may be granted for promotional pay as well as annual bonuses based on the performance results of the Bank.

Remuneration for the Supervisory Board members complies with their involvement, assigned responsibilities, efforts made and time resource spent. Remuneration for the Supervisory Board members includes fixed remuneration, the amount of which is fixed by the general meeting of shareholders.
The remuneration of members of the Supervisory Board and Bank employees is subject to annual review. The Bank's Supervisory Board defines, approves and controls the Bank's remuneration policy, including remuneration of Board of Directors. The Supervisory Board reviews and approves the staff schedule and makes a decision on the remuneration of the members of the Bank's board of directors.

The remuneration of the Bank's Board of Directors consists of a fixed remuneration corresponding to their professional experience and organizational responsibility, assigned obligations and job specificity.

The Bank's Board of Directors ensures the implementation of the remuneration policy and determines the systems and motivation models for the Bank's employees (except directors). The Directorate approves the salary scheme of the Bank within the framework of the remuneration fund approved by the Supervisory Board, reviews and approves proposals pertaining improvement of remuneration system and other models of motivation, reviews assessments and reports of remuneration system monitoring bodies (both internal and external) and so on.

Material risk takers (MRT)

The Bank's material risk takers are defined by assessing the significance of their professional activity on the Bank's risk profile. All types of risks are important, including prudential, operational, and/or reputational risks.

According to the rules and recommendations of the NBG and the Bank has developed qualitative and quantitative criteria for determining material risk takers, as a result of which the following persons were identified as material risk takers:

- Supervisory board members;
- Members of Board of directors;
- Employees whose activities have a significant impact on the Bank's risk profile. 16 positions were identified as material risk takers (in addition to the top management members listed above).

9. Environmental, Social, and Governance (ESG)

Due to the Bank`s size and volume of operations, by the year 2024 the Bank has not made significant changes in ESG related matters. 2024 ESG report is available on Bank’s web-site: www.silkBank.ge.