



Pillar 3 Annual Report

2025

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1. Executive summary

1.1. Introduction

Pillar 3 Annual Report of JSC BasiBank's ("BB") for year 2025 is prepared in accordance with the requirements of Decree of the National Bank of Georgia "On Commercial Banks Disclosure of Information within Pilar III" No.92/04 of May 22, 2017, and in compliance with the Disclosure Requirements by Basel Committee for Banking Supervision and the standards established under the European Union Directive NO 575/2013.

1.2. Management's Statement

- The Management Board confirms that the information provided in this Report is accurate and free of any material misstatement.
- The report is approved by the Audit Committee on March 17, 2026 in accordance with the requirements of Decree of the National Bank of Georgia "On Commercial Banks Disclosure of Information within Pilar III" No.92/04 of May 22, 2017.
- Unless otherwise stated, all data and information disclosed in this report are presented according to the reporting standards set by the banking regulator in Georgia, the National Bank ("NBG").
- The regulation does not require banks to audit the Pillar III report and its accompanying disclosures.
- The report is prepared in full observation and compliance with the internal control processes, agreed and approved by the Supervisory Board of JSC BasisBank.

1.3. Regulatory Developments

The National Bank of Georgia continues to refine the regulatory framework with a dual objective of supporting sustainable credit growth and market stability, while maintaining a strong prudential stance in the context of elevated global uncertainty. Key regulatory developments during the year were primarily focused on mortgage lending conditions, the risk profile of foreign currency borrowing, and the continued implementation of Georgia's structural de-dollarization agenda.

De-Dollarization Measures: By decision of the Financial Stability Committee in May 2025, the limit for unhedged foreign currency loans has increased from 500,000 to 700,000 GEL, which came into effect in August 2025. This change supports the broader objective of limiting foreign-currency borrowing for clients without natural income denominated in foreign currency or hedging capacity, while allowing more flexibility for higher-income and more financially resilient borrowers.

The change is aligned with the long-term direction of supervisory policy aimed at reducing dollarization over time, supporting more stable credit quality, and lowering the economy's exposure to exchange-rate volatility, particularly within the retail portfolio.

These adjustments were introduced in a regulatory environment where the NBG continues to balance financial stability considerations with the need to support the real economy and preserve responsible access to finance.

Mortgage Regulation: To support sustained activity in the residential real estate market, the NBG revised the maximum Loan-to-Value (LTV) ratio applicable to mortgage loans issued in local currency to individuals. Specifically, the maximum LTV ratio for residential property-backed lending in GEL increased by 5 percentage points, reaching 90%.

This regulatory adjustment aims to ease borrower financing conditions and support housing demand, while maintaining prudent risk controls through existing macroprudential tools. From a market perspective, the higher LTV cap improves mortgage accessibility, particularly for households with limited upfront savings, and supports credit availability in an environment where residential real estate prices and construction activity have remained elevated.

In addition, the NBG further adjusted the LTV limit for borrowers whose income is generated outside Georgia. The cap for this segment was increased by 10 percentage points, from 70% to 80%, thereby improving access to mortgage financing for foreign-income borrowers.

This change reflects the increasing relevance of this client segment for the Georgian housing market and may support broader market liquidity and external inflows. At the same time, it reinforces the importance of careful monitoring of repayment capacity and risk characteristics in this group, given potential volatility associated with foreign employment income and external economic shocks.

Consumer Protection: The changes were introduced to the „Regulation on the Protection of Consumer Rights in the Provision of Services by Financial Organizations.“ According to the amendments, in the case of full or partial refinancing of a loan/credit from another financial organization, for individuals and legal entities whose total liabilities do not exceed two million GEL, the maximum advance fee will be reduced from 2% to 0.5%. Moreover, the amendments introduced an upper limit on prepayment fees for documentary transactions such as: Letter of credit, Documentary collection, Bank guarantee, Acceptances, etc. This cap is set at 2%, addressing an unregulated area where higher fees have been charged in practice. As a result, these changes further support strengthening the competitive environment, while increasing the standards of consumer rights protection.

Granting, Maintenance and Revocation of Green, Social, Sustainable and Sustainability-linked Bond Status: In order to advance and strengthen sustainable finance framework, in 3Q 2025, the NBG adopted a new regulation for capital market participants – the „Regulation on the Granting, Maintenance, and Revocation of Green, Social, Sustainability, and Sustainability-Linked Bond Status“. It aims to establish clear rules for the public issuance of sustainability-oriented bonds in the capital market and consequently, encourages companies' transparency, environmental, social and other sustainable development objectives.

Payment Systems: The NBG has successfully migrated to SWIFT's ISO 20022 international standards, improving the infrastructure of Georgia's banking system and its operational effectiveness.

AML: The Georgian banking sector remains committed to complying with relevant anti-money laundering (AML) regulations and the sanctions adopted by the UK, US, and EU.

2. Ownership and the Group structure

2.1. About BasisBank and the Group

JSC BasisBank (hereinafter referred to as „the Bank“) is incorporated and operates in Georgia. The Bank is structured as a joint-stock company with limited shares, established in compliance with the laws and regulations of Georgia in 1993.

BasisBank is a part of financial group that includes JSC BasisBank, Basis Asset Management Holding LLC, JSC BB Leasing and JSC BB Insurance (collectively referred to as „BB Group“ or „the Group“).

As of the most recent data, BasisBank is positioned as the fourth largest financial institution in Georgia. The Bank maintains 38 branches and employs around 900 individuals, providing services to up to 200 thousand customers. As of 31 December 2025, the Bank's assets totaled 4.87 billion GEL, which is 4.53% of the market.

The primary activity of the Bank involves offering banking and financial services to both business and individual clients. Additionally, through its subsidiaries, the Bank provides leasing and insurance services. For more detailed information please refer to sub-section – “Subsidiaries”.

History of the Bank

1993 | Establishment and Early Development

Basisbank was established in 1993. From inception, the Bank's development was shaped by a disciplined approach to financial management, prudent risk-taking, and a focus on capital preservation. During the early years of Georgia's economic transition, the Bank prioritized stability, transparent decision-making, and the gradual development of a sustainable operating model.

Early 2000s | Institutional Strengthening

In the early 2000s, the Bank progressed from a founder-led structure toward a more formalized institutional model. This stage was characterized by the adoption of a clearer strategic framework, the implementation of core banking systems, and the strengthening of internal processes. The Bank also began building relationships with international financial institutions and aligning its reporting and governance practices with broader market standards.

2008 | EBRD Equity Participation

In 2008, the European Bank for Reconstruction and Development (EBRD) acquired a 15% equity interest in the Bank. This represented an important milestone in the Bank's institutional development and supported further enhancement of governance, policies, and operating standards in line with international practices.

2012 | Change in Shareholding and Growth Phase

In 2012, Hualing Group acquired a 90% stake in the Bank, later increasing its shareholding to 92%. The transaction strengthened the Bank's capital base and supported the next phase of growth. In the following years, the Bank expanded its market presence while maintaining a focus on profitability, balance sheet discipline, and risk management.

2017 | Formation of BB Group

In 2017, the Bank expanded its business model through the establishment of BB Insurance and BB Leasing. This development marked the formation of a broader group structure and supported a more diversified product offering across banking, leasing, and insurance services.

2022 | Acquisition of VTB Bank Georgia Portfolios

In 2022, Basisbank completed the acquisition of selected retail and business portfolios of VTB Bank Georgia, including a loan portfolio of GEL 787 million and a deposit portfolio of GEL 665 million. This transaction significantly expanded the Bank's customer base and scale of operations, supported the transition to a universal banking model, and strengthened its position in the Georgian banking sector.

2023–2025 | Transformation of Operating Model and Infrastructure

During 2023–2025, the Bank focused on integrating the enlarged franchise, strengthening its operating model, and upgrading supporting infrastructure. Key areas of development included the introduction of agile ways of working across major business lines, modernization of technological platforms, and further enhancement of service delivery capabilities. These changes were aimed at supporting scalability, operational efficiency, and the effective management of a broader and more diversified customer base.

By the end of 2025, the Group's consolidated assets reached GEL 4.87 billion, while the gross loan portfolio amounted to GEL 3.32 billion and customer deposits totaled GEL 3.45 billion, reflecting continued growth in lending and funding activities. The Group reported net profit of GEL 122.4 million for the year ended 31 December 2025, while maintaining strong capital and liquidity positions.

2.2. Strategic Framework and Risk Alignment

2.2.1 Strategic Overview

Basisbank's strategy is focused on delivering sustainable growth, strengthening profitability, and reinforcing its position as a resilient universal banking institution in Georgia. The Bank's strategic framework supports long-term value creation through disciplined expansion across core business segments, continuous digital transformation, and ongoing investment in institutional capabilities.

This framework is closely integrated with the Bank's capital planning and risk management processes, ensuring that strategic initiatives remain fully aligned with the Risk Appetite Statement (RAS), Internal Capital Adequacy Assessment Process (ICAAP), and the prudential requirements established by the National Bank of Georgia (NBG). This integrated approach ensures that growth objectives are pursued within well-defined capital, liquidity, and risk parameters, safeguarding the Bank's financial stability and institutional resilience.

2.2.2 Strategic Pillars

Basisbank's strategic roadmap is structured around four mutually reinforcing pillars, designed to enhance the Bank's competitive position while maintaining strong capital discipline and risk-adjusted performance:

- **Market Share Growth and Sustained Profitability:** The Bank is focused on balanced expansion across Corporate, SME, and Retail segments, supported by targeted product development, strengthened client relationships, and enhanced cross-selling capabilities. This growth is guided by prudent underwriting standards and portfolio diversification principles, ensuring that asset quality remains robust and credit risk concentrations are effectively managed.
- **Digital Acceleration:** Digital transformation remains a core strategic priority, enabling scalable growth, improved customer experience, and operational flexibility. The Bank continues to enhance digital customer journeys, expand remote service capabilities, and strengthen its proprietary digital infrastructure, supported by comprehensive operational and cyber risk management frameworks.
- **Increased Efficiency:** Basisbank continues to improve operational efficiency through process optimization, automation, and enhanced performance management. These initiatives support sustainable cost discipline, strengthen internal capital generation, and improve the Bank's capacity to absorb potential economic or market volatility.
- **Customer Experience Excellence:** The Bank maintains a strong relationship-driven approach, focused on delivering reliable, transparent, and high-quality financial services.

2.2.3 Medium-Term Strategic Priorities (2026 and beyond)

The Bank's strategic pillars are translated into clear medium-term priorities, supporting sustainable business expansion while maintaining prudent capital allocation and risk management discipline.

Strategic Priority	Key Execution Initiatives	Risk, Capital and Liquidity Alignment (Pillar 3 Impact)
Product Competence and Revenue Diversification	• Expansion of targeted products for SMEs, Corporates and Retail customers • Enhancement of pricing frameworks and loyalty programs • Continued development of transaction-based fee income streams	Supports revenue diversification, reducing reliance on interest income and mitigating Interest Rate Risk in the Banking Book.
Digital and Operational Transformation	• Full integration of digital signature platforms • Continued development of remote banking infrastructure • Automation of internal operational processes	Enhance operational resilience by reducing manual processing risk and improving internal controls. Strengthens cyber risk management and data integrity, supporting reliable regulatory reporting and effective risk monitoring.
Operational Efficiency and Performance Discipline	• Optimization of cost structures and capital allocation models • Alignment of performance management with long-term value creation • Increased automation of internal decision-making processes	Improves internal capital generation through enhanced profitability and operational efficiency, supporting sustainable growth of CET1 and Total Capital buffers. Reinforces risk-adjusted performance discipline across business units.
Institutional Strength and Governance	• Continued investment in organizational and operational infrastructure • Strengthening governance frameworks and internal controls • Enhancement of transparency and institutional credibility	Strengthens governance effectiveness and oversight, supporting the Three Lines of Defense framework. Enhances institutional resilience and reduces operational, compliance, and reputational risks. Supports long-term financial stability.

2.2.4 Institutional Enablers and Strategic Execution

The execution of Basisbank's strategy is supported by established institutional capabilities, including its governance framework, technology infrastructure, data architecture, organizational structure, and access to diversified funding sources. These capabilities, which underpin the Bank's business model and strategic execution, also support effective risk management, capital adequacy, and liquidity resilience, ensuring full alignment with the Risk Appetite Statement, ICAAP, and regulatory requirements of the National Bank of Georgia.

Governance Framework and Risk Oversight

The Bank maintains a comprehensive governance structure that ensures effective oversight of strategic execution and risk management. The Supervisory Board, Board Committees, and Management Board provide strategic direction and oversight, while specialized management committees, including the Asset and Liability Management Committee (ALCO), oversee capital adequacy, liquidity risk, and balance sheet structure.

This governance framework ensures that strategic decisions, growth initiatives, and capital allocation remain consistent with the Bank's risk appetite, internal risk limits, and regulatory capital and liquidity requirements.

Technology Infrastructure and Digital Capabilities

Basisbank's proprietary technology platform and digital infrastructure support scalable business growth while strengthening operational resilience and internal control effectiveness. The Bank's technology architecture enables reliable transaction processing, secure digital service delivery, and effective monitoring of operational and cyber risks.

These capabilities also support accurate risk measurement, regulatory reporting, and compliance with prudential requirements, contributing to the Bank's overall institutional stability.

Data Architecture and Risk Management Capabilities

The Bank maintains a robust data management and reporting framework, supporting risk identification, measurement, monitoring, and regulatory reporting. Reliable and timely data enables effective management of credit, market, liquidity, and operational risks, while supporting capital planning and internal risk assessment processes, including ICAAP.

This data-driven approach enhances transparency, supports informed decision-making, and strengthens the Bank's ability to respond to changing market and economic conditions.

Organizational Capability and Risk Culture

Basisbank's experienced management team and qualified professional workforce support effective implementation of strategic and risk management objectives. Clearly defined roles and responsibilities, supported by internal control systems and the Three Lines of Defense framework, ensure accountability and disciplined risk-taking across all business activities.

The Bank's organizational structure and performance management systems support sustainable growth while maintaining prudent risk and capital management practices.

Capital and Liquidity Management Framework

The Bank maintains strong capital and liquidity positions, with regulatory capital ratios (CET1, Tier 1, and Total Capital) and liquidity ratios (LCR and NSFR) consistently maintained above minimum regulatory requirements. Strategic planning is closely integrated with capital and liquidity management through ICAAP and internal liquidity risk management processes.

This framework ensures that the Bank maintains sufficient financial resources to support business growth, absorb potential losses under stress scenarios, and maintain confidence among regulators, investors, and other stakeholders.

2.3. Ownership Structure

As of 31 December 2025, and 2024 the year end the Bank's immediate parent company was Xinjiang Hualing Industry & Trade (Group) Co Ltd incorporated in People's Republic of China.

Shareholders	% of ownership interest held as at 31 December	
	2025	2024
Xinjiang Hualing Industry & Trade (Group) Co Ltd	91.694%	91.891%
Mr. Mi Zaiqi	6.131%	6.144%
Other minority shareholders*	2.175%	1.965%

*Other minority shareholders are the members of the Management Board. The portion of their remuneration is converted into bank shares.

As of 31 December 2025, the ultimate beneficiaries of BasisBank JSC with more than 5% of ownership were:

- Mr. Mi Zaiqi (directly and indirectly owning 51.061% of shares); and
- Zou Yiwei, who indirectly owned 46.764% of the shares through state-owned entities and who, in his capacity as a director, holds a senior administrative position responsible for the overall management and operations of the State-owned Assets Supervision and Administration Commission of the People's Government of Xinjiang Uygur Autonomous Region ("Xinjiang SASAC").

Ownership and Control Structure of Xinjiang Hualing Industry & Trade (Group) Co., Ltd.

As of 31 December 2025, the ownership and control structure of Xinjiang Hualing Industry & Trade (Group) Co., Ltd. (Reg. Number: 91650000299934675M) is as follows:

- Xinjiang Shangwu Assets Operation Co., Ltd. (Reg. Number: 91650106MAE4FE4CXN) holds a 51% ownership interest.
- Hualing Group Investment Holding (Xinjiang) Co. (Reg. Number: 91650000MA784P4Y0E) holds a 26.7272% ownership interest.
- Mi Zaiqi (ID numbers 01192005128 / 650102198402180012) holds 22.2728% ownership interest.

State Ownership Chain

Xinjiang Shangwu Assets Operation Co., Ltd. is 100% owned and controlled by Xinjiang Commercial Logistics (Group) Co., Ltd. (Reg. Number: 91650000MACHQC359), which in turn is ultimately 100% owned and controlled by the Xinjiang SASAC (License/Certificate No.: 11650000766826383U).

Mr. Mi Zaiqi – Effective Ownership in BasisBank JSC

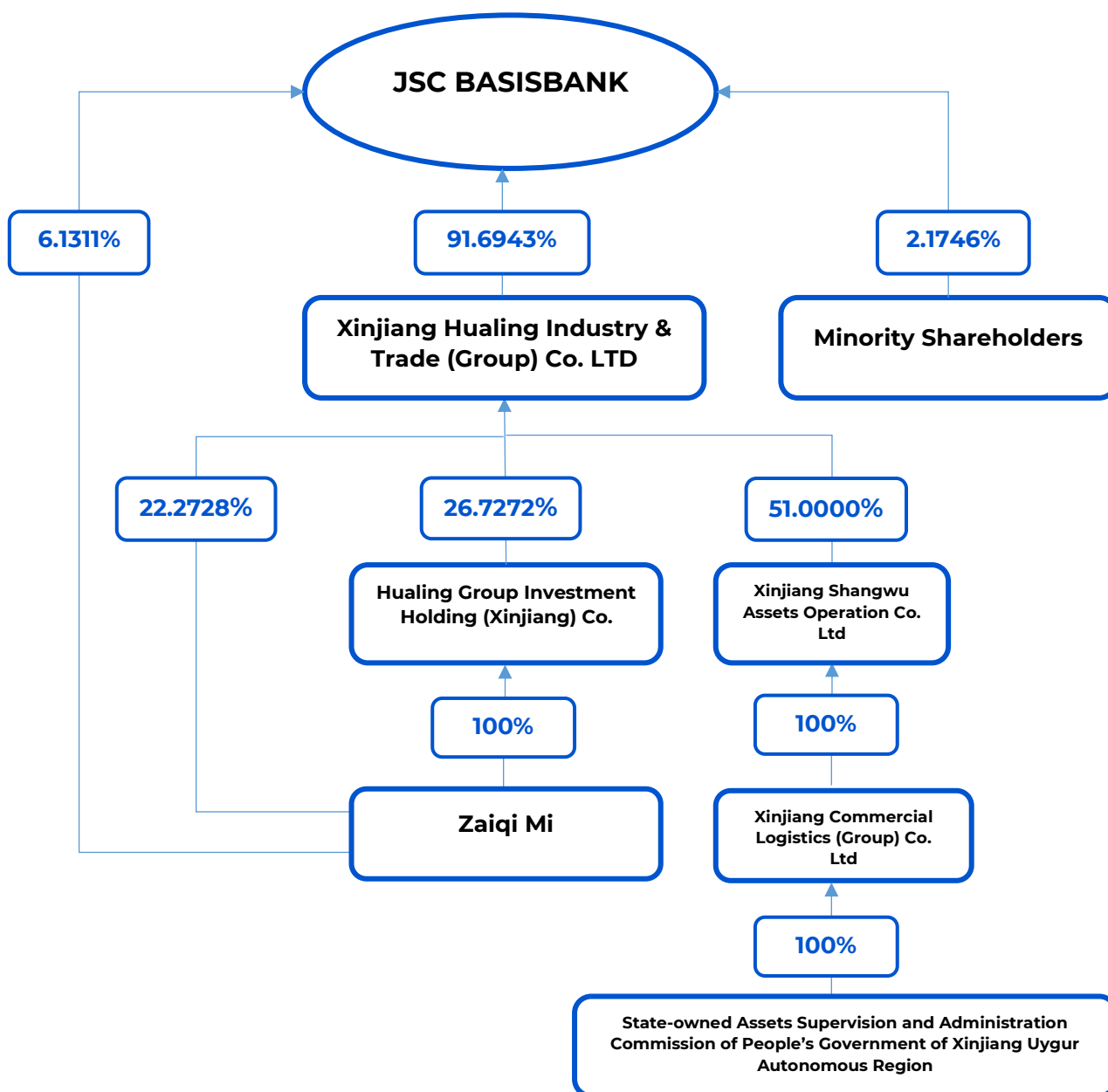
Hualing Group Investment Holding (Xinjiang) Co., Ltd. is 100% owned and controlled by Mr. Mi Zaiqi. Accordingly, as of 31 December 2025, Mr. Mi Zaiqi (ID Numbers: 01192005128 / 650102198402180012) holds a total effective ownership interest of BasisBank JSC, approximately 51.061%, comprising both direct and indirect interests, including:

- A direct ownership interest of 6.131%, and
- Indirect ownership interests of approximately 44.930% through related entities, including Hualing Group Investment Holding (Xinjiang) Co., Ltd. (Registration Number: 91650000MA784P4Y0E), a wholly owned entity of Mr. Mi Zaiqi.

While Mr. Mi Zaiqi is a significant minority shareholder and influential stakeholder, ultimate control over Xinjiang Hualing Industry & Trade (Group) Co., Ltd. resides with the Xinjiang SASAC.

As of December 31, 2024, the ultimate beneficiaries with more than 5% of ownership were Mr. Mi Zaiqi (directly and indirectly owning 56.266% of shares) are Mi Enhua (with 41.752% of shares) through Xinjiang Hualing Industry & Trade (Group) Co Ltd.

The updated shareholder structure of JSC BasisBank



Following the change, the ultimate beneficial owner Zaiqi Mi is holding 51.06% of the shares of JSC BasisBank.

The Shareholders' ownership information is given in Appendix PE1-BBS-QQ-20251231/ table 6.

Shareholder Information

The Bank's majority shareholder, Xinjiang Hualing Industry & Trade (Group) Co., Ltd., (hereinafter "Hualing Group") is a large, diversified private enterprise group headquartered in Xinjiang, People's Republic of China. Established in 1988, Hualing Group evolved into a multi-sector conglomerate comprising more than 40 subsidiaries.

The Group operates across multiple economic sectors, including real estate development and commercial property management, wholesale and retail commodity markets, logistics and supply chain services, and investments in financial and commercial enterprises. Its business model focuses on facilitating international trade, strengthening supply chain infrastructure, and supporting economic connectivity across regions.

Since entering the Georgian market in 2007, Hualing Group has become one of the largest private investors in the country, with substantial investments spanning real estate, trade infrastructure, and financial services, having invested more than USD 550 million. The Group remains committed to developing a robust financial institution under the BasisBank umbrella, emphasizing the advancement of the business franchise and market leadership.

Group's long-term investment in BasisBank reflects its strategic commitment to strengthening financial infrastructure, supporting international trade, and enhancing the Bank's institutional capacity and market position.

2.4. The Group Structure

At end of 31 December 2025 three subsidiaries operated under the umbrella of BasisBank: JSC BB Insurance, JSC BB Leasing and Basis Asset Management Holding LLC (BAMH).

Thousand GEL

Name	Core activity	2025	
		Investment	Ownership %
BAM holding LLC	Asset management	3,797	100%
JSC BB Insurance	Insurance	6,000	100%
JSC BB Leasing	Leasing	18,000	100%
Total investment in capital		27,797	

BB Insurance

BB Insurance is BB Group's main bancassurance partner. BB Insurance serves individual and legal entities and provides a broad range of insurance products covering motor, property, life, travel and corporate packages.

BB Insurance services are available in all cities and regions where BasisBank is present through its branches.

The governing body of the company:

Chairman of the Supervisory Board – Zaiqi Mi
 Member of the Supervisory Board - David Tsaava
 Member of the Supervisory Board - Hui Li
 Independent Member of the Supervisory Board – Zaza Robakidze

The Management Board:

General Director - Konstantine Sulamanidze
 Deputy General Director - Levan Pitiurishvili (Chief Operations Office)
 Deputy General Director - Shota Svanadze (Chief Risk Officer)
 Deputy General Director – Vano Bagoshvili (Chief financial Officer)

BB Insurance offers its customers a variety of products in both retail and corporate segments and offers motor, property, credit life, and various types of corporate insurance packages like: Cargo, Business Interruption, General Third-Party liability insurance, Bankers Blanket Bond, and Aviation business related risks insurances.

BB Leasing

As a member of the BasisBank Group. BB Leasing provides comprehensive leasing solutions and advisory services to individuals and businesses in various sectors. The client is provided with quality products and services, attached with extended consulting possibilities and processes automated at a high level.

The governing body of the company:

Chairman of the Supervisory Board - Zaiqi Mi
Member of the Supervisory Board - David Tsaava
Member of the Supervisory Board - Hui Li

The Management Board:

General Director - Konstantine Sulamanidze
Deputy General Director - Lia Aslanikashvili
Deputy General Director - Malkhaz Kharchilava

Basis Asset Management-Holding LLC was established in 2012; BAM Holding is a property management subsidiary of the Bank. Main activities of the subsidiary include: development, realization, leasing and rental of properties.

The Management Board

General Director – Levan Gardapkhadze

3. Corporate Governance

3.1. Governance Overview

Effective corporate governance in accordance with high international standards is integral to our corporate identity. We are committed to maintaining a best-in-class corporate governance framework, fully compliant with the National Bank of Georgia (NBG) Corporate Governance Code, in line with international standards and best practices. This framework underpins efficient decision-making, aligning risk and accountability through clear and consistent roles and responsibilities, placing a strong emphasis on a transparent governance structure that ensures value driven management and robust internal control.

The NBG Corporate Governance Code itself is based on international standards and best practices, such as those of the Basel Committee on Banking Supervision, Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, the Organization for Economic Cooperation and Development (OECD) Principles of Corporate Governance and the UK Corporate Governance Code.

In our pursuit to deliver greater shareholder value, Basisbank has continued to subject its operations to the highest standards of Corporate Governance, which we view as the essential foundation for sustainable corporate success, especially in an emerging market economy. We are committed to upholding the principles of good Corporate Governance in all our operations, which is the basis of the public trust and confidence placed in us by shareholders, customers, business partners, employees and the financial markets and is key to our continued long-term success.

In line with the principles of the above-mentioned regulations, the Bank has established a Corporate Governance structure suitable with the size, complexity, organizational structure, economic significance, risk profile and business model of the Bank and its Group.

3.2. Governance Structure

Basisbank's (the "Bank") governance structure sets a formal framework that enables the Management Board to execute the Bank's strategy and objectives, while managing the relationship between Directors and Shareholders. The Bank has implemented a comprehensive set of policies and systems to ensure that its strategic objectives are supported by an effective framework of oversight and control.

Basisbank's corporate governance structure combines three separate bodies:

- General Meeting of Shareholders
- Supervisory Board and Board-Level Committees
- Management Board and Management Board-Level Committees



3.3. General Meeting of Shareholders

A shareholder of the Bank is any legal entity or individual registered in the Bank's share register in accordance with applicable law.

Shareholders are entitled to participate in and vote at the General Meeting of Shareholders, receive dividends proportionate to their shareholding, exercise pre-emptive rights on newly issued shares, access information and certain corporate documents, and receive a liquidation quota in the event of the Bank's liquidation.

Shareholders holding 5% or more of the total shares are granted additional rights, including the right to request a special audit, propose items to the agenda of the General Meeting, and convene meetings in accordance with the law.

Shareholders are also subject to obligations established by legislation and the Bank's Charter, including making contributions for shares and complying with applicable notification and consent requirements.

Shareholder rights are primarily governed by the Bank's Charter, which defines shareholder status and registration, procedures for convening and conducting the General Meeting, voting rights and dividend distribution, pre-emptive rights and share transfer rules, access to information, minority shareholder rights, and shareholder obligations. These matters are further supported by internal regulations, including General Meeting and Supervisory Board procedures, as well as applicable legislation of Georgia and regulatory requirements of the National Bank of Georgia.

The General Meeting of Shareholders is the supreme governing body of the Bank. Shareholders exercise their rights by participating in the General Meeting, appointing their representatives to the Supervisory Board and voting on pivotal matters in compliance with the legislation of Georgia and the Bank Charter.

The General Meeting holds authority over the most significant corporate decisions: approval of the bank's charter, issuance of shares, allocation of earnings, changes to the Bank's capital and the appointment or dismissal of Supervisory Board members.

At the General Meeting of Shareholders, an ordinary share entitles its holder to one vote. The Annual General Meeting (AGM) is held once a year no later than three months following the preparation of the audited financial report for the preceding year. An Extraordinary General Meeting may be convened at the request of the Chairman of the Supervisory Board, the Management Board or shareholders holding at least 5% of the Bank's equity.

The Annual General Meeting for 2026 will be convened by the Bank's Directorate in strict observance of statutory procedures, including publication on the unified electronic portal of the National Public Registry Agency, and the Bank's official website www.bb.ge.

The General Meeting of Shareholders discusses and makes decisions on the following matters:

- a) Making amendments to the Bank's Charter and approve a new edition of the Charter;
- b) Amending the Constituent Agreement of the Bank;
- c) Reorganization of the Bank;
- d) Dissolution of the Bank, appointment of a liquidator, and approval of interim and final liquidation balances;
- e) Redemption of the Bank's own shares;
- f) Changes to the invested capital;
- g) Determining the composition of the Supervisory Board, the number of its members, their election and early recall, as well as their remuneration and compensation structure;

- h) Approval of the Bank's audit report and selection of the external auditor;
- i) Approval of the financial statements and distribution of dividends;
- j) Determining the procedures for the General Meeting and electing the vote-counting committee;
- k) Participation in legal proceedings against members of the Bank's governing bodies and the Supervisory Board, including the appointment of a representative for such proceedings;
- l) The purchase, alienation, exchange (including interrelated transactions), or other encumbrance of property by the Bank where the value exceeds half of the balance sheet value of the Bank's total assets, except for transactions carried out in the ordinary course of business;
- m) Determining the number of shares, their nominal value, classes, and the rights attached to them.

The General Meeting of Shareholders is also authorized to make decisions on other matters as provided by the Charter and applicable law.

3.4. Supervisory Board and its Committees

Functions and Responsibilities of the Supervisory Board

The Supervisory Board is responsible for the overall oversight and strategic direction of the Bank's activities. Its key roles and duties include supervising and controlling the activities of the management body, overseeing the implementation of the Bank's strategy and risk management framework, and ensuring compliance with applicable legal and regulatory requirements.

The Supervisory Board appoints and recalls members of the Management Board, determines their remuneration where applicable, and evaluates their performance. It reviews and approves key internal policies and procedures, including those related to risk management, internal control, compliance, and corporate governance.

The Supervisory Board also oversees financial reporting processes, interacts with internal and external auditors, ensures the effectiveness of internal control systems, and safeguards the interests of shareholders and the Bank as a whole. Additionally, it performs other functions assigned to it under the Charter and applicable legislation of Georgia.

In accordance with the Bank's Charter, decisions reserved to the Supervisory Board include:

- Approval of the Bank's overall strategy, business plan, and risk appetite framework
- Approval of key internal policies (including risk management, internal control, compliance, remuneration, and governance policies)
- Appointment and dismissal of members of the Management Board
- Oversight of the effectiveness of the internal control system and risk management framework
- Approval of annual financial statements and submission to the General Meeting
- Approval of significant transactions or exposures exceeding thresholds defined in the Charter or internal policies
- Establishment of Board Committees and approval of their mandates
- Approving the Bank's Conflict of Interest Management Policy, as well as making decisions on transactions that exceed the limits established for the Bank's Management Board.

These matters are fundamental to the Bank's governance framework, risk profile, and long-term sustainability and therefore remain under the direct authority of the Supervisory Board.

Composition of the Supervisory Board

Zhang Jun**Chairman of the Supervisory Board****Appointed:** 2012**Nationality:** Chinese**Education****MBA degree** from Tianjin University**Career**

Zhang Jun has over 30 years of executive positions in various Chinese banks, including 7 years of executive supervisory role at The People's Bank of China, 5 years as Deputy Director of Chengxin Credit Union of Urumqi, as well as 12-years career with Urumqi City Commercial Bank, serving as Sales Department General Manager, HR Director, and Assistant of the Chairman of the Board.

He occupied the position of Deputy Director in finance and foreign investments in Hualing group. In 2012 he became Executive Chairman of Supervisory Board in BasisBank and in 2015 Chairman of the board.

Zhou Ning**Vice Chairman of the Supervisory Board****Committee Membership:** Member of Audit Committee**Appointed:** 2012**Nationality:** Chinese**Education**

MBA degree from Fuqua School of Business in USA, master's degree in engineering from Virginia Polytechnic Institute bachelor's degree from University of Science and Technology of China

Career

Zhou Ning started a position of Senior Financial Analyst with Ford Motor Co. He moved to J.P. Morgan Hong Kong as an Associate of Investment Banking Division. In 2004 he became Vice President of ABN AMRO Bank, overseeing the Strategic Development Department.

He was invited as an advisory during BasisBank acquisition by Hualing Group and in 2015 he was invited as a Vice-chairman of the Supervisory Board.

Zaza Robakidze
Independent member of Supervisory Board



Committee Membership: Chair of the Audit Committee, Member of the Risk Committee

Appointed: 2018

Nationality: Georgian

Nino Okhanashvili
Independent Member of the Supervisory Board



Committee Membership: Chair of the Risk Committee, Member of the Audit Committee

Appointed: 2023

Nationality: Georgian

Education

Master's degree in Economics from Tbilisi Ivane Javakishvili State University.

Education

MBA from the European School of Management (ESM Tbilisi) and an MA in international economic relations from Tbilisi Ivane Javakishvili State University.

Career

An expert in banking, Zaza Robakidze, who has over 25 years of experience in the sector, took the position of a member of the Supervisory Board in 2018. Since 2012, he has worked as the chair of the Audit Committee of BasisBank.

For many years he held various positions in the field of supervision of the Central Bank, from an Economist to the Head of Supervisory Department.

Career

In 1999-2000, she worked at Bank of Georgia. In 2000-2008, she held various positions at TBC Bank including those of Branch Director and Head of HR Division. In 2021-2022, Nino Okhanashvili served as Chief Human Resources Officer and Director of Tegeta academy at Tegeta Holding. In different years, she was Founder and CEO of ISB International School of Business and Founding Partner at Insource Recruitment and Advisory. Independent consultant since 2008, Nino Okhanashvili implements organizational development and HRM consulting projects and research assignments.

Mia Mi
Member of the Supervisory Board



Committee Membership: Member of Audit Committee

Appointed: 2018

Nationality: Chinese

Education

Bachelor's degree in business administration from University of Southern California, Los Angeles.

Career

Director of International Development at Hualing Group International Special Economic Zone in Georgia. She participated actively in the process of acquisition of BasisBank in 2012.

In 2015-2017, Mi Mia held various positions in key departments at BasisBank, analyzing loan portfolio, communicating with Chinese corporate and retail clients as well as Banks shareholders.

Functions and Responsibilities of the Supervisory Board-Level Committees

The Supervisory Board has established two Supervisory Board-level committees, the Audit Committee and the Risk Committee, delegating specific areas of responsibility to them. These committees facilitate informed decision-making and report regularly to the Supervisory Board.

The Committees have unrestricted access to the Bank's management, internal information and documentation related to any matter within the competence of the Committee. They maintain the right to independently engage with external consultants, to receive advice on legal, technical, accounting, financial, risk management or other matters.

Audit Committee

Audit Committee is an independent control function established at the Supervisory Board level, which supports the Supervisory Board in monitoring the integrity of financial reporting and audit processes. The Audit Committee is composed of members of the Supervisory Board, where two out of the three members are independent. It reports directly to the Supervisory Board.

The Chairperson of the Committee is an independent member of the Supervisory Board.

The Audit Committee is responsible for:

- Relationship with internal and external auditors, setting the scale and scope of internal and external audit;
- Provides oversight of the bank's internal and external auditors' recommendations;
- Reviewing annual consolidated and standalone financial/non-financial statements;
- Oversight and monitor the quality of the Bank's accounting and financial reporting;
- Ensuring adherence to risk management framework and efficiency of internal controls and processes;

The Audit Committee meetings were held eight times during the year.

Risk Committee

The Risk Committee is an independent control function established on Supervisory Board level, which supports the Supervisory Board in monitoring the implementation of Risk Strategy. The Committee is established by the members of the Supervisory Board, where two out of three are independent.

The Committee directly reports to the Supervisory Board. The Chairperson of the Committee is an independent member of the Supervisory Board.

The Committee is responsible for:

- Oversight of the Bank's Risk Management Framework and functions;
- Oversight of risk strategies and policies to ensure effective implementation;
- Assessment and oversight of the Bank's risk profile, limits and overall Risk Culture;
- Oversight of compliance with regulatory requirements and internal and external regulations;
- Oversight of the subsidiaries' risk management functions, risk management framework and internal control systems.

The Risk Committee met five times during the year.

Composition of the Supervisory Board-Level Committees

Audit Committee

Zaza Robakidze – Committee Chairperson (Independent)

Nino Okhanashvili – Member (Independent)

Zhou Ning - Member

Risk Committee

Nino Okhanashvili– Committee Chairperson (Independent)

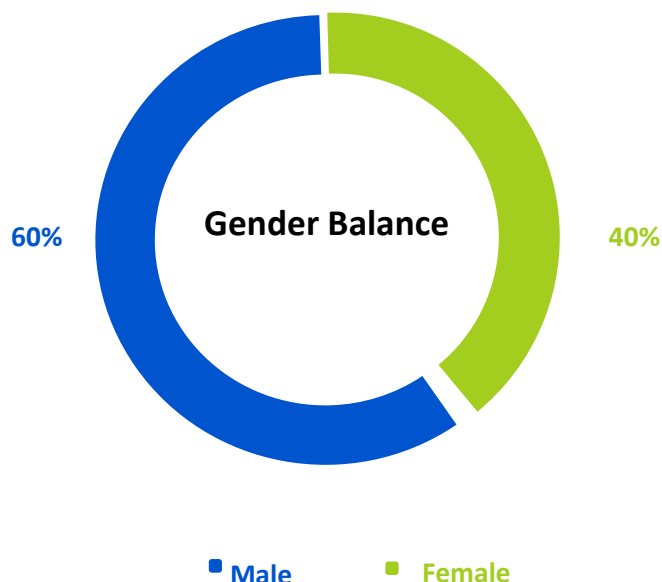
Zaza Robakidze – Member (Independent)

Mia Mi - Member

Supervisory Board Diversity and Independence

The Supervisory Board is diversified in terms of age, gender, nationality, background, and expertise. Members contribute to the Board's functioning through their varied perspectives and advice on complex issues. The Bank believes that this diversity brings balanced expertise and viewpoints to matters reserved for the Board and significantly enhances the quality of decisions.

Female representation on the Board currently stands at 40%.



Independent members play a key role on Board-level Committees, providing external experience and objectivity to effectively mitigate conflicts of interest. Ms. Nino Okhanashvili and Mr. Zaza Robakidze currently serve as independent members of the Supervisory Board.

Supervisory Board members are required to act independently and objectively, without influence from the Bank's management, major shareholders, or other parties that could compromise their judgment. Independence is assessed based on the absence of relationships or circumstances that could create a conflict of interest, including:

- Close personal or family ties with the Bank's executives or significant shareholders,
- Significant business relationships with the Bank, its group companies, or major shareholders in the recent past.

Independent members are obligated to promptly disclose any situation that could affect their independence. Independence ensures that the Supervisory Board's decisions are made in the best interests of the Bank and all its stakeholders. The status of an independent member is terminated nine years after their first appointment to the Board.

Currently, independent members constitute at least one-third of the Supervisory Board, with no fewer than two members.

Evaluation of the Supervisory Board's Balance

The Supervisory Board's balance is evaluated in terms of diversity, expertise, experience, and independence of its members. Board members convene for regular meetings to deliberate on key matters such as the organization's strategy, performance, risk management, and compliance. The Board Chairperson, together with members and management, sets the agenda to ensure that all relevant issues are addressed.

During meetings, members actively engage in open discussions, share their viewpoints, ask questions, and provide insights based on their professional expertise. This collaborative process ensures that decisions are made with multiple perspectives in mind, reflecting a balance between operational knowledge, strategic oversight, risk awareness, and independent judgment.

The Board's composition - with diverse backgrounds, age groups, nationalities, gender, and professional experience - combined with the presence of independent members, ensures that the Supervisory Board functions effectively and maintains a balanced approach in overseeing the Bank's activities and safeguarding the interests of all stakeholders.

Attendance of Members at Board and Committee Meetings

In general, all members regularly attend the meetings of the Supervisory Board and its Committees. Attendance levels remained consistently high throughout the reporting period, evidencing strong engagement and active participation in the Supervisory Board's oversight and decision-making processes, particularly in matters aligned with members' respective expertise and professional qualifications.

Supervisory Board Agenda for 2025

Throughout 2025 the Supervisory Board executed a busy and comprehensive agenda, addressing critical matters regarding the Bank's governance, operational performance, risk management and strategic direction.

During the reporting period, the Supervisory Board convened 29 times to make decisions and discuss 40 distinct issues, including two physical meetings held in Georgia.

During discussions and decision-making on such issues, in instances where a potential conflict of interest was identified regarding a specific agenda item, the relevant Board member abstained from both the discussion and the subsequent decision-making process.

Key focus areas for the Supervisory Board in 2025 included several directions, including risk management policies:

<i>Subject</i>	
<i>Strategy and Budget</i>	• Approval of the 2025 Strategy and Budget; • Strategic Acquisition of an Equity Interest in a Commercial Bank;
<i>Financials</i>	• Adoption of the 2024 Audited Financial Statements; • Review of BB Group financial performance: FY 2024 results and H1 2025 interim results
<i>Capital and Funding</i>	• Approval of additional limits for Subordinated Debt instruments eligible for inclusion in Tier 2 Capital. • Approval of strategic funding lines; • Ratification of significant loan and trade finance agreements.
<i>Corporate Governance</i>	• Annual Self-Assessment of the Supervisory Board and board-level committees. • Assessment of the collective suitability of the Supervisory Board and Supervisory board-level committees. • Review of annual and semi-annual reports from the Audit and Risk Committees; • Internal audit budget and working plan approval • Revision and approval of different policies; • Ratification of Related Party Transactions.
<i>Policies Review</i>	• Approval of the Group Anti-Financial Crime (AFC) Policy • Approval of the Group Risk Appetite Statement regarding Financial Crime • Revision and approval of the Credit Policy • Revision and approval of the Regulatory Compliance Policy

Subject

Positions Approval	• Revision and approval of the Asset-Liability Management Policy • Extension of mandate for Directors.
Remuneration	• Approval of Key Performance Indicators (KPIs) for Material Risk Takers (MRTs). • Update and ratification of the Remuneration Policy.
Business Operations	• Oversight of progress of the new Head Office project development.

Annual evaluation of the Supervisory Board and Board level committees

BasisBank engaged an independent external advisor to conduct an assessment of the effectiveness of the Supervisory Board and its Board-level committees. Last external assessment covered the period 2023–2025 and was based on a review of internal documentation, Supervisory Board and committee meeting minutes, responses to a structured questionnaire completed by Supervisory Board members, and benchmarking against the Corporate Governance Code for Commercial Banks of Georgia, the EBA Guidelines on Internal Governance, and relevant international best practices.

The evaluation covered five key areas: (i) effectiveness of the Supervisory Board self-assessment framework, (ii) roles and responsibilities of the Supervisory Board, (iii) functioning of Board-level committees, (iv) organizational and governance structure, and (v) cooperation with the Bank’s internal control functions.

In addition to the external evaluation, the Supervisory Board conducted its annual internal self-assessment for 2025, in accordance with the Bank’s Evaluation Guidelines for the Supervisory Board and its Committees and the requirements of the Corporate Governance Code for Commercial Banks of Georgia. Overall, the results of the external assessment indicate that the Bank’s governance framework broadly aligns with regulatory expectations and established market practices. The roles and responsibilities of the Supervisory Board were assessed at an “Optimized” maturity level, while the effectiveness of the self-assessment framework, the functioning of committees, the organizational and governance structure, and cooperation with internal control functions were assessed at a “Managed” maturity level.

The assessment also identified several opportunities for further enhancement, primarily related to further formalizing the Supervisory Board self-assessment process, strengthening documentation of Supervisory Board deliberations and follow-up actions, enhancing oversight of organizational structure changes, and further clarifying reporting arrangements between the Supervisory Board and internal control functions. The Bank will consider these recommendations as part of the ongoing development and strengthening of its corporate governance framework.

3.5. The Management Board

The Management Board bears ultimate responsibility for the executive management and operational leadership of BasisBank, including the implementation of the Bank's strategic direction. In this capacity, the Management Board ensures the effective execution of the Bank's business objectives, maintains sound risk management and internal control systems, and promotes high standards of corporate governance.

The Management Board holds collective responsibility for the long-term sustainability of the Bank and the creation of sustainable value for shareholders. Its members are selected to ensure an appropriate balance of experience, skills, and technical expertise, whilst maintaining independence of judgement necessary to effectively discharge their fiduciary duties.

In accordance with the Bank's Charter, decisions and responsibilities delegated to the Management Board include:

- Managing the Bank's day-to-day business and operational activities, and resolving all matters not reserved to the General Meeting of Shareholders or the Supervisory Board;
- Implementing the Bank's approved strategy, business plan, and policies;
- Maintaining effective risk management, internal control, and governance frameworks;
- Preparing and submitting strategic, financial, and governance documents, including the annual report, business plan, budget, and profit distribution proposals, for review and approval by the Supervisory Board and Shareholders, as applicable;
- Developing internal policies, procedures, and operational regulations within its competence, and submitting key governance documents to the Supervisory Board for approval where required;
- Overseeing the Bank's organizational structure and operational units, and ensuring clear allocation of roles and responsibilities;
- Ensuring the implementation of decisions adopted by the General Meeting of Shareholders and the Supervisory Board;
- Reviewing audit findings and taking appropriate management actions to strengthen internal processes and controls;
- Reporting regularly to the Supervisory Board on the Bank's performance, risk profile, and material developments;
- Representing the Bank in its relations with third parties in accordance with the Charter; and
- Performing other duties and exercising other powers as required under the Bank's Charter and applicable legislation.

Management Board level committees

To ensure robust governance, the Board delegates specific oversight functions to five specialized committees: the Credit Committee, the Information Technology and Security Governance Committee, the Asset and Liability Management Committee (ALCO), the Sustainability Committee, and the Compliance Committee.

Composition, Appointment and Re-appointment of Directors

The Board comprises seven Directors, the General Director and six Deputy General Directors, each overseeing different functional areas: Retail Business, Lending, Finance, Risk Management, Operations and Commercial Business. All members of the Management Board are appointed by the Supervisory Board.

Directors serve a tenure of four years. Upon the expiration of this term, their authority is extended until a successor is appointed, or their mandate is renewed. Directors are eligible for reappointment for unlimited number of terms.

Segregation of duties: The Management board is actively involved in outlining and delivering strategy and day-to-day management of the Bank. High-level functions of oversight for each Director are summarized in the Table below:

David Tsaava

General Director

- Lead Management Board
- Strategic Development and Management
- Marketing and Strategic Communications
- Business Analytics and Transformation
- Human Resources Management and Administration

Lia Aslanikashvili

Deputy General Director, Financial Director

- Accounting and Financial Reporting
- Strategic Planning and Budgeting
- Capital and Asset-Liability Management
- Treasury Management
- Global Transactions and Cash Management

Davit Kakabadze

Deputy General Director, Risk Director

- Financial and Non-Financial Risk Management
- Regulatory and Legal Compliance
- Legal Support
- Problem Asset Management and Litigation
- AML and Sanctions Compliance
- Customer Experience and Quality

Gigi Gabunia

Deputy General Director, Chief Commercial Officer

- Corporate Finance and Strategic Business Development
- SME Banking
- Private Banking
- Trade Finance and Factoring
- Credit Analytics

Rati Dvaladze

Deputy General Director, Chief Operating Officer

- Technology Lead, IT, and Software Development
- Operations Management and Centralized Back Office
- Project Management and Business Analytics
- Product and Service Support

Levan Gardapkhadze

Deputy General Director, Retail Director

- Retail Business Management
- Premium Banking
- Branch and Service Network Development
- Digital Services and Transformation
- Product and Service Development
- Sales Network Development

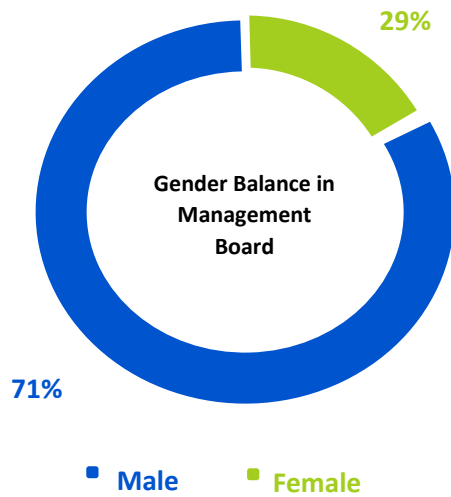
Hui Li

Deputy General Director, Lending Director

- Member of Credit Committee

Management Board Diversity: The Management Board is diversified in terms of age, sex, nationality, background and expertise. Bank believes, that this diversity brings a balanced expertise and perspectives to the Strategic Direction and day-to-day management of the Bank.

Female representation on the Board is at 29% (Two out of seven members are women).



Changes in Management Board composition: In 2025, there have been no changes in Management Board .

Members of the Management Board

David Tsaava

General Director



Education

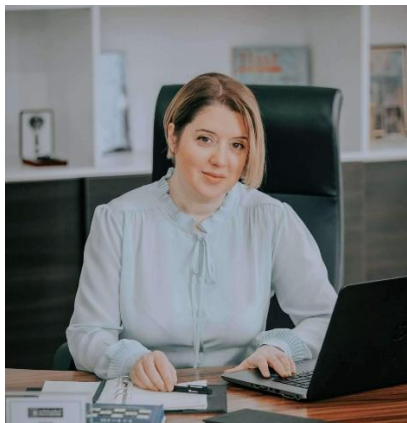
PhD in Business Administration from Technical University Georgia, bachelor's degree in Banking and Finance from Tbilisi State University

Career

General Director of BasisBank since 2011. 2015-2018: Member of BasisBank Supervisory Board. Since December 2017 David Tsaava has been serving as Supervisory Board member of BB Leasing and BB Insurance, the subsidiaries of BasisBank Group.

David Tsaava has over 20 years of experience in banking. He started his career at BasisBank as a loan officer in 2004. Later, till 2008, he headed the Corporate Loan Division. In 2008-2010 David Tsaava was appointed as Corporate Director. In 2010-2011 he was an acting General Director.

Lia Aslanikashvili**Deputy General Director, Financial
Director**



Education

Master's degree in international Economic Relations from Tbilisi State University.

Career

BasisBank's Deputy General Director, Financial Director since 2012. 2017-2018: General Director of BB Leasing, the subsidiary of BasisBank Group. 2017-present: Deputy General Director, Finance at BB Leasing and BB Insurance, the BasisBank Group member companies.

Lia Aslanikashvili has over 20 years of experience in banking. In 1999-2002, she served as Manager at International Operations Department of BasisBank. In 2002-2005, she headed the same department. In 2005-2008, headed the Settlement Department. In 2007-2008, Lia Aslanikashvili led the Treasury Department. In 2008-2012, she was a CFO of BasisBank.

David Kakabadze
Deputy General Director, Risk Director



Education: Master's degree in finance from Caucasus Business School.

BasisBank's Deputy General Director, Risk Director since 2019. 2017-2019: General Director of BB Insurance, the subsidiary of BasisBank Group. 2017-2018: Deputy General Director of BB Leasing, the BasisBank Group member company.

Career: David Kakabadze has over 20 years of experience in banking. He has been with BasisBank since 2003, initially serving as an IT developer/programmer. In 2005, he was appointed as Head of IT Programming Division. In 2008-2012 David Kakabadze became Director of IT and Risk Management. In 2012-2019 he served as BasisBank's Deputy General Director, Risk and IT Management.

Levan Gardapkhadze
Deputy General Director, Retail
Director



Education

Master's degree in business management from university of Georgia; master's degree in law from Tbilisi University of Economics, Law and Information; bachelor's degree in international economics from Technical University of Georgia.

Career

BasisBank's Deputy General Director, Retail Director since 2012. 2017-2018: Deputy General Director of BB Leasing and BB Insurance, the BasisBank Group member companies.

Levan Gardapkhadze has 20 years of experience in banking. He started his career at BasisBank as International Operations Department Manager. In 2005 he was appointed as Head of Plastic Cards Department. In 2007-2008 he chaired the Development and Project Management Committee. In 2008-2012 Levan Gardapkhadze was a Retail Banking Director.

George Gabunia

**Deputy General Director, Chief
Commercial Officer**



Education

Master's Degree in Banking from Tbilisi State University; bachelor's degree in finance and Banking form Tbilisi State University.

Career

BasisBank's CCO since 2019 has 18 years of experience in the sector. In 2012-2019 George Gabunia headed the bank's commercial department. In 2010-2012 he led the corporate department. In 2008-2010 he headed the Corporate Regional Group, in 2006-2008 George Gabunia was a corporate banker. In earlier years, he worked in BasisBank's marketing and sales areas.

Rati Dvaladze

**Deputy General Director, Chief
Operating Officer**



Education

Master's degree in information technology management from Free University; master's degree in physics and mathematics from Tbilisi State University; bachelor's degree in mathematics.

Career

BasisBank's Chief Operations Officer since 2019. In 2014-2019 he headed BasisBank's Project Management and Business Analysis Division. In 2008-2014 he worked in the areas of credit risk system and analysis. Rati Dvaladze also is a lecturer.

Li Hui**Deputy General Director, Lending
Director**



Education

Bachelor's Degree in Accounting from Financial University of China.

BasisBank's Deputy General Director, Lending since 2012. 2015-2018: Member of BasisBank's Supervisory Board. Supervisory Board member of BB Leasing and BB Insurance, the BasisBank Group member companies, since 2017.

Career

Li Hui has been working in the financial sector since 1993. In 2005-2012 she was in charge of loan approval in Credit Management Department of Urumqi City Commercial Bank. At different times, she held the position of Deputy Manager of Credit Department and Deputy Director in Urumqi Chengxin Credit Cooperatives.

3.6. Further Aspects of Governance

Conflicts of Interests

Given the specific operational context of the Basisbank Group, the Supervisory Board, the Management Board and other control functions maintain rigorous oversight over potential sources of conflicts of interest. The Bank maintains comprehensive identification and recording processes for related parties, implementing strict controls over associated transactions. The Supervisory Board undertakes periodic reviews of established policies to ensure continued alignment with emerging risks and regulatory requirements. Furthermore, the Bank works in close cooperation with the National Bank of Georgia, integrating regulatory guidance to establish and maintain a robust internal control framework.

Transactions with the related parties are subject to mandatory review and approval by the Management Board and/or the Supervisory Board. The Bank strictly adheres to the arm's length principle and ensures the coherence of the related party transactions with these principles. The presence of a sufficient number of independent members of the Supervisory Board enhances the effectiveness of oversight mechanisms designed to prevent conflicts of interest.

Internal control and risk management systems for drawing up Financial Statements

The preparation of Financial Statements is the primary responsibility of the Finance Department, subject to review by the Deputy General Director, Finances. Subsequently, the statements undergo a tiered approval process involving the Management Board and Audit Committee, with final ratification by the Supervisory Board. A core mandate of the Audit Committee is to review the integrity of financial reporting, ensuring the appropriateness of accounting policies and practices, and evaluating significant issues and judgements considered. The Committee receives comprehensive reports from the Deputy General Director, Finances and the external auditor regarding key management judgements and the audit process. The Audit Committee exercises robust challenges regarding management's actions, estimates and judgements in the financial reporting process.

To further support this, the Bank maintains an Internal Instruction on Financial Statement preparation, which defines roles, responsibilities, timeline and the internal control framework governing the process.

Professional Ethics, Diversity and Inclusion

At Basisbank, we view diversity not merely as a metric, but as a strategic asset that enhances decision-making, drives innovation, and mirrors the diverse society we serve. We are committed to fostering an inclusive corporate culture, where every employee is supported to develop professionally and contribute to the Group's success.

The Bank's ethical conduct and inclusive practices are governed by a robust regulatory framework comprising the Code of Conduct, the Code of Ethics and the Equality, Diversity and Inclusion (EDI) Policy. Together with the Bank's Charter, these documents form an integral part of the corporate governance framework. Adherence to these standards is mandatory for all personnel, including the Management Board and Supervisory Board, irrespective of their position and type or duration of the contract.

Employees falling within the scope of the Code of Ethics are required to uphold the highest standards of professional integrity. The framework mandates strict adherence to the following core principles:

- Integrity and Competence: Acting with honesty and due diligence while maintaining respectful professional relationships with the clients, colleagues, market participants and the public;
- Client Primacy: Prioritizing the legitimate interests of customers and the integrity of the banking profession;
- Independent Judgement: Acting with reasonable professional care and exercising independent judgment in professional activities;
- Systemic Responsibility: Promoting the stability and sustainability of the financial sector, thereby generating long-term public benefit;
- Continuous Development: Maintaining and improving professional competence of oneself and others.

As a responsible employer, Basisbank strictly prohibits discrimination in all labor and pre-contractual relations. The Equality, Diversity and Inclusion (EDI) Policy serves as the operational guide for this commitment. The purpose of EDI Policy is to set Bank's commitment to creating and maintaining an environment where everyone is treated fairly, respected, and given equal opportunities to thrive. This policy serves as a framework for ensuring that equality, diversity, and inclusion are embedded in all aspects of our work—within our organization and across all interactions with members, employees, and external stakeholders.

It aims to systematically eliminate discrimination, promote inclusive practices, and foster a culture that values differences. Furthermore, diversity criteria are explicitly considered during the nomination and appointment processes for the Management and Supervisory Boards, ensuring a range of perspective at the highest governance levels.

Whistleblowing

Bank ensures there are effective procedures in place relating to whistleblowing. The Whistleblowing Policy allows any person including the employees, trainees, clients, suppliers, vendors and other stakeholders to confidentially raise concerns about unethical business practices such as fraud, conflict of interests, corruption, money laundering, harassment, blackmail, environmental or social issues etc. The Company has an advanced independent whistleblowing reporting channel in place, including an anonymity option. The Bank has continued to promote the importance of the whistleblowing process and procedures to employees. The Audit Committee continues to monitor the use of the system.

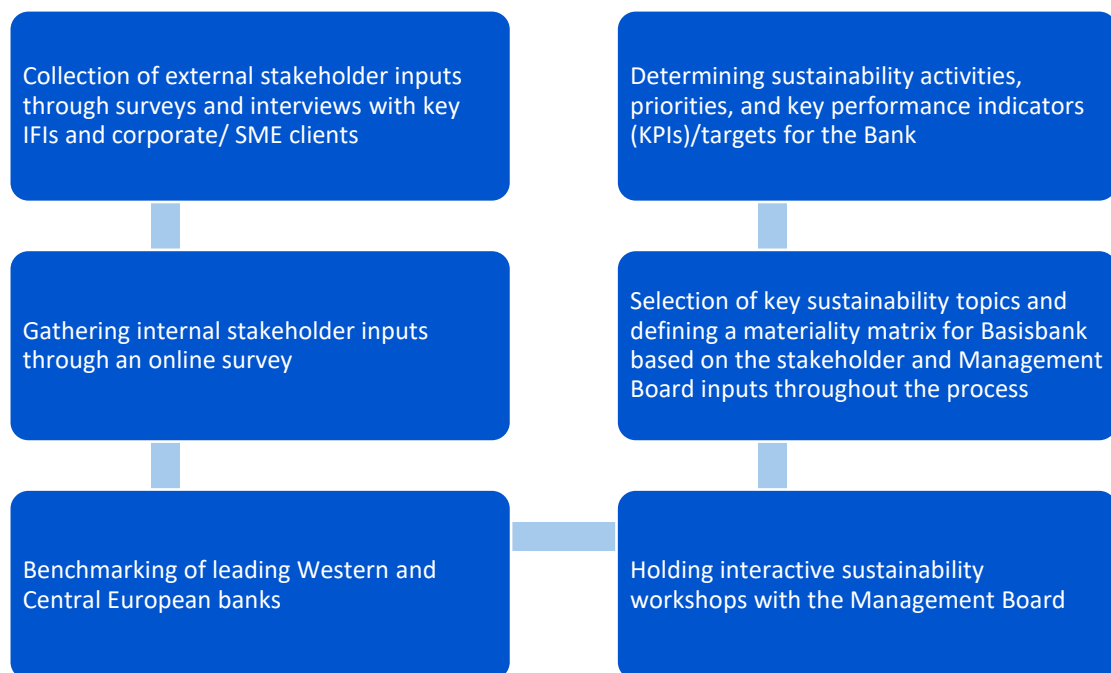
Any potential violations of the Code of Conduct and Ethics that are recorded through the whistleblowing channel are forwarded to a special commission led by the Audit Committee Chairman, which also includes the Head of HR and the Head of Compliance. The commission reviews the potential incident and based on the results of the investigation, makes an impartial and objective decision.

Sustainability Strategy

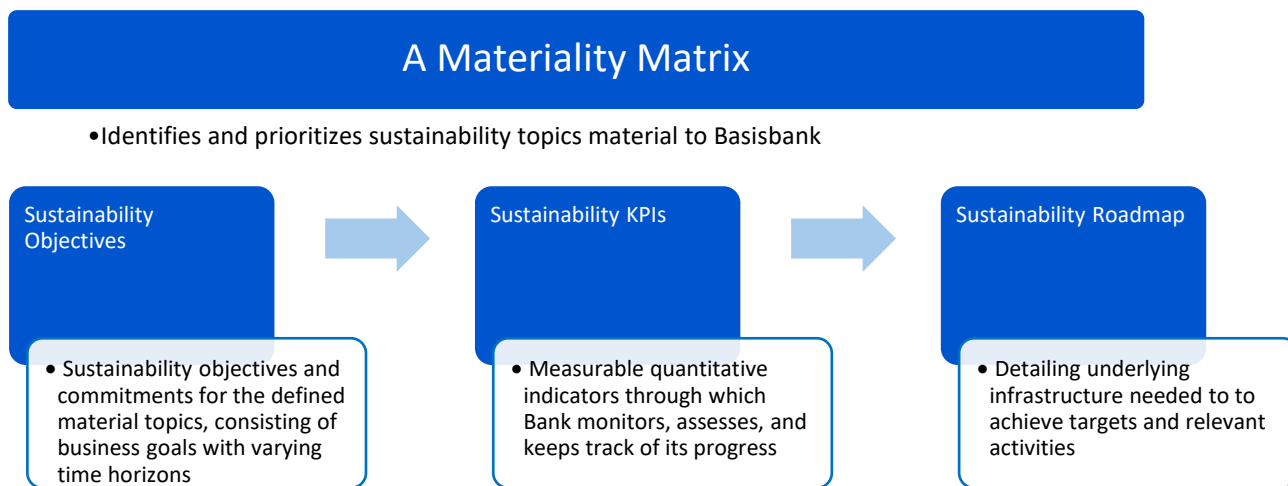
In 2023 Basisbank formalized its commitment to environmental and social objectives by approving a comprehensive Sustainability Strategy. This document defines the Bank's medium-term goals and priorities regarding climate action, social responsibility and green finance.

The development of this Strategy relied on a structured, company-wide consultation process involving Bank's management and, to ensure addressing relevant market needs, inputs from key internal and external stakeholders, such as corporate and SME clients, employees and partner IFIs.

The design and development process of the Sustainability Strategy comprised the following activities:



The Sustainability Strategy is composed of the following several important elements that are interconnected:

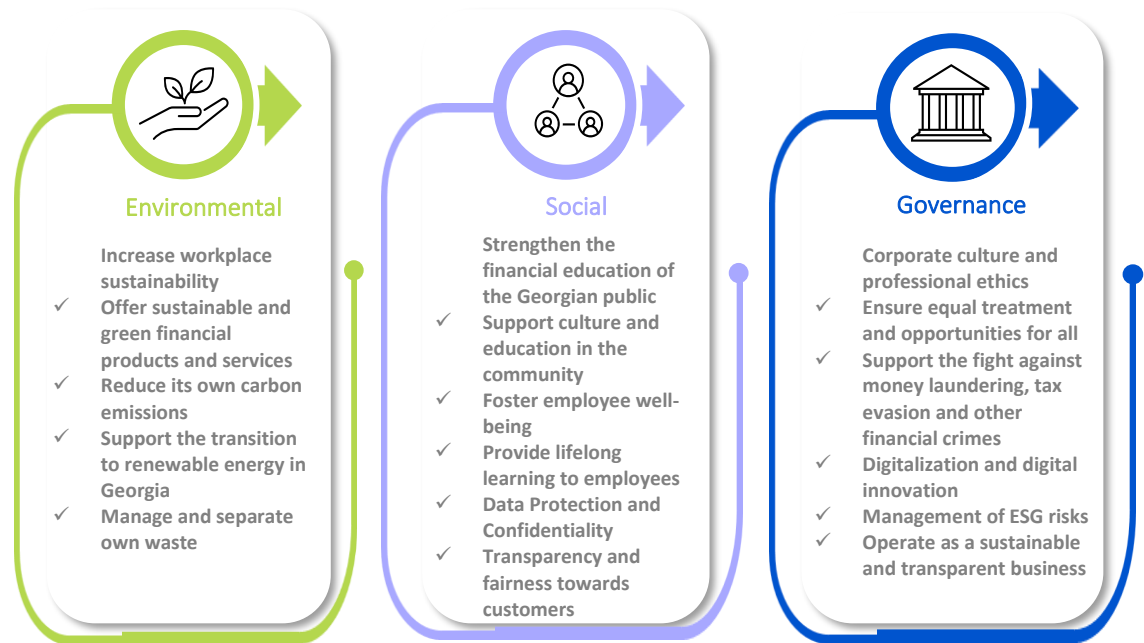


A core component of our strategic planning was the execution of a materiality assessment. As a result of this process and considerations stated by internal and external stakeholders, specific material topics were identified that are of significant importance to our stakeholders and have a material impact on the Bank's ability to create value.

By identifying these topics, we were able to formulate precise objectives and set measurable targets.

The resulting sustainability strategy, along with its sustainability roadmap, was approved by the Management Board. Thus, Basisbank has committed to fulfilling objectives under several categories, such as climate action, environmental and social issues, and sustainable business. For each objective, KPIs and timelines were established along with relevant roadmaps, to ensure transparent tracking and monitoring of progress.

The material topics, grouped under relevant categories, are presented below:



Alignment with UN Sustainable Development Goals (SDGs)

Following the materiality assessment, we mapped our strategic ESG Objectives against the United Nations Sustainable Development Goals (SDGs). This alignment ensures that our corporate activities contribute meaningfully to the global sustainability agenda.

Sustainable Development Goals



3. Good health and well-being

5. Gender Equality

8. Decent Work and Economic Growth

9. Industry, Innovation and Infrastructure

10. Reduced Inequalities

11. Sustainable Cities and Infrastructure

12. Responsible Consumption and Production

13. Climate Action

16. Peace, Justice and Strong Institutions

17. Partnerships for the Goals

Implementation Progress

As part of the execution phase of the Strategy, the Bank has met several key objectives or achieved certain milestones outlined in the roadmap. Specifically, by the end of 2025, Basisbank successfully delivered on the following strategic Sustainable objectives:

Strategy Topic	Strategy Objective	SDG Alignment
Offer sustainable and green financial products and services	Develop a green lending framework and guidelines	SDGs 8 & 13
	Issue green/sustainable bonds in cooperation with the ADB to finance green lending products	SDGs 8 & 13
	Identify and report Taxonomy-aligned credit exposures and loan applications	SDGs 8 & 13
Reduce its own carbon emissions	Measure and disclose greenhouse gas emissions	SDG 13
Foster employee well-being	Conduct yearly employee satisfaction surveys	SDGs 3 & 8
	Increase the attractiveness of the Bank for young graduates by organizing outreach activities and sponsoring events at universities	SDGs 3 & 8
Data protection and confidentiality	Create the position of Data Protection Officer	SDG 12
Transparency and fairness towards customers	Monitor the net promoter score and aim for constant improvement	SDG 12
Corporate culture and professional ethics	Enforce Basisbank's Code of Ethics	SDG 16
Ensure equal treatment and opportunities for all	Enforce an anti-discrimination policy	SDGs 5 & 10
	Increase the share of women in the senior management	SDGs 5 & 10
Operate as a sustainable and transparent business	Issue a sustainability report.	SDGs 8 & 12
	Strengthen the ESG and Sustainability function by expanding the team through the recruitment of an additional qualified employee.	SDGs 8
Digitalization and digital innovation	Automatize and digitalize internal back-office processes with the aim of reaching paperless operations	SDGs 8 & 9
Management of ESG risks	Strengthen current Environmental and Social Risk Management Procedure in line with the latest NBG guidance	N/A

Note: The materiality assessment and development of the strategy were conducted within a technical support project facilitated by the Green for Growth Fund, with support of the EU4Energy Initiative.

4. Risk Management and Risk Strategy

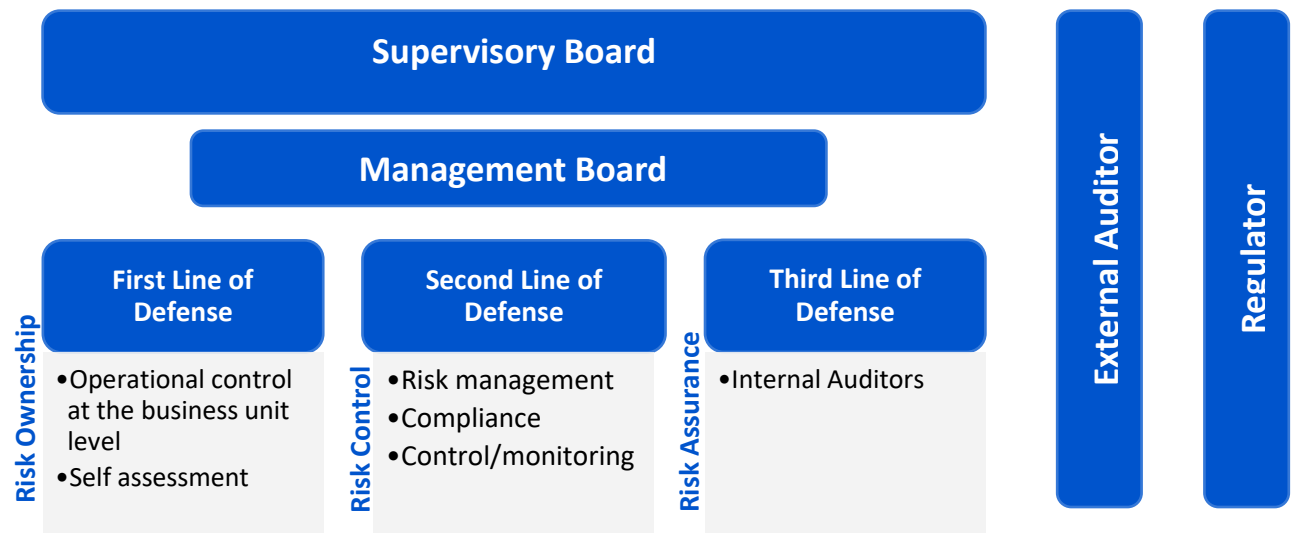
4.1. Risk Management Framework

Risk management is key in ensuring stable and robust development of the bank and the group in pursuit of delivering its strategic goals aligning risk, capital and performance targets with interests of customers, shareholders, employees and stakeholders. Material risks and uncertainties are key focus areas for the Management Board and Supervisory Board, which is the ultimate responsible unit of the Bank's Risk Management and control system.

BasisBank has developed a Risk Governance Framework with the aim of creating an image of BasisBank as a stable and reliable bank. The Framework is fully in line with the size, complexity and the risk profile of the Bank. The Framework covers defining Risk Strategy as well as identification, measurement and control of relevant risk types, stress testing and capital planning. The Risk Management framework is supported by a dedicated Risk Governance Structure with clearly delegated authority levels, which ensures that all material risks are effectively controlled and managed in a proper way within the everyday operations of the Bank.

The risk management framework is integrated into the bank's strategy, business planning and day-to-day activities.

The risk is managed by the distribution of roles among the three lines of defense, a robust structure of committees, and risk sharing responsibility from top Management level down through to each structure. By dividing responsibilities among these three lines of defense, BasisBank aims to create a well-structured and comprehensive risk management system that helps mitigate risks, ultimately contributing to the stability and sustainability of the Bank.



First Line of defense (Business Unit Level) involves the daily operational activities of the bank, including front-line staff, business units and processes. The first line of defense is risk owners who are primarily responsible for identifying, measuring and managing respective process related risks. They possess business-specific, insightful and comprehensive knowledge of inherent risks associated with their own processes; hence they are accountable to reveal such risks on a regular basis. Risk Owners from the first line of defense are responsible to establish policies/procedures and design respective controls to ensure adequate risk management.

Second Line of defense (Risk Department Level) is responsible for overseeing and supporting the effort taken from the first line of defense. Second line of defense in BasisBank are General Risk Management Department, Non-financial Risk Management Department, AML/Sanctions compliance Department and Compliance Division. Internal control and compliance oversight are the responsibility of these functions, as well as identification and challenging the risks. These functions ensure that risks are managed in accordance with the risk appetite, fostering a strong risk culture across our organization. They also provide guidance, advice and expert opinions on risk-related matters.

Third Line of defense is internal audit who is responsible for independent and objective assurance to senior management and the board on the effectiveness of the first- and second lines' processes that their efforts are consistent with expectations. Internal Audit controls and regularly checks that the policies and procedures of risk management are adequate and effectively implemented; controls that all risks are consistent with the bank's risk appetite statement and internal regulations; Verifying compliance with laws, regulations, and internal policies.

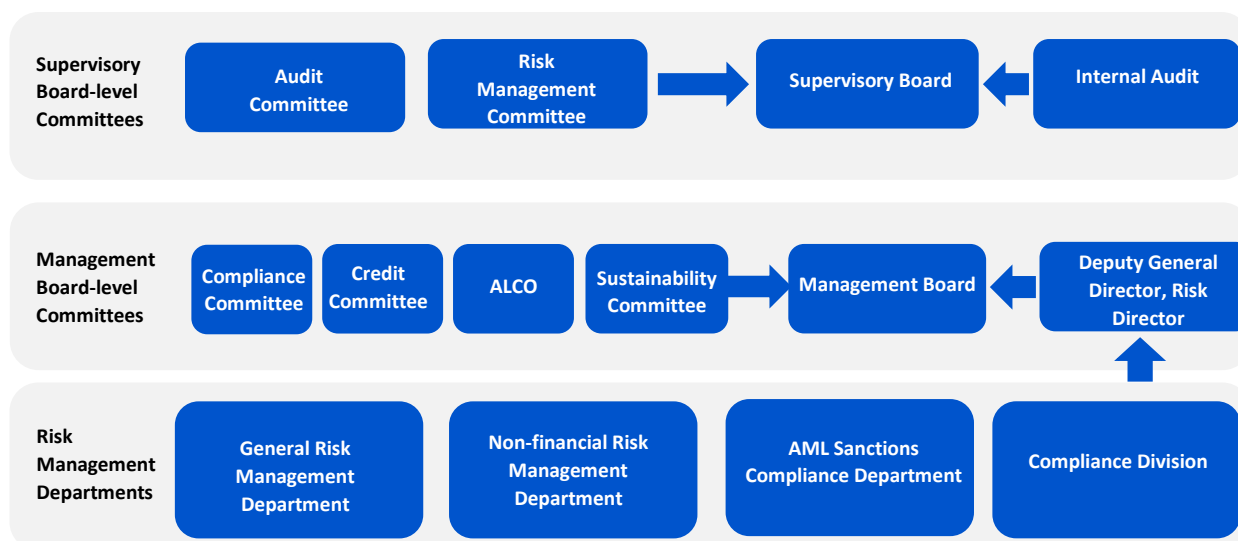
The Bank's governing principles set overall tone at the top on risk taking. The key objectives of governing principles are to (i) ensure risk control, (ii) increase resilience and (iii) control risk-return:

- Risk Culture - fosters a strong risk culture in which risk appetite is articulated throughout the Bank and employees take ownership of risk management with a clear understanding of it, resulting in risk-minded decision-making. The risk culture is ever evolving to adapt to the constantly changing risk environment.
- Profitability - seek to deliver annual target operating metrics consistent with our stakeholders' expectations by maintaining low earnings volatility and sustainable profitability.
- Reputation - have a minimal appetite for damage to Bank's brand reputation and, at all times, treat all stakeholders fairly and act with full integrity. Ensure to have a sound corporate governance and aim to pursue the strategy of good corporate citizenship.

4.2. Risk Governance Structure within BasisBank

Risk Governance Structure in the Bank ensures effective segregation of duties from the senior management through managerial units to the front-line personnel. Core risk management responsibilities are embedded in the Management Board responsibilities and delegated to senior risk managers and senior risk management committees responsible for execution and oversight. Cross-risk analysis and regular reviews are conducted across the Group to validate sound risk management practices, and a holistic awareness of risk exists.

The risk management system is split between the following risk management units:



Enterprise Risk Management (hereafter - ERM) is essential for the BasisBank to navigate the complex landscape of risks inherent in financial activities. It helps BasisBank to strike a balance between growth and risk, maintain regulatory compliance, and build resilience to external shocks. The role of ERM working group is crucial to foster continuous risk assessment of business processes and strengthen execution of high residual risk mitigation plans. The cross-functional nature of the ERM working group facilitates the identification of enterprise-wide issues that should be discussed.

The ERM Working Group supports:

Enhanced Risk Identification and Mitigation:

- ERM enables Basisbank to systematically identify and assess a wide range of risks. This comprehensive approach allows to implement targeted strategies to mitigate and manage these risks effectively.

Improved Capital Allocation and Efficiency:

- ERM helps optimize the use of capital by aligning it with the level of risk exposure, ensuring that sufficient capital is set aside to cover potential losses.

Strategic Decision-Making:

- ERM aligns risk considerations with strategic planning, allowing Basisbank to make informed decisions that balance risk and reward. This is crucial for pursuing growth opportunities while maintaining a prudent risk profile.

Regulatory Compliance:

- Since the banking sector is heavily regulated ERM assists Basisbank in identifying and addressing compliance risks.

Strengthened Risk Culture:

- ERM promotes a strong risk culture within the Basisbank, where employees at all levels are educated about risks and actively contribute to risk management. This helps in early detection and response to emerging risks.

Reputation Management:

- ERM assists Basisbank in identifying and managing risks that could harm their reputation, such as unethical behavior, fraud, or data breaches.

Optimized Product and Service Offerings:

- ERM helps Basisbank to evaluate the risks associated with new product and service offerings. This ensures that potential risks are properly assessed before launching new initiatives.

Enhanced Customer Confidence:

- Demonstrating effective risk management practices through ERM enhances customer confidence in the Basisbank's stability and ability to safeguard their assets.

Long-Term Sustainability:

- By addressing risks that could threaten the bank's stability and profitability, ERM contributes to the bank's long-term sustainability and success

The ERM working group is responsible for assisting the Management Board to oversight risk, review the Bank's risk appetite and risk profile in relation to capital and liquidity, reviewing the effectiveness of the Bank's risk management framework, reviewing the methodology used in determining the Bank's capital requirements, stress testing, ensuring due diligence appraisals are carried out on strategic or significant transactions. Primary responsibility for setting the Bank's risk appetites and overseeing the Bank's profile against it; overseeing the brand and reputation of the Bank and ensuring that the reputational risk is consistent with the risk appetite lies with the ERM working group.

Key functions of each unit of Risk Governance are summarized in the table below:

Functions	Description and Key Responsibilities
Supervisory Board	Description: Supervisory Board is the ultimate responsible body for the oversight of the risk management framework, which sets general approach to risk management by approving individual risk strategies. Key Functions: - Sets tone from top, establishes and fosters high ethical standards across bank; - Approves and exercises control over the implementation of the Bank's risk strategies; - Establishes risk appetite in cooperation with the Chief Risk Officer and other members of the Board; Approves risk appetite; - Reviews Bank's risk profile; - Approves risk management framework and ICAAP and ILAAP frameworks; - Reviews the adequacy and effectiveness of BasisBank risk management framework by approving Risk Management Policies and Procedures; - Assess non-financial risks including ESG risks. As a part of the risk management system oversight, the Supervisory Board regularly assesses ESG risks and verifies that these risks are identified, measured, monitored, and their impacts are mitigated appropriately.
Audit Committee	Description: Audit Committee is an independent control function established on Supervisory Board level, which supports the Supervisory Board in monitoring the implementation of Risk Strategy. It directly reports to the Supervisory Board. Key Functions: - Gives unbiased opinion about adequacy of existing policies and procedures, adherence to the group's risk strategy, risk appetite and risk positions, regulatory compliance and other internal and external regulations. - Regularly reviews internal controls and processes; - Provides oversight of the bank's internal and external auditors' recommendations; - Approves or recommends to the Board monitoring the financial accounting process; - Provides oversight of the effectiveness of the risk management system, particularly the internal control system and the internal audit system; - Monitors the Management Board's measures that promote the company's compliance with legal requirements, regulations and internal policies.

Functions	Description and Key Responsibilities
Risk Committee	Description: Risk Committee is an independent control function established on Supervisory Board level, which supports the Supervisory Board in monitoring the implementation of Risk Strategy. Key Functions: - Ensures oversight of the Bank's risk strategies and policies and their effective implementation - Assesses and oversights the Bank's risk profile, risk appetite and limits - Oversights the subsidiary's risk management function, risk management framework and the proper functioning of internal control systems. - Oversees compliance with regulatory and other internal and external regulations.
Internal Audit	Description: Internal Audit is a function established under the Supervisory Board and directly reports to it. Internal audit supports senior management and Supervisory board by independent and objective assurance that measures of risk identification and mitigation performed by the first and second lines of defense are in line with their expectations. Key Functions: - Assesses the adequacy and effectiveness of BasisBank control framework and adherence to internal policies and procedures; - Prepares periodic reports to the Supervisory Board for summarizing audit activities
Management Board	Description: Management Board is the body which is responsible for effective business organization and adequate segregation of duties to reflect risk and ensuring existence of adequate policies and procedures. Key Functions: - Reviewing performance to streamline progress towards strategic goals; - Controlling activities at division and departmental level; - Regularly reviewing bank's strategy, risk and capital limits to ensure compliance with exposure and capital limits; - Following up on non-compliance; - Reviewing evaluations of internal controls, - Ensuring prompt follow-ups on recommendations and concerns expressed by auditors and supervisory authorities related to internal control weaknesses.
ALCO Committee	Description: Functional unit established by Management Board to ensure oversight and management of Asset, Liability and Capital Risks Key Functions: - Reviews current and prospective liquidity positions and monitors alternative funding sources; - Reviews maturity and pricing schedules of deposits, loans and investments;

Functions	Description and Key Responsibilities
	- Develops alternative strategies deemed appropriate, which take into account changes in interest rate levels and trends, relevant products and related regulations; - Reviews and validates ALM model(s) and procedures; - Approves limit structure on counterparty risk.
Credit Committee	Description: Functional unit established by Management Board to ensure oversight and management of Credit Risks. General Functions: • Evaluation of potential clients' financial situation and their ability to repay the loan; • Review applications for loans and make decisions upon such applications within the authority delegated to the committee; • Act in the best interest of the Bank, in compliance with internal policies and procedures; • Reviews credit loan collection practices to improve loan underwriting and collection efforts.
Information Technologies and Security Governance Committee	Information Technology and Security Governance Committee (hereinafter ITSG Committee) sets IT project priorities and ensures IT and Cybersecurity strategies align with the Bank's strategy, defines and analyzes appropriate IT tasks, develops new projects and ensures proper progress and implementation of those. It oversees IT and Cyber risk assessments, reviews security incident reports to prevent future threats and recommends updates to policies and systems to ensure the Bank's technological and operational resilience. ITSG Committee consists of six members, Committee is headed by Deputy General Director, Risk Director. Members of IT Development Committee are: • Deputy General Director, Risk Director; • General Director or deputy; • Deputy General Director, Chief Operating Officer; • Head of the Information Technology Department; • Head of the Project Management and Business Analytics Department; Head of the Information and Cybersecurity Management Group.
Compliance Committee	Description: The Compliance Committee has been established by the Management Board in August 2022 to promote effective management of compliance risks by the three lines of defense of the bank within its competence. Main objective of the committee is to support the effective management and mitigation of compliance risks. The committee consists of seven members and is headed by the Deputy General Director, Risk Management. Members of Compliance Committee: - General Director; - Deputy General Director –Risk Director;

Functions	Description and Key Responsibilities
	- Advisor to Deputy General Director –Risk Director; - Deputy General Director – Chief Commercial Officer; - Deputy General Director – Financial Director; - Head of Anti-Money Laundering and Sanctions Compliance Department; - Head of International Sanctions Division; - Head of Compliance Division.
Sustainability Committee	Description: The Sustainability Committee is a key component within BasisBank, specifically focusing on ESG matters. Its primary responsibility is to support and advise the Management Board in overseeing the Bank's strategy, policies, and programs related to ESG issues. This committee ensures that the Bank's operations align with sustainable practices and is responsible for overseeing the development, implementation, and performance of the Bank's sustainability strategy. It reviews and approves major sustainability initiatives, assesses risks and opportunities, and ensures alignment with the overall business objectives. In addition, the Sustainability Committee plays a pivotal role in overseeing management of environmental impacts resulting from lending activities, positioning BasisBank as an environmentally responsible organization and enhancing its reputation. The Sustainability Committee is composed of the following members: - Deputy General Director – Financial Director; - Deputy General Director –Risk Director; - Deputy General Director – Chief Commercial Officer; - Head of Compliance Division; - International Relations Division; - Advisor to Chief Commercial Officer, Strategic Business Development; - Sustainability Manager.
Deputy General Director, Risk Director	Description: Deputy General Director (CRO) is a top-level executive responsible for overall risk management in all financial and non-financial risks, who provides overall leadership, vision, and direction for Enterprise Risk Management (ERM) and develops a framework of management policies, including setting the overall risk appetite of the Bank. Key Functions: - Comprehensive control of risk, elaboration and continuous development of risk measurement and mitigation methods; - Setting risk limits and creating risk maps; - Communicating a clear vision of the firm's risk profile to the board and to key stakeholders. - Evaluation and management of credit, market and operational risks and drawing up suggestions about alteration necessary for structure, procedures and provisions; - Elaboration of ICAAP and ILAAP frameworks - Elaboration and introduction of methods of risk mitigation; - Evaluation of the bank's lending performance.

Functions	Description and Key Responsibilities
General Risk Management Department	Description: The General Risk Management Department is a function under the Risk Director, which owns and manages financial risks. Key Functions: - Assesses and Manages credit, market and liquidity risks; - Elaborates, maintains and updates policies and procedures relevant to those risks; - Take part in the elaboration of ICAAP and ILAAP frameworks, as well as resolution plan of the bank and subsequently monitor compliance with the defined risk limits; - Monitors and evaluates portfolio quality, Expected Credit Losses and collateral valuations; Conducts regulatory stress testing of the loan portfolio; - Make recommendations to the Management Board about changes in lending policies for meeting strategic business objectives; - Participates in developing pricing models; - Evaluates market (interest rate and currency risks) and elaborates measures for hedging those risks together with the Treasury Department; - Assesses liquidity risks and elaborates measures for obtaining and placement of funds in the scope of annual ILAAP review. - Elaborates and introduces methods of risk mitigation; makes assessment of expected credit losses (ECL); elaborates ICAAP (internal capital adequacy assessment process) and ILAAP (Internal Liquidity Adequacy Assessment Process); evaluates bank's lending performance.
Non-financial Risk Management Department	Description: The Non-financial Risk Management Department is a function under the Risk Director, which owns and manages non-financial risks and aims to establish a sound and effective non-financial risk management practice across the Bank. Key Functions: - To ensure enforcement of effective risk identification, assessment, treatment and monitoring/reporting tools and methodologies to minimize non-financial losses while supporting business development and growth; - To minimize internal fraud incidents and establish an environment which aligns with the bank's business objectives. - Continuous improvement of information security and business continuity management processes, to minimize risks associated with information security/cybersecurity and ensure security of clients and partners.
AML & Sanctions Compliance Department	Description: A function under the Deputy General Director, Risk Director, overseeing compliance with AML/CFT and International Sanctions. It consists of three divisions: KYC quality control, transactions monitoring and international sanctions. Key Functions: - Manages the anti-money laundering and sanctions compliance program, including supervising its development and implementation and performing ongoing monitoring.

Functions	Description and Key Responsibilities
	- Ensure the Bank complies with AML rules and regulations and takes required measures against financial crime. - Oversee customer due diligence (CDD), enhanced due diligence (EDD), and transaction monitoring processes to identify, assess, and mitigate financial crime risks. Coordinates interaction with regulators, correspondent banks, and internal stakeholders on AML/CFT and sanctions-related matters, including regulatory reporting, inspections, and audits.
Compliance Division	Description: A function under the Deputy General Director, Risk Director, responsible for regulatory compliance. Key Functions: - Enforces the corporate compliance policy. - Ensures effective functioning of compliance risk management. - Evaluates the impact of legislative and regulatory changes as part of formal risk identification and assessment processes. - Proactively identifies, assesses, and controls significant risks related to non-compliance.
Treasury Department	Description: The Treasury Department is a function under the Financial Director, which owns and manages Treasury operations, liquidity and funding positions, Interest Rate risk and Foreign Exchange risk. It reports to the Financial Director and ALCO Committee. Key Functions: - Daily control for liquidity, maturity transformation and structural interest rate exposure; - Controls BasisBank's liquidity and interest rate maturity mismatch; - Controls and manages foreign exchange risk exposure.
Asset-Liability Management Department	Description: Asset and Liability Management Department is a function under the Financial Director, which owns and manages the alignment of assets and liabilities, liquidity and capital management. Key Functions: - Alignment of assets and liabilities - reduction of financial risks and increase in profitability; - Pricing of assets and liabilities; - Development and management of transfer pricing system; - Participation in medium and long-term liquidity management; - Participation in capital management.

4.3. Risk Strategy

The risk strategy derived from the business strategy of the bank contains the risk appetite of the Bank and the Risk Governance Framework which ensures that risks are controlled in a proper way. It defines the group's approach and priorities to Risk Management, sets targets, deals with changes in economic, social and regulatory environment, considering regulatory expectations and best market practices. A medium-low risk profile is ensured to be maintained across the bank as required by Risk Appetite framework.

The risk strategy is updated at least annually, as well as up to any update of the Bank Strategy and is available for use for all levels of the employees throughout the bank.

Risk strategy defines BasisBank's approach to risk management including general methodologies to identify, assess, control, report and manage / challenge relevant risks and the risk governance structure built to support these activities within the everyday operation of the Bank. Management of each material risk type is described in the next section.

Risk Management

Risk management processes must be constructed in a way to support the execution of the risk strategy in the daily processes of the Bank, and the management reporting system also must be built up in a way to serve as a proper tool for risk governance.

BasisBank is committed to mitigate potential risks by an adequate, well-elaborated business strategy and manage inherent risks via developing systems of early risk detection and internal policies and procedures to ensure risk-aware decisions and actions in its day-to-day business activities.

BasisBank sets principles about risk taking and risk management which are reflected in the internal rules and policies and are applied consistently throughout the organization. These general principles are the following:

- prudent risk-taking with comprehensive risk assessment and control environment,
- proper quantification of risks using adequate methodologies in line with the size and complexity of the Bank,
- adopting and fulfilment of all the regulatory requirements and guidelines available and using best practices in compliance with the international standards,
- maintaining proper risk control hierarchy, independent from business activities to avoid conflict of interest,
- taking into consideration risk perspective upon the launch of new activities, business lines or products.

Risk Management is a fundamental part of BasisBank business activity and an essential component of its planning process. To keep risk management at the center of the executive agenda, it is embedded in the everyday management of the business.

BasisBank ensures that it has the functional capacity to manage the risk in new and existing businesses. At a strategic level, our risk management objectives are:

- To define BasisBank's strategy;
- To optimize risk/return decisions by taking them as closely as possible to the business;
- To ensure that business growth plans are properly supported by effective risk infrastructure.
- To manage a risk profile to ensure that financial soundness remains possible under a range of adverse business conditions.

Risk management processes are constructed in a way that supports the execution of the risk strategy in the daily activities, so that risk management becomes a continuous process of creating transparency and risk mitigation. In pursuit of its objectives, risk management is segregated into four discrete processes: identify, assess, mitigate and monitor.

Identify	- Define, compile and classify existing and emerging risks to fulfil BasisBank's strategy
Assess	- Agree and implement measurement standards and methodologies, that include determining consequences of risks in a quantitative and qualitative manner, including but not limited to financial impact of possible risk events over a given time
Mitigation	- Take actions to manage or control identified risks - Implement measures, such as key control processes and practices, to reduce the likelihood of a risk occurring or to minimize its potential impact - Controls include but not limited to limit structures, segregation of duties, impairment allowance criteria and reporting requirements
Monitor	- Interpret and report on risk exposures, concentrations and risk-taking outcomes - Track and evaluate the performance and status of risk management activities - Review and challenge all aspects of the BasisBank risk profile - Assessing new risk-return opportunities - Advise on optimizing BasisBank's risk profile

All material risk types, financial, as well as non-financial risks: including credit risk, market risk, operational risk, liquidity risk, regulatory risk and reputational risk, inherent in the financial business, are managed via dedicated risk management processes. Modelling and measurement approaches for quantifying risk and capital demand are implemented across all material risk types.

For each type of risk its relevancy is assessed and the methodological approach to measure and mitigate the risk is outlined in Framework. The Bank considers risk assessment in a systematic way, which is achieved via different stress tests and Internal Capital Adequacy Assessment Process (ICAAP). Capital adequacy ratio, Liquidity Position, market risk are assessed within the regularly performed benchmark analysis and under more severe stress tests conditions.

If the risk is considered significant and it is quantifiable, the Bank has to define an internal methodology to calculate the respective capital needed to cover the risk. Other relevant risk types that cannot be quantified are to be treated through appropriate internal processes. Internal processes shall aim to minimize potential losses arising from non-quantified risk types. If the risk is found irrelevant, no special treatment is necessary.

However, the regular review of the Risk Management Framework ensures that at least yearly all risk types are assessed, and risk types that were irrelevant and became relevant over time are addressed in an appropriate matter.

Risk Management Policies and Procedures

The Risk Management policies aim to identify, analyze and manage the risks faced by the Group. They assign responsibility to the management for specific risks, set appropriate risk limits, set the requirements for internal control frameworks and continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, emerging best practices, products and services offered.

4.4. Risk appetite

Risk appetite is the amount of risk that an organization is prepared to accept, tolerate, or be exposed to at any point in time. As it is evident that risk inherent in the operations of the Bank cannot be reduced to zero, based on careful cost-benefit analysis, the Bank must elaborate on its risk tolerance framework.

Risk Appetite Framework is the overall approach through which risk appetite is established, communicated, and monitored. It includes a risk appetite statement, risk thresholds, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the risk appetite framework.

- Risk appetite Statement - The articulation of risk appetite in written form. It includes quantitative metrics, qualitative statements and risk Thresholds. RAS is communicated throughout the Bank and is embedded in the daily decision-making processes;
- Risk Capacity - The maximum level of risk the Bank can assume before breaching constraints determined by regulatory capital and liquidity needs and its obligations to depositors, lenders, shareholders, customers and other stakeholders;
- Risk Thresholds - The restrictions prescribed by the Bank on its business activities, designed to allocate the Bank's risk appetite to specific risk categories, business units and, as appropriate, to other levels;
- Risk Profile - Point-in-time assessment of the Bank's gross and as appropriate, net risk exposures aggregated within and across each relevant risk category based on forward-looking assumptions.

The risk appetite of the Bank has been set as a limit system which enables the Bank to continuously monitor the exposure to the relevant risk factors. The limit system considered all relevant risk types identified during the Risk Assessment processes. Risk Appetite was established by the Supervisory Board, as a result of cooperation with the members of the Management Board, including the Risk Director.

Key Risks

Bank differentiates financial and non-financial risks. In terms of financial risk, the bank includes credit risk, liquidity risk, market risk, capital risk, maturity risk, foreign currency risk and other financial risks. In non-financial risks the bank looks at operational, cyber-security and information security and third-party risks. On bank level the group monitors the following risk exposures:

Credit Risk

Risk Definition	The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet its obligations. Exposure to credit risk arises because of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance credit-related commitments. Credit risk is obviously the most important type of risk for banks and banks' supervisory authorities. Key Sources of credit risks are Counterparty Default Risk; Portfolio Concentration Risk and Collateral Devaluation Risk. The Bank's credit strategy is to create a diversified and profitable loan portfolio while maintaining maximum quality.
Risk Identification and Measurement	The estimation of credit risk for risk management purposes is complex and involves the use of credit risk assessment models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, associated loss ratios and default correlations between counterparties. Management of Credit Risk in BasisBank includes different activities embedded in the daily activities.
Risk Mitigation	Establishment of an appropriate credit risk management environment in BasisBank is achieved through written Credit Policy and Credit Manual related to target markets.

In these formalized documents, portfolio mix, price and non-price terms, the structure of limits, approval authorities and processing of exceptions and reporting issues are addressed and outlined.

Credit risk, both at portfolio and transactional levels, is managed by a system of Credit Committees to facilitate efficient decision-making. A hierarchy of credit committees is established depending on the type and amount of the exposure. Loan applications originating with the relevant client relationship managers are passed on to the relevant credit committee for the approval of the credit limit.

Sound credit-granting process: In Basis Bank this involves the consideration of several factors in credit granting. Depending on the type of credit exposure and the nature of the credit relationship, these could be the purpose of the credit and sources of repayment, the current risk profile of the borrower or counterparty and collateral and its sensitivity to economic and market developments, the borrower's repayment history and current capacity to repay, historical financial trends and future cash flow projections. During the credit analysis, consideration is given to the borrower's business expertise, the borrower's economic sector and its position within that sector. These elements are part of scoring models developed for both Retail and Corporate business lines. Corporate and Retail Credit Risk Management Departments (under General Risk Management Division) take part in credit risk assessment of the client. For Individual borrowers the bank has developed a scoring model, which enables the Bank to assess the credit repayment capacity of the borrower, based on the analysis of financial standing of the borrowers and their past repayment history. The scoring for retail and corporate is used primarily in the credit approval process for pricing purposes: pricing of each loan is risk adjusted, based on the scoring of the client and riskiness of the product.

Maintenance of appropriate credit administration, measurement and monitoring processes involves regular monitoring of a number of key items related to the condition of individual borrowers. These items include the current financial condition of the borrower or counterparty, compliance with existing covenants, collateral coverage and contractual payment delinquencies. Also, it involves monitoring the share of exposure in the total loan portfolio to specific types of borrowers to avoid risk concentration. Such concentrations occur when there are high levels of direct or indirect loans to a single counterparty, a group of interrelated borrowers, or a particular industry or economic sector.

Credit risk grading system: For measuring credit risk and grading financial instruments by the amount of credit risk, the Group applies an Internal Rating System for legal entities, or risk grades estimated by external international rating agencies (Standard & Poor's - "S&P", Fitch, Moody's) for Central Governments, Interbank exposures, International Financial Institutions (IFIs) Securities and other financial assets, when applicable.

Concentration: The Group structures the levels of credit risk it undertakes by placing concentration limits on the amount of risk accepted in relation to one borrower, or groups of borrowers, and to geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. Such risks are monitored on a regular basis and are subject to an annual, or more frequent, review.

Credit Policy of the Bank contains the limit system defined by the Bank for the control of concentration risk. Single name concentration risk is limited by the Georgian regulation (Regulation on Credit Concentration and Large Risks in Commercial Banks). According to the Georgian regulation, total amount of loans and other liabilities issued by the bank to a group of interconnected borrowers shall not exceed 25% of the Tier 1 capital.

Additional internal rules include: 1. The total amount of loans and other liabilities issued by the bank to a person shall not exceed 15% of the bank's Tier 1 capital; 2. The total amount of loans and other liabilities after mitigation issued by the bank to a group of interconnected borrowers without banks shall not exceed 15% of the bank's Tier 1 capital; 3. The total amount of loans and other liabilities after mitigation issued by the bank to a group of interconnected borrowers shall not exceed 23% of the bank's Tier 1 capital; 4. Exposures to the top 20 interconnected groups of borrowers after mitigation should not exceed 30% of the total risk position after mitigation. Concentration limits according to activity sectors are as follows: exposure to one economic sector should not exceed 15% of total portfolio; Exposure to construction related sectors should not exceed 23% of total portfolio. The limit system reviewed is regularly by Risk Management when economic sectors are analyzed based on portfolio behavior and external information to review properly riskiness of the economic sectors. Concentration limits are defined and regulated by the Credit Risk Policy.

Restructuring and recovery actions: The Bank has set out internal processes for managing the commitments of borrowers experiencing financial difficulties and for delinquent portfolio. The Bank may offer the borrower individual solutions to overcome temporary difficulties. Such cases of restructuring requests may include providing the borrower grace period or otherwise rescheduling of initial payment schedules. However, the Bank will offer restructuring only to borrowers if the outlook is that the borrower will return to healthy status, otherwise the Bank will initiate recovery proceedings. The preference of the Bank is always to negotiate acceptable payment terms for borrower, but when the borrower and the Bank cannot agree on acceptable terms, collateral repossession or selling the pledged collateral through auctions might be considered as the only remaining possibility for recovery of the overdue liability. Performance of delinquent and restructured portfolio is reviewed regularly to guarantee the proper classification in risk categories of those loans.

Financial assets are written off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include days past due over 270 days and non-existence of collateral as of write off day. The Bank will also write off those loans, which were collateralized, but the execution process on overdue liability is finalized and all existing collaterals have been sold on auctions or repossessed. The remaining unsecured liability will be written off, even if there is no overdue portion of the liability the moment of write off. Based on expert recommendations, the Group may write off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery, or the expected recovery is insignificant compared to the remaining liability.

Credit Risk Related to Collateral Devaluation: Exposure to credit risk is also managed, in part, by obtaining collateral as well as corporate and personal guarantees to mitigate the credit risks, but on the other hand these collaterals can pose additional risks (legal, documentation and liquidity risks) which may deteriorate the impact of risk mitigation. The liquidation of the collateral is either problematic or time consuming - collaterals were valued inappropriately (e.g. overvaluation). The Bank may experience credit risks due to large-scale devaluation or limited enforceability of collaterals behind credit exposures. This is the risk that recognized credit risk mitigation techniques used by the credit institution prove less effective.

The following types of collaterals are used for the purpose of credit risk mitigation: all types of real estate, movable property, guarantee, inventory, cash and other financial collaterals.

Movable property and other types of collateral also can be eligible during the lending processes based on the Credit Policy of the Bank, but they cannot be used as eligible collateral for capital calculation and during the ECL assessment process.

Processes and requirements of the preparation of appraisals are also regulated by the Bank (format of appraisal, control of appraisals, etc.) To reduce the potential residual risk of collaterals, the Bank uses discounts on the market value / value of the collaterals when calculating collateral coverage during the lending processes and during portfolio management. The Legal Department regularly (at least yearly) reviews the collateral contract template and modifies, if necessary, based on new regulation environment or experiences on the execution of collaterals. Minimum collateral coverage (maximum amount of unsecured portfolio) using discounted values are defined for each customer type by the Credit Policy. The following assessments are made regularly by Credit Risk Management to control residual risks (risks after risk mitigation): - distribution of the collateral portfolio by collateral types (subtypes) and in case of real estate by geographical location regularly analyzed and monitored, - recoveries from collaterals analyzed by collateral types, - collateral discounts are regularly back tested and reviewed. Randomly selected collaterals are regularly re-appraised by external appraisal agencies and significant differences are reviewed.

Provision assessment: The Group assesses credit risk and allocates provisions for expected losses according to IFRS 9. Loss reserves for assets and other contingent liabilities must be sufficient to cover all expected losses in the Bank's credit portfolio. Key risk parameters, considered in the scope of loss allowance calculations are: (a) the probability of default (PD) by the counterparty on its contractual obligations; b) expected losses in case of default of a counterparty (LGD) and Exposure at Default (EAD). Forward-looking information is included in the final ECL (expected credit loss) assessment. IFRS9 allows financial institutions to have more precise assessments of loan-loss provisions and allowances by means of incorporating forward-looking information obtainable without undue cost or effort. ECL assessment approach under IFRS 9 takes into consideration past events, current conditions and forecasts of future economic conditions in the process of ECL estimation. The bank has incorporated macroeconomic forecasts, published by National Bank of Georgia in the internal impairment models.

Governance over the Expected Credit Loss (ECL) calculation process is shared between Financial Reporting and Risk functions. Under IFRS9, validation and back-testing of all applied parameters and significant assumptions is an inherent part of ECL assessment process. The Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Under IFRS9, validation and back-testing of all applied parameters and significant assumptions is an inherent part of ECL assessment process. The results of back testing the ECL measurement methodology are communicated to Group Management and further steps for tuning models and assumptions are defined after discussions between authorized persons.

During 2025 the Group performed back-tests of the assumptions, thresholds and risk parameters used in IFRS9 impairment model, to assess the adequacy of forecasts for financial year 2025 as estimated by the IFRS9 impairment models at the end of previous year. The single modification made after back-testing process was modification of

recovery time used in LGD models from previously 56 months to 48 months. Overall, models used by the Bank in the ECL assessment process adequately predict ECL.

Stress testing: The Bank actively performs stress testing and scenario analysis to check the resilience of borrowers under various stress conditions. Stress tests are performed to monitor the impact of adverse macroeconomics, as well as bank specific events on regulatory capital buffer and on bank's performance as a whole or at different levels of aggregation.

Stress tests are used as an effective tool of risk assessment and management, to assess its capital adequacy and in case of need create additional capital buffer for adverse changes. Stress tests amongst others cover events of broad economic crises with recession, impact of currency movements, decrease in employment levels, sector specific stress tests, closing of export markets (political risks), and default of several large exposures.

Risk Monitoring

Maintenance of appropriate portfolio quality reporting. Portfolio quality and lending limits determined by Credit Policy are regularly followed by Credit Risk Management in its control function and presented to the management of the Bank via portfolio reporting. The portfolio report contains information about the distribution of the portfolio over the rating classes, amounts in delays, exposures by sectors and HHI index, dynamics of PD, LGD figures, etc. To monitor exposure to credit risk, regular reports are produced by the dedicated staff of Financial Reporting and Risk departments based on a structured analysis focusing on the customer's business and financial performance. Any significant interaction with customers with deteriorating creditworthiness is reported to and reviewed by the Risk Committee, the Management Board and Supervisory Board.

Monitoring credit risk of loan portfolio is performed regularly. The monitoring includes full assessment against risk appetite limits, using key risk and early warning indicators, back-testing, stress testing and other tools to identify portfolio segments with increased credit risk. The Risk Committee reviews credit risk profile of the Bank's loan portfolio quarterly and portfolio quality review meetings are held at least monthly together with the representatives of the commercial directorate and Problem Assets Management and Litigation Department.

Risk Appetite

The Bank has implemented Credit Policies which outline credit risk control and monitoring procedures and the Bank's credit risk management systems. They are reviewed annually or more frequently, if necessary. The credit risk appetite statement and supporting limits help the Bank mitigate credit risk and is approved by the Supervisory Board. The statement consists of quantitative limits that monitor and control the overall quality of the Bank's portfolios.

Market Risks

Risk Definition

Market risk is a current or prospective risk of losses, which arises from the mismatches in the maturity or currency of assets and liabilities, exposing them to market fluctuations. Therefore, the primary sources of market risk are interest rate risk and foreign exchange rate risk.

Interest Rate Risk: This risk refers to the potential adverse impact on earnings and capital due to changes in interest rates. Interest rate risk can affect both the trading book portfolio and banking book transactions (such as loans, deposits and investment transactions).

The Bank faces two main types of interest rate risks:

- **Re-pricing Risk:** This risk arises from differences in the maturity structure of assets and liabilities and from pricing based on different interest rates or periods. It occurs when there is a mismatch between the maturity structures of assets and liabilities or when pricing occurs at different intervals or based on different interest rates (e.g., fixed-rate receivables and variable-rate liabilities).
- **Yield Curve Risk:** This risk stems from changes in the shape and steepness of the yield curve.

Foreign Exchange Risk: This risk occurs from open or imperfectly hedged positions in a particular currency, resulting from unexpected changes in exchange rates, potentially leading to losses in the local or reporting currency. The Bank's foreign exchange risk is calculated as the aggregate of open positions and is limited by the National Bank of Georgia (NBG) to 20% of regulatory capital.

Risk Identification and Measurement

Market risk is managed by the Asset and Liability Management Committee (ALCO) in coordination with the Treasury Department and the General Risk Management Department. ALCO sets limits on market risk exposures by currency and closely monitors compliance with the Bank's Risk Appetite Framework. Exposures and risk metrics are regularly tested under various scenarios. The Treasury Department conducts daily monitoring of liquidity gaps, interest rate exposures, and foreign exchange risk, holding regular meetings with operational units to gather expert insights.

The core of market risk management is the **Value at Risk (VaR)** concept, which quantifies potential losses an investment portfolio might incur within a specific timeframe under certain market conditions. The VaR approach involves breaking down portfolio performance into its constituent risk factors for a comprehensive assessment of potential losses. To measure foreign currency risk, the Bank calculates average bootstrap VaR for any currency (10-day holding period, 99% confidence level) and portfolio 10-day VaR.

To minimize interest rate risk and assess the impact of interest rate shock scenarios, interest rate risk is measured separately for Net Interest Income (NII) effect and Economic Value of Equity (EVE) effect. NII sensitivity is calculated under the assumption of parallel shifts in interest rates. Sensitivity analysis on EVE is conducted using six different interest rate movement scenarios (parallel up, parallel down, steeper, flatter, short up, and short down).

Risk Mitigation

The Bank has established a segregated line of duties to measure and manage market risk: Senior management oversees market risk. Involvement of the Senior management ensures that the bank's policies and procedures, including the Asset and Liability Management Policy (ALM), for managing interest risk on both a long-term and day-to-day basis are adequate and in line with strategic plans of the Business. Effective oversight of market risk requires that the Treasury department maintains appropriate limits on risk taking, adequate systems and standards for measuring risk, standards for valuing position

and measuring performance, a comprehensive interest rate risk reporting and management review process, as well as effective internal controls.

The Bank has elaborated Market risk management policies and procedures. Asset and Liability Management Policy provide identification and definition of elements for limiting and controlling market risk. ALM Policy specifies the lines of responsibility and accountability of ALCO, and provides objectives, limits and criteria in respect to liquidity gap analysis and liquidity risk management, funding and decisions on market risk management.

The FX management policy contains daily position limits and limits of the aggregated open FX position, which equals 5% of the regulatory capital. Since this limit is significantly stricter than NBG limit, the limit management is to be understood as follows: on a daily basis, FX position can be opened up to the 20% NBG limit, but only for a maximum for 8 calendar days, and only if and only bank has sufficient additional capital at transaction date, to cover losses calculated using VaR described below. After 8 days the limit (5%) must be kept. Calculation of the position is executed in line with the Georgian Regulation Setting, Calculating and Maintaining Overall Open Foreign Exchange Position Limit of Commercial Banks.

Risk Monitoring

Oversight and control of market risk is set out to ensure that the bank's policies and procedures for managing interest rate risk and FX risk on both long-term and day-to-day basis are adequate and that clear lines of authority and responsibility for managing and controlling market risk are maintained. Compliance with these limits is also reported regularly to the Executive Management and periodically to the Supervisory Board and its Risk Committee. Foreign exchange positions are managed according to the FX management policy of the Bank. Monitoring and controlling foreign exchange risks by each relevant foreign currency is the responsibility of Market Risk Management.

Risk Appetite

The Bank maintains a comprehensive interest rate risk and currency reporting and review process, as well as effective internal controls, sets appropriate limits on risk taking, establishes adequate systems and standards for measuring risk and performance, valuing position, reprising maturity gaps. limits are set within the Risk Appetite framework approved by the Supervisory Board

Liquidity and Funding Risk

Risk Definition and Key Drivers

Liquidity risk refers to the Bank's ability to finance asset growth and meet its obligations within the stipulated period under normal or stressful conditions, without incurring unacceptable losses. The fundamental role of banks in transforming short-term deposits into long-term loans makes them inherently vulnerable to liquidity risk, impacting the market. Effective liquidity risk management ensures the Bank's ability to meet cash flow obligations, which are uncertain due to external events and other agents' behavior.

Liquidity Risk has two components:

- Funding Liquidity Risk: The risk that the Bank will not be able to raise new funding necessary for the timely fulfillment of obligations.
- Market Liquidity Risk: The risk that the Bank will not be able to sell assets or convert them into cash without incurring significant losses.

Risk Identification and Measurement

Liquidity risk materializes when the liquidity obtained from both assets and liabilities is less than the need for liquidity. The main sources of liquidity risk include:

- **Market Risk:** The risk of loss in the value of the Bank's assets due to fluctuations in interest rates, exchange rates, market prices of securities, and various commodities, leading to reduced liquidity generation potential from these assets.
- **Credit Risk:** The risk that a counterparty will not fully fulfill its financial obligations, directly affecting expected cash flow and liquidity. Increased credit risk may prompt funding providers to reduce or withdraw funding.
- **Operational and Compliance Risks:** These risks, in addition to directly affecting cash flows, may lead to a loss of trust by counterparties, impacting the Bank's reputation

The Bank relies on various regulatory and internal metrics to measure liquidity and funding risk and has developed an Internal Liquidity Adequacy Assessment Process (ILAAP) framework, detailing processes and limit systems connected to liquidity and funding management.

Risk Mitigation

BasisBank manages liquidity and funding risks according to the ALM Policy and Regulation of Liquidity Management, where detailed processes and limit system connected to liquidity management are defined. Daily management of liquidity is the responsibility of Treasury, control and reporting to ALCO is the responsibility of Asset-Liability Management. Assessment of Liquidity risk is done under ILAAP.

Liquidity management process includes establishment and regular re-assessment of liquidity requirements based on the bank's asset and liability structure and general market conditions; development and control of corresponding liquidity risk limits; addressing funding structure and mismatch volume, fund raising capacity, etc.; developing and monitoring liquidity and fund management principles; liquidity forecasting under normal business conditions and for stressed scenarios; developing contingency plan which is to clearly set out the strategies for addressing liquidity shortfalls in emergency situations.

The Bank strives for continuous optimization of liabilities by balancing the stability and cost of different funding sources. To achieve this goal, the bank's strategy is to have effectively diversified funding sources and funding maturities. The Bank maintains strong relationships with all its key funding providers (both wholesale and retail) to ensure that additional funds are raised when needed, preventing/reducing outflows under stress.

The main funding sources of the bank are unsecured retail and unsecured wholesale funding. In addition to the main sources of funding, the bank uses/may use alternative sources of funding, such as funding from the parent company, issuance of debt instruments, sale of assets.

The Bank relies on several regulatory and internal metrics to measure liquidity/funding risk: Projected Cash flow Statement, Contractual/ behavioral/ Stress Gap scenarios, Utilization of off-balance sheet liabilities, (cumulative maturity mismatch limit, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR)).

The liquidity risk control system in the bank is based on the segregation of powers and the system of limits. The control system is built on the principle of three lines of defense. Frontline departments act as the first line of defense, managing risks within the limits and powers set for them. The risk management function, IT resources and reporting as the second line of defense is responsible for creating/implementing the risk management

and control framework, monitoring compliance with established limits, procedures and policies. Internal Audit, as the third line of defense, is accountable to the Audit Committee and conducts an independent assessment of the risk management and control system.

To manage funding liquidity risk, the Bank currently monitors the following Basel III-based parameters:

- **Liquidity coverage ratio (LCR)** - a regulatory metric, the purpose of which is to strengthen the bank's short-term resilience to stress, in particular, the bank must own a sufficient volume of high-quality liquid assets to be able to overcome 30-day stress.
- **Net Stable Funding Ratio (NSFR)**: It is a regulatory metric aimed at assessing mid- and long-term liquidity risk. The ratio is calculated as the ratio of available stable funding to the need for stable funding.

The bank additionally calculates and monitors internal buffer requirements for Liquidity coverage ratio, which is added to the LCR regulatory minimum requirement. The purpose of the buffer is to ensure protection of the LCR ratio against unexpected fluctuations, which is also in line with the bank's risk appetite requirements. The liquidity buffer is the realization of the short-term part of this strategy. A liquidity buffer is a direct hedge against short-term liquidity shortfalls. In a short-term response to potential liquidity shortfalls under stress, there may be no option but to convert liquid assets into cash. Liquid buffer consists of high-quality liquid assets. The definition of high-quality liquid assets is the same as in NBG's liquidity coverage ratio statement. The liquidity buffer is calibrated according to the results of the stress test, and its volume should be sufficient to ensure the minimum survival period of the bank determined by the risk appetite under the given stress scenarios. The overall ability to fill the liquidity gap should ensure the bank's solvency beyond the minimum survival period.

Risk Monitoring

A number of additional early warning signs for increased liquidity risk are monitored to timely detect potential weaknesses in liquidity and funding positions that could threaten the performance of a strategy defined by risk appetite. The identification of such weaknesses leads to the escalation of the issue, which should be followed, if necessary, by the implementation of appropriate corrective actions (within the contingency/recovery plan).

In the scope of ILAAP, to assess Funding profile stability risks, caused by concentration of the funding sources, the Bank makes assessment of Stability of Funding Profile, assessment of market access Risks, assessment of potential change in funding risk profile based on the funding plan. Risks of access to wholesale funding for the bank are strongly related to issues such as excessive short-term liquidity risks, portfolio with high/uncertain credit risk, materialized or perceived high operational risk, legal risk, unclear strategy, possibility of credit rating deterioration.

The Bank has outlined an appropriate escalation procedure for each limit/target violation. The ability to fill the bank's liquidity deficit can be interpreted as the bank's plan to respond to potential stress scenarios by having access to excess liquidity for the normal business environment in the short, medium and long-term periods. Gap-filling opportunities, in addition to liquid assets, may include the bank's plan to generate projected liquidity, either through raising new funds, making changes to existing businesses, or other more fundamental measures. First of all, the ability to fill the gap is a strategy to be implemented by the bank in the short, medium and long-term periods, which should ensure the fulfillment of its payment obligations by the bank.

Risk Appetite

The Bank has developed a framework of liquidity limits/targets that adequately reflects the Bank's business model, complexity and various material risk factors. The objective of this framework is to ensure a diversified funding structure and sufficient available liquidity buffer. The limits are determined by the Asset and Liability Management Committee upon presentation of the risk unit. Calibration of risk limits and compliance with risk appetite is monitored regularly considering the results of stress tests.

Capital Risk

Risk Definition and Key Drivers

Capital risk is the risk of failure to meet business objectives or regulatory requirements due to insufficient Capital under normal or stressed scenarios. The management's objectives in terms of capital management are to maintain appropriate levels of capital to support the business strategy, meet regulatory and stress testing-related requirements. The Bank undertakes stress testing and sensitivity analysis to quantify extra capital consumption under different scenarios. Capital forecasts, as well as the results of stress testing and what-if scenarios, are actively monitored with the involvement of the Bank's management to ensure prudent capital management and timely actions when needed. In 2025, the Group and the Bank complied with all regulatory capital requirements.

Risk Identification and Measurement

The Bank has developed an Internal Capital Adequacy Assessment Process (ICAAP) framework as part of Pillar 2 within the Basel Framework. ICAAP represents the Bank's own assessment of the capital needed to operate effectively. The ICAAP framework is fully aligned with the Bank's size, complexity, and risk profile and includes the following elements:

- **Definition of Risk Strategy:** The risk strategy, derived from the Bank's business strategy, includes the Bank's risk appetite and the risk governance framework to ensure proper risk control.
- **Identification, Measurement, and Control of Relevant Risk Types:** Under the ICAAP framework, the Bank identifies all relevant risk types and defines quantitative and qualitative tools to measure its exposure to these risks. The goal is to assess the adequate level of capital (or liquidity) necessary to cover the Bank's risks based on its own calculations, which may differ from the Pillar 1 capital calculation.
- **Stress Testing:** The stress testing framework assesses the Bank's vulnerability to exceptional but plausible impacts.

Capital Planning: Capital planning, part of strategic planning, includes projecting capital requirements based on the ICAAP framework and considering the potential effects of external events. The ICAAP also includes guidelines on proper internal and risk governance frameworks.

Risk Monitoring

The Bank is subject to the NBG's capital adequacy regulation, which is based on Basel III guidelines. Current capital requirements include Pillar I requirements, Combined buffer (conservation Buffer) and Pillar 2 buffers (Concentration, General Risk Assessment Program (GRAPE), The currency induced credit risk (CICR), Credit Risk Adjustment (CRA) and Stress test buffer- currently zero).

The Bank maintains an actively managed, robust capital base to cover the risks inherent in its business. As part of internal capital adequacy management framework, the bank continuously monitors market conditions and performs stress testing to test its position

under adverse economic conditions and market and regulatory developments. The Bank's ability to comply with existing or amended NBG requirements may be affected by, internal as well external factors, including those outside of Bank's control, for example: an increase in risk-weighted assets, losses resulting from the deterioration of asset quality, our ability to raise capital, reduction in and/or an increase in expenses and local currency depreciation. Therefore, throughout analysis of capital structure and capital planning is the priority for the Bank to support business plan.

Risk Appetite

Capital planning is performed as a part of the business planning which is executed based on the Procedure of Business Plan and Budget preparation. Capital planning for each material risk type is prepared by the risk owners and summed up by Risk Management. Capital planning is also prepared using stress scenarios defined by Risk Management. Enterprise Risk Management function of the Bank is involved in the decision-making process about capital allocation to guarantee efficiency, optimize the use of capital by aligning it with the level of risk exposure, ensuring that sufficient capital is set aside to cover potential losses.

Financial Crime Risk

Risk Definition

The Group defines financial crime risk as the risk of the Bank being used to facilitate unlawful activities, such as Money Laundering (ML), Terrorism Financing (TF), sanctions evasion, fraud, bribery and corruption. Failure to manage these risks effectively may result in severe regulatory penalties, financial loss, and reputational damage.

Key Drivers of the Risk

Safeguarding the integrity of the international financial system through robust financial crime prevention is a strategic priority. In order to navigate the increasingly complex regulatory landscape, the Bank is continuously developing its Financial Crime Risk Management Framework, ensuring full alignment with international legislation and emerging global challenges.

The primary drivers of financial crime risks include:

- **Inherent Risk:** Vulnerabilities associated with specific products, services, delivery channels and geographic exposure;
- **Client Risk:** Exposure arising from clients' business activities, ownership and control structures, transaction patterns, and jurisdictions that present elevated financial crime or sanctions risk;
- **Control Risk:** Weaknesses or inadequacies in processes, systems or controls that may limit the Bank's ability to effectively identify, assess, monitor and mitigate financial crime risks.

Risk Identification and Assessment

The Bank employs a regular and dynamic risk identification and assessment process, involving coordinated efforts between the First and the Second Lines of Defense, to evaluate quantitative and qualitative information as well as the adequacy and effectiveness of controls. Identified risks and assessment results are regularly reported to the Management Board and Supervisory Board to support informed oversight and strategic decision-making.

The Bank has implemented a comprehensive Anti-Financial Crime (AFC) Program designed to identify, assess, monitor and mitigate risks associated with Anti-Money Laundering (AML), Counter-Terrorism Financing (CTF), International Sanctions, and Anti-Bribery and Corruption (ABC). This program ensures compliance with local and international standards, minimizing regulatory and reputational exposure.

The pillars of AFC program include:

Risk Mitigation

- **Governance:** The Supervisory Board provides oversight of the AFC framework and sets a strong tone from the top. Clearly defined roles and responsibilities are allocated across the Management Board and senior management to ensure effective oversight, sufficient resourcing and appropriate decision-making authority.
- **Customer Acceptance:** A clearly defined customer acceptance framework outlining prohibited and restricted customer types in line with the Group's risk appetite.
- **Three Lines of Defense:** A structured operating model that clearly delineates responsibilities across the First Line (business functions), Second Line (Compliance and AFC oversight), and Third Line (Internal Audit).
- **Regulatory Surveillance:** Continuous monitoring of changes in applicable laws, regulations and industry standards to ensure timely updates to internal policies and controls.
- **Training & Culture:** Regular, mandatory training programs for all employees, aimed at promoting awareness of financial crime risks and fostering a strong compliance culture.
- **Assurance:** Periodic testing, quality assurance and control effectiveness reviews performed by the Second Line of defense, complemented by independent audits conducted by the Third Line of defense.

The Bank employs sophisticated technological solutions proportionate to its size, scale and complexity to monitor and manage financial crime risks. The internal control framework includes the following key components:

Risk Monitoring

- **Know Your Customer (KYC):** Systems for recording, maintaining, and updating customer due diligence information and performing automated Customer Risk Assessments.
- **Screening:** Real-time screening of clients, counterparties, and transactions against AML/CTF watchlists and international sanctions regimes, including controls designed to detect potential sanctions-circumvention attempts.
- **Transaction Monitoring:** Automated monitoring systems to identify unusual or suspicious customer activity and transaction patterns, applied both on a pre-transaction and post-transaction basis.
- **Case Management:** Integrated workflows to support investigation, escalation and reporting between the First and Second Lines of Defense and AML and Sanctions Compliance function and, where required, relevant competent authorities.
- **Enterprise-wide Business Risk Assessment:** Systems to support the assessment, documentation and ongoing review of enterprise-wide financial crime risks;
- **Assurance and testing:** Systems and tools to support quality assurance, testing and ongoing effectiveness reviews.

Basisbank adopted a holistic approach to financial crime risk management and established the group-wide Anti-Financial Crime (AFC) framework to prevent, detect and mitigate risks related to money laundering (ML) and terrorism financing (TF); non-compliance with international sanctions and embargoes (including circumvention attempts), and bribery and corruption. The Group's financial crime risk appetite comprises continuous processes of developing, implementing and enhancing internal controls and risk-mitigation measures, with heightened scrutiny applied to higher-risk customers, transactions, products and jurisdictions. This approach enables the Bank to understand its risk exposure, set clear boundaries for acceptable risk and prioritize management focus accordingly. Specifically, the Bank adheres to the following risk appetite principles:

Risk Appetite

- **Zero Tolerance:** The Bank maintains zero tolerance for the facilitation of money laundering, terrorism financing, tax evasion, bribery, corruption, fraud and all predicate offences as defined by applicable local regulations and FATF standards.
- **Sanctions Compliance:** The Bank is committed to full compliance with sanctions regimes imposed by the United Nations, European Union, United Kingdom, and the United States (OFAC).
- **Prohibited Relationships:** The Bank does not establish or maintain relationships with, nor execute transactions for, individuals or entities designated on applicable sanctions lists or otherwise prohibited by law or internal policy. Compliance with this principle is supported by real-time automated sanctions screening and robust escalation and blocking mechanisms.

Compliance Risk

Risk Definition

The Group defines Compliance Risk as the risk of legal or regulatory sanctions, material financial loss, or reputational damage arising from the Bank's failure to comply with applicable laws, regulations, internal policies, standards, self-regulatory requirements, and codes of conduct governing its banking activities.

Key Drivers of the Risk

Basisbank, as a commercial bank, operates in a complex and evolving regulatory environment, and compliance risk arises from the challenge of ensuring that the Bank's activities align with all applicable legal and regulatory requirements.

The Group identifies the following risks arising from non-compliance:

- **Legal and Regulatory Penalties:** Non-compliance may result in fines, sanctions, and legal actions imposed by regulatory authorities, including operational restrictions, special supervisory regimes or measures, suspension of signatory authorities etc.
- **Financial Losses:** Direct costs including penalties, legal fees, and the expenses associated with remediation of non-compliance issues may result in significant financial losses. In addition, non-compliance may lead to business interruptions that adversely affect revenue generation.
- **Reputational Damage:** Non-compliance may damage the Bank's reputation through negative publicity, loss of customer trust, and deterioration of brand image, potentially leading to long-lasting adverse effects on customer loyalty and market position.
- **Increased Scrutiny:** Non-compliance may trigger heightened regulatory supervision and monitoring, increasing the regulatory burden on the Bank and requiring additional resources to address compliance requirements.

Basisbank, as a commercial bank, operates in a complex and evolving regulatory environment, and compliance risk arises from the challenge of ensuring that the Bank's activities align with all applicable legal and regulatory requirements.

Risk Identification	How often risks are identified: The identification of Compliance Risk is continuous and embedded within the Group's risk management framework. The Compliance Function systematically identifies and maintains an inventory of all applicable laws and regulations. Based on this regulatory horizon scanning, the Group identifies potential areas of non-compliance within business operations, processes, and functions. The Compliance Function conducts regular internal assessments of business operations, policies, and practices to ensure they align with relevant laws and regulations. In collaboration with the Legal Support function, the Compliance Division continuously monitors the regulatory landscape and assesses the impact of changes introduced by relevant regulatory and supervisory bodies.
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Risk Assessment and Measurement	The objective of the Compliance Risk assessment is to identify, evaluate, and, where applicable, quantify potential risks arising from non-compliance with applicable laws and regulations. Compliance risks are categorized as High, Medium, or Low based on their nature, impact, and likelihood, and are prioritized according to their materiality and potential consequences. Where feasible, the Group applies quantitative methods to estimate potential financial exposure resulting from fines or losses, complemented by qualitative techniques such as expert judgment and scenario analysis.
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Risk Mitigation	To mitigate potential impact of identified and measured Compliance Risks, the Group implements a comprehensive strategy including: Risk Avoidance: Refraining from business activities or operations where compliance risks exceed the Risk Appetite; Risk Reduction: Implementing preventive measures to reduce the probability or severity of compliance risks; Control Enhancement: Enhancing internal controls, improving processes, and implementing additional safeguards to minimize exposure.
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Risk Monitoring	To systematically review key areas of compliance and track both newly identified and previously recognized risks, the Compliance Function has developed checklists and conducts periodic compliance gap assessments. The division maintains thorough documentation of compliance monitoring activities, including legal opinions, assessments, and any actions taken to address compliance issues.
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Risk Appetite	The Group maintains a low-risk appetite for compliance risk and strives for full adherence to all applicable regulatory requirements.
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Operational Risk

Risk Definition

The Group defines Operational Risk as the Bank's exposure to potential losses resulting from inadequate or failed internal processes, people and systems or external events, that may impact its profitability and capital position. It encompasses exposure to fines, penalties or damage resulting from non-compliance with statutory provisions, contracts and internal regulations

Key Drivers of Risk

The Bank is exposed to a range of operational risks, primarily driven by internal and external fraudulent activities, processes inefficiencies and execution and delivery failures. These drivers can jeopardize the security of sensitive information and the seamless execution of financial transactions of the Bank, its clients, counterparties or customers. Furthermore, the Bank is subject to external environmental risks beyond its direct control, these events can disrupt critical business functions, leading to service reductions for customers and potential financial or reputational losses for the Bank. Additionally, the Bank also faces risks arising from reliance on third-party service providers (outsourcing risk), where the Bank may not have direct control of the activity performed by the third party.

Risk Identification

The Bank systematically identifies, analyzes, and documents potential operational risks that could affect the achievement of the Bank's Strategic objectives, business goals or execution of operational activities.

Key identification tools include:

New Products and Processes Approval: A mandatory analysis and mapping of products and internal processes to reveal dependencies, bottlenecks, and vulnerabilities prior to launch, that could potentially cause operational risks.

Third-Party Risk Management: The assessment of risks associated with partners, suppliers and vendors, mapping all processes dependent on external parties to mitigate supply-chain vulnerabilities.

Root Cause Analysis (RCA): When incidents or near-misses occur, conducting root cause analysis helps in identifying the underlying causes of the problem. This method helps in uncovering systemic issues that may lead to operational risks. A forensic investigation and root cause analysis of incidents and near misses to identify and remediate underlying causes and/or systemic causes.

Risk and Control Self-assessment (RCSA): A recurrent self-assessment process performed by the First Line of Defense to evaluate the effectiveness of existing controls and identify weaknesses.

Loss Data Analysis: The statistical analysis of historical loss data and incidents to identify recurring trends and prioritize mitigation efforts. These tools form the foundation of the Bank's broader risk management process, enabling informed decision-making and the effective management of uncertainty.

Risk Assessment

Considering the extent and complexity of the fast-changing environment of both banking services and associated possible operational risks, the importance of improving processes, procedures, controls and systems is crucial to ensure risk prevention. To oversee and mitigate operational risk, the Bank has adopted Three Lines of Defense model, which ensures a layered approach to risk management. At the first line, individual business units are responsible for identifying and managing risks within their daily operations. The operational risk Management acts as the second line of defense, providing independent oversight, establishing risk frameworks and monitoring

compliance across the bank. Finally, internal audit serves as the third line, providing independent assurance to the audit committee and supervisory board on the overall effectiveness of the Bank's risk management and internal control environment.

The Bank's Operational Risk Methodology is an overarching document that outlines the general principles for effective operational risk principles and integrates Bank's overall risk strategy. It has been developed in accordance with Basel Committee's Principals for Sound Management of Operational Risks (2011) and complies with the requirements of the National Bank of Georgia's Regulation on Operational Risks Management (2014). It defines the tools and principles for identifying, assessing, mitigating and monitoring, risks, ensuring integration with the Bank's overall Risk Strategy, risk policies and procedures. It aims to establish sound and effective operational risk management practice across the Bank activities. The methodology is responsible for implementing the operational risk policy and appropriate procedures to enable the Bank to manage operational risks, as well as monitoring operational risk events, risk exposures against risk appetite and material control issues.

Although the Bank utilizes the Basic Indicators Approach (BIA approach) for regulatory capital calculation, it incorporates qualitative elements of more advanced risk quantification to enhance operational risk quantification and management

Risk Mitigation

The Bank maintains a comprehensive framework of policies and procedures to effectively manage operational risk. This includes a robust internal control environment designed to detect control weaknesses and a Business Continuity Plan (BCP) ensuring the Bank's ability to operate as a going concern during severe business disruptions.

The bank identifies, assesses and treats risks arising from operational risk events and exercises a permanent, cyclical monitoring process in place to detect unusual activities in a timely manner. This process includes Risk and Control Self-assessment (RCSA), to identify, analyze, assess and examine different mitigation plans for operational risks and the corresponding controls, residual risks and their corresponding action plans in key business processes, providing reasonable assurance that all business objectives will be met.

Key mitigation strategies include:

- Outsourcing Oversight: A dedicated policy governs vendor selection and monitoring control concentration and service risks.
- Product Governance: The Operational Risk function is a mandatory stakeholder in the approval process for new products and services.
- Fraud Prevention: Implementation of a sophisticated, real-time digital fraud monitoring system to analyze client behavior and mitigate external fraud threats.

Risk Appetite

The Bank acknowledges the inherent risk of losses arising from process inadequacies, human error, system failures, external events and fraud. In response, the operational risk appetite statement establishes the following parameters:

- Efficiency vs. Control: The Bank maintains an adequate operational risk tolerance to support cost-efficiency and business growth, provided effective controls are in place.
- The Bank maintains a low tolerance for internal fraud.
- The Bank targets high resilience for operational systems, ensuring stability even under stressed conditions.

- Recognizing the evolving nature of external threats, the Bank invests continuously in adaptive security measures to minimize financial exposure.

Information Security/cybersecurity Risks

Risk Definition

Information and Cyber Security Risk is defined as the potential for loss or harm resulting from the exploitation of vulnerabilities within the Bank's information assets. This encompasses risks arising from cyber-attacks, unauthorized access, and the compromise of personal or sensitive data. Recognizing Information Security as a material non-financial topic, the Bank prioritizes the Confidentiality, Integrity, and Availability of its clients' and partners' data, and the Bank's information assets as a cornerstone of stakeholder trust.

Risk Identification

Information Security and Cybersecurity function is responsible for continuous identification and evaluation of emerging threats and improvement of information security processes, in order to minimize risks associated with Information Security and Cybersecurity and ensure security of the Bank's clients and partners.

Risk Assessment

The Bank has established a comprehensive Information Security Framework that aligns policies with evolving business requirements, regulatory guidelines, and the dynamic cyber-threat landscape. This framework utilizes international standards and industry's best practices to govern the active management of security risks. Information Security/Cybersecurity function is mandated to ensure that the appropriate governance framework, policies, processes, and technical capabilities are in place to manage the related Information Security and Cybersecurity risk within the Bank. It collaborates closely with all business units to ensure the systems are protected and used securely to achieve the Banks business objectives.

Risk Mitigation and Monitoring

To validate the effectiveness of its defenses, the Bank engages independent external auditors to perform annual comprehensive security audits and framework assessments. These audits benchmark the Bank's capabilities against industry's best practices and give the Bank a broad review as well as a detailed insight, which helps to further enhance the information and cyber security systems. In addition, the Bank performs regular penetration testing to identify and remediate vulnerabilities, which include simulated real-world attack scenarios, considering regional and sector-specific risks.

Recognizing the human firewall as a critical defense layer, the Bank conducts mandatory, regular security training for all employees. This includes remote learning modules, targeted phishing simulations, and ongoing awareness campaigns to ensure staff remain aware of their security responsibilities.

Adapting to the modern work environment, the Bank maintains robust remote working policies. These measures ensure that remote environments are protected against relevant cyber threats and that those channels remain under effective oversight.

The Bank acknowledges the increasing frequency and sophistication of cyber-attacks globally. While the Bank has successfully avoided material losses from such events in recent years, it recognizes that reliance on complex IT ecosystems inherently increases exposure. Consequently, the Cyber Security Risk Appetite Statement defines the following parameters:

Risk Appetite

- **Layered Defense:** The Bank employs a Defense-in-Depth model, integrating preventive, detective and corrective controls. Continuous investment in modern security technologies ensures the Bank minimizes exposure to the evolving threat landscape.
- **Risk-Based Decision Making:** The Bank prioritizes cybersecurity resources through rigorous risk assessments. This approach ensures a strategic balance between business innovation and the mitigation of critical vulnerabilities.

Resilience and Compliance: The Bank ensures high availability of critical systems through robust redundancy and recovery strategies. The Bank remains committed to continuous improvement in alignment with standards.

Model Risk

Risk Definition

The Group defines Model Risk refers to the potential for adverse consequences, including financial loss or reputational damage, arising from decisions based on incorrect, misused or misinterpreted model outputs. The Group manages Model Risk through a Model Risk Lifecycle framework, which oversees development, validation, implementation and monitoring of models. This structured approach ensures that models remain accurate, reliable, and compliant with regulatory requirements and transparent communication with stakeholders during all steps of the process (implementation timelines, workflow or responsibility changes) is ensured.

Key Drivers of the Risk

Primary drivers of Model Risk include data quality issues, erroneous assumptions, methodological flaws, inadequate validation, and the misinterpretation of model outputs. Deviations in model inputs or processing logic can lead to suboptimal decision-making, particularly in high-impact areas such as capital planning and risk measurement. Furthermore, failure to recalibrate models to reflect evolving market conditions or environmental shifts significantly increases the risk of generating unreliable results.

Risk Identification and Measurement

Assessing model risk involves evaluating the likelihood and potential impact of model failure. This assessment should be conducted throughout the model's lifecycle, considering the model's complexity, scope, and use. Higher-risk models, such as those used for critical decision-making in Bank (), should undergo more rigorous validation and scrutiny. The assessment process ensures that models meet regulatory and business standards while aligning with the Bank's overall risk management framework.

Risk Mitigation and Monitoring

Risk mitigation involves a robust governance framework spanning the entire model lifecycle. Key strategies include:

- **Testing & Validation:** The established standards require that, prior to any potential implementation, rigorous testing and validation processes be conducted,

including sensitivity analysis, back-testing, and benchmarking against alternative methodologies

- **Governance:** A clear separation of duties between the First Line of Defense (responsible for design and data integrity) and the Second Line of Defense (responsible for independent validation and policy compliance).
- **Documentation:** Comprehensive documentation standards to ensure transparency and reproducibility.
- **Continuous Monitoring:** Ongoing performance monitoring to ensure models remain robust, with timely recalibration implemented in response to changing economic or market conditions.

Country Risk

Risk Definition and mitigation

Country Risk refers to potential losses that may be generated by an (economic, political, etc.) event that occurs in a specific country, where the event can be controlled by that country's government but not by the credit grantor/investor. The Bank implemented a limit system by introducing Country Risk Management Policy to measure its exposure to country risk based on the external rating of the countries.

The Bank wants to avoid high volatility in its earnings and net value due to events arising from the poor reactions to changes in the competitive environment and/or erroneous corporate decisions. Therefore, the Bank is committed to mitigating potential risks by adequate, well-elaborated business strategy and managing inherent risks via developing systems of early risk detection and internal policies and procedures to ensure risk-aware decisions and actions in its day-to-day business activities.

ESG Risk

Risk Definition

The Group defines ESG Risk as the potential negative financial, operational and reputational impact arising from the failure to adequately integrate environmental (E), social (S), and governance (G) factors into the Bank's internal and external operations and decision-making processes. ESG risks may affect the creditworthiness of clients, borrowers, and counterparties, as well as the Bank's own operations, and are therefore integral to the Group's commitment to responsible and sustainable banking.

Key Drivers of the Risk

Key drivers of ESG Risks are categorized below:

Environmental Risks:

- **Physical Risks:** The Bank may face risks related to climate change, including exposure to industries vulnerable to environmental regulations and physical risks from extreme weather events.
- **Transition Risks:** The Bank may also be exposed to risks related to transition risks associated with the regulatory and market shift to a low-carbon economy.

Social Risks:

- **Workforce, Inclusion, Human Rights Risks:** The Bank may be exposed to risks related to labor practices, diversity and inclusion, employee well-being, financial exclusion, and potential human rights impacts arising from its operations, clients, or supply chain.

- Societal and Policy-Driven Risks: The Bank may face risks arising from social factors such as income inequality, demographic changes, social unrest, and changes in labor, consumer protection, or social welfare policies, which may affect creditworthiness and profitability of clients and counterparties.

Governance Risks:

- Governance Risks refer to regulatory and compliance risks, including ESG compliance, corporate governance, and corporate ethics, supporting the fight against money laundering, tax evasion, and other financial crimes.

Risks arising from failure to comply with evolving ESG regulations and standards can lead to legal consequences, fines, and regulatory sanctions. Furthermore, ESG non-compliance poses a reputational risk, potentially eroding the trust of key stakeholders, including investors, customers, and the broader public.

Risk Identification and Measurement

Starting in 2026, the Bank will implement an updated version of its Environmental and Social Management System (ESMS). This update is driven by recent regulatory developments in Georgia, including new guidelines issued by the National Bank of Georgia, international best practices recommended by partner International Financial Institutions (IFIs), and broader advancements in environmental and social risk management.

The updated policy includes the categorization of loans based on size and sector, and the evaluation of specific categories through comprehensive Due Diligence covering physical, transition, and other ESG risks. The Due Diligence process includes specific steps for renewable energy projects to mitigate the risks associated with such loans. Additionally, the updated procedures include the identification of green, social, and sustainable loans as part of the loan issuance business process.

The ESMS includes a strict Exclusion List, which defines activities the Bank does not finance. Prohibited activities include, inter alia, the production or trade of weapons and military materials, forced and child labor, illegal pharmaceuticals, the production or trade of certain pesticides and herbicides, and gambling-related activities.

Environmental and social (E&S) assessments are embedded in the credit approval process. All business loans are subject to mandatory screening against the Exclusion List. Where applicable, the Bank evaluates clients' E&S management capacity through a combination of document reviews, on-site visits, and independent third-party information.

The ESG risk identification process begins with a comprehensive assessment of relevant factors, including climate change, labor practices, supply chain management, diversity and inclusion, data security, and corporate governance. The Group conducts periodic materiality assessments to identify ESG issues that are most significant to the Bank and its stakeholders, including employees, customers, and investors. These assessments form the foundation of the ESG strategy.

ESG risk identification and measurement are integrated into the Group's broader Risk Management Framework, ensuring that ESG risks are assessed alongside traditional financial and non-financial risks. Basisbank continuously enhances its environmental and social risk management practices in line with applicable regulatory requirements and evolving best practices.

Risk Mitigation

The Group mitigates risk by embedding thorough due diligence processes into business operations, investment decisions or business relationships, to assess ESG risks and ensure alignment with the ESMS.

5. Regulatory Requirements under Basel 3

5.1. Regulatory framework

The purpose of Basel 3 is strengthening capitalization, liquidity, market, and other risk-related requirements and ensuring transparency. It sets:

- Capital adequacy requirements;
- Liquidity requirements;
- Requirements related to risk concentration;
- Requirements for leverage ratio;
- Requirements related to relevance of administrators and corporate governance;
- Requirements related to transparency and audit.

Basel 3 sets Capital adequacy requirements for Commercial Banks based on three pillars:

Pillar 1 sets minimum requirements for regulatory capital - defines the value of the risk-weighted assets and sets minimum capital requirements for credit, market, and operational risk exposures.

Pillar 2 covers supervisory review and capital assessment process and Regulation on Additional Capital Buffers - includes a supervisory reviewing and assessment process. The National Bank examines the relevant risks management policies, strategies, processes and mechanisms adopted by commercial banks and their adequacy to cover a Bank's risk positions; In addition to fulfilling minimum capital requirements, Commercial Bank are obliged to comply with additional capital buffer requirements for risks that are not covered by Pillar 1, including market risks, concentration risks, interest, liquidity, strategic and reputation risks, and more.

Pillar 3 is about information disclosure by commercial banks - Commercial Banks are obliged to provide a high level of transparency aimed at raising confidence in the financial sector and protecting consumer and investor rights. This is regulated by the requirements of Pillar 3 and implies publishing quantitative and qualitative information by the Bank - disclosure of information on capital adequacy, corporate governance, risk concentration and management standards, as well as disclosure of internal processes and other important information.

Regulatory Capital Requirements

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

Common Equity Capital Ratio (CET1)	4.50%
Tier 1 Capital Ratio (CET1 + AT1)	6.00%
Regulatory Capital Ratio (CET1 + AT1 + Tier 2)	8.00%

Common Equity Tier 1 (CET1) - is the primary source of capital which is equity that includes common stock and additional reserves including funds originated because of issuing common tier 1 capital instruments, as well as accumulated reserves (retained earnings) less supervisory adjustments.

Additional Tier 1 capital (AT1) - is unsecured, perpetual capital instruments that have no step-ups, are subordinated to depositors, unsecured creditors, and subordinated debt of the commercial bank; and are not subject to legal or economic conditions that put the claim in the senior position vis-à-vis bank creditors, while the bank retains the discretion on suspension/payment of dividend/coupon.

Tier 2 capital (liquidation) comprises certain subordinated instruments, debt securities in issue, unsecured securities, long-term liabilities, with the original term of more than 5 years, with no step-ups. These do not have conditions that could promote the investor's right to accelerate future payments (coupon or principal), except for bankruptcy and liquidation cases.

In addition to the minimum capital requirements under pillar 1, NBG sets requirements for capital buffer comprising three components:

- The capital conservation buffer is a standard buffer, defined as 2.5% of total risk-weighted risk exposures, and is designed to provide for risks originating because of stress events.
- The countercyclical buffer (is determined in the range of 0%-2.5%) represents one of the main macro-prudential policy instruments, with the goal to limit excessive credit growth that leads to the build-up of systemic risks, from 15th March 2025 is set at 0.50% and until 2027 its phase-in increase up to 1%;
- Systemic buffers are set additionally for systemically important commercial banks whose financial difficulties may jeopardize the stability of the financial sector. Bank isn't systemically bank.

The National Bank of Georgia sets the additional capital requirements, which is determined under the "Rule on Additional Capital Buffer Requirements for Commercial Banks" within Pillar 2. 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 based on regulatory stress tests;
- Credit Risk Adjustment buffer (CRA), which is set up 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. The CRA buffer is fully set on CET 1 capital.
- 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.

56% of required capital should be complied with through the elements of common equity Tier 1 capital and 75% - through tier 1 capital on granular bases. Consequently, buffers for concentration risk and net GRAPE buffers are set at 100% of supervisory capital.

The fulfillment of any capital buffers under Pillar 2, except Net Stress Test Buffer and Credit Risk Adjustment buffer (CRA), should be done as follows:

Common Equity Tier 1 (CET 1) ratio of	56%
Tier 1 Capital ratio of	75%
Regulatory Capital ratio of	100%

5.2. Supervisory Capital Requirements for JSC BasisBank

The Supervisory Requirements of BasisBank include minimum supervisory requirements set within the framework of Pillar 1, plus combined capital buffer, which is currently defined by the National Bank at 3.00% as of 31 December 2025.

Capital buffers defined by Pillar 2 are individual for all banks and depend on the Bank's risk positions concentration.

According to NBG's capital requirements, the banks are obliged to maintain a ratio of regulatory capital to risk-weighted assets (capital ratio) at the minimum required limit.

Risk weighted exposure is the sum of weighted values of credit, market, and operational risk exposures.

Credit Risk Analysis - The bank uses a standardized approach to calculate credit risk weighted exposure. Credit risk exposure consists of three components: balance elements, off-balance elements and counterparty-related credit risk weighted exposures.

The risk exposure for balance elements includes interest, penalty, accounts receivable, and other claims against the party, reduced by expected credit losses and capital adjustment and added to the principal.

In the calculation of credit risk exposure, JSC BasisBank uses the following permissible methods:

- Loans secured by residential real estate are weighted at the 35% risk weight;
- Credit risk mitigation;
- Use of ratings established by external credit rating agencies;

Using credit mitigation – The Bank stated that it would mitigate the risk exposure in case of the “funded collateral of the loan”, i.e., reduce it in consideration of the value of collateral/guarantee and credit evaluation weight. In case the debtor is at default, the bank has the right to sell and/or repossess the collateralized assets in a timely manner. For the purpose of capital adequacy calculation, the Bank uses funded and unfunded credit protection for credit risk mitigation. The following types of collateral are used as for credit risk mitigation:

- Funded Credit Protection - Accordingly, the risk position is considered as funded collateral when it is secured with deposit. The deposit can be owned by the borrower’s client as well by the third party. A deposit taken as collateral (or its part used as collateral) must be free of other liabilities.;
- Unfunded Credit Protection - Third party guarantees from Central Government

Note: See Appendix PE1-BBS-QQ-20251231, Table 12_CRM.

Evaluation by Credit Rating Agencies - With the recommendation of National Bank of Georgia, the assessments of the following agencies - Moody’s, Fitch, Standard&Poors, can be regarded as credit assessments by external credit rating agencies. Evaluations by Credit Rating Agencies are used to estimate the risk weight and, therefore, assessment of other Banks. Evaluations of the specified agencies comply with the six-step scale, summarized in the table below:

	Fitch	Moody’s	S&P
1	AAA to AA-	Aaa to Aa3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and lower	Caa1 and lower	CCC+ and lower

The assessments for the short-term evaluation will be made in accordance with the following table:

	Fitch	Moody’s	S&P
1	F1+, F1	P-1	A-1+, A-1
2	F2	P-2	A-2
3	F3	P-3	A-3
4	Lower than F3	NP	B-1, B-2, B-3, C

The cost of the risk exposure for off-balance elements is their value, reduced by special reserves, multiplied by the credit conversion factor.

Note: Please refer to PE1-BBS-QQ-20251231, Table 8_LI2

Counterparty-related credit risk weighted risk exposures - The counterparty-related credit risk is the risk of counterparty's default before completion of the transaction. For these purposes, only the risks associated with the counterparty that are included in the interest rate and exchange rate derivative instruments (futures, forwards, swaps, options and other off-balance liabilities from similar agreements) are considered. If the terms of the agreements on the interest rate and the exchange rate derivative instruments do not exceed 14 calendar days, it is not taken into consideration for risk-weighting purposes.

Note: Please refer to Appendix PE1-BBS-QQ-20251231, table 15_CCR

Market Risk Weighted Risk Exposures – Within Pillar-1, only currency risk is considered as part of market risk. Market risk weighted risk exposure equals to the overall open currency position defined under the Regulation on Limit defining, calculation and following of overall open currency position for Commercial Banks”.

The currency risk arises in open and improperly hedged positions because of unexpected movements in certain currencies (this causes the possible losses of market participants related to internal or settlement currency).

Currency positions are managed in compliance with Bank Management's foreign exchange policy. The foreign exchange management policy comprises limits for everyday positions and limit of overall open currency positions, which is 5% of supervisory capital, which is quite strict, compared with limits allowed by NBG (limit of 20% for the open net position).

Operational Risk Analysis – Within the framework of Pillar 1, the capital requirement operational risk assessment is calculated using the Basic Indicator Approach (BIA). In accordance with the basic indicator approach, the operational risk capital requirement shall comprise 15% of the relevant indicator as determined by the NBG. The above-mentioned indicator is defined as the average sum of net interest and net non-interest revenues for the last three years.

Note: Please refer to Appendix PE2-BBS-QQ-20251231, table 23-OR2

During the evaluation and management of operational risks, the bank also uses other qualitative and quantitative criteria that provides a more comprehensive and effective management of operational risks. Operational risk activity is governed by Regulation on Operational risk management methodology.

The following instruments are used:

- **Data accumulation of losses and damages:** obtaining fixed losses with participation of business-units (collection of decentralized data);
- **Self-assessment:** evaluation of possible losses with participation of business-units; (assessment of frequency and severity of losses incurred)
- **Definition of appropriate measures for risk mitigation** - based on incurred losses and analysis obtained because of self-assessment.

Operational risk at JSC BasisBank is managed at three levels (Business-unit/department level, operational risk management level, audit level), that provides constant control of operational risks.

The Operational risks department assesses required capital defined using the BIA on an annual basis as well as the projected level of loss coverage resulting from an internal evaluation. If operational risk management considers that BIA has not sufficiently covered the potential losses, the additional capital is allocated based on the request of the operational risk management.

Note: Operational losses are given in appendix PE2-BBS-QQ-20251231/table 22_OR1

JSC BasisBank Tier 1 and Regulatory Capital Positions

In thousands of Georgian Lari

Capital adequacy	2025	2024
Common shares that comply with the criteria for Common Equity Tier 1	18,252	18,212
Stock surplus (share premium) of common share that meets the criteria of Common Equity Tier 1	131,442	130,406
Accumulated other comprehensive income	14,436	15,807
Other reserves	-	-
Retained earnings	522,887	440,379
Common Equity Tier 1 capital before regulatory adjustments	687,017	604,804
Regulatory Adjustments of Common Equity Tier 1 capital	(35,178)	(33,358)
Common equity Tier 1 capital	651,839	571,446
Tier 2 capital	169,339	139,944
Regulatory capital	821,178	711,390
Total risk weighted risk exposure	4,056,439	3,677,244
Tier 1 capital	16.07%	15.54%
Regulatory capital	20.24%	19.35%
<i>Tier1 capital total requirement</i>	<i>15.39%</i>	<i>14.50%</i>
<i>Regulatory capital total requirement</i>	<i>18.66%</i>	<i>17.67%</i>

As of 31 December 2025, in Tier 2 capital reflects permitted subordinated own debt securities (1) with value of GEL 21,561 thousand (2024: GEL 28,068 thousand). Subordinated debts from individuals (2) amounting to GEL 64,682 thousand (2024: GEL 22,735 thousand) and funding from other legal entities amounting to GEL 83,096 thousand (2024: 89,141 thousand).

Based on the data of 2025, supervisory components of Tier 1 capital are adjusted by the following elements:

- with asset revaluation reserves
- with intangible assets
- investment in non-financial subsidiaries

The Bank has invested in three companies, which are accounted for by full consolidation.

1. Insurance Company BB Insurance. This significant investment in equity is subject to limited recognition. The value of the investment does not exceed the 10% significant investment threshold, so there is no reduction in capital by this element.
2. Asset Management Company Basis Asset Management Holding is recorded in equity as the component adjusting the common tier 1 capital.
3. BB Leasing. This investment in equity is subject to limited recognition. The value of the investment does not exceed the 10% significant investment threshold, so there is no reduction in capital by this element.

Note: As of 2025, for supervisory purposes, the bank's subsidiaries will not be consolidated in the bank's financial statements but will be weighed at 250% risk weight in the risk-weighted assets. For information on enterprise consolidation, see Appendix PE1-BBS-QQ-20251231/ Table 5_RWA

In thousands of Georgian Lari

Risk-weighted Risk Exposures	2025	2024
Risk Weighted Assets for Credit Risk	3,687,600	3,354,747
Balance sheet items	3,371,813	3,027,927
Including: amounts below the thresholds for deduction (subject to 250% risk weight)	24,000	24,000
Off-balance sheet items	314,379	326,745
Counterparty credit risk	1,408	74
Risk Weighted Assets for Market Risk	12,561	18,757
Risk Weighted Assets for Operational Risk	356,279	303,740
Total Risk Weighted Assets	4,056,439	3,677,244

5.3. Additional Basel 3 Requirements

The leverage ratio - To calculate the leverage ratio, the primary capital is divided to total risk exposure and expressed as percentage. The total risk exposure is the sum of balance risk exposure, derivatives, security-funded transactions, and off-balance sheet elements.

Based on the Decree of the Governor of the National Bank of Georgia No. 214/04, the bank leverage should always exceed 5%.

	2025	2024
Leverage Ratio	12.41%	13.06%

Note: refer to Appendix PE1-BBS-QQ-20251231 table 15.1_LR

Liquidity Risk - Based on Basel 3 framework, the NBG introduced liquidity Coverage Ratio which sets a minimum standard for liquidity, which should be applied to all Georgian commercial banks. The aim of the ratio is for the commercial banks to hold liquid assets sufficient for covering total net outflows in financial stress situations. For this purpose, the bank needs to maintain an adequate level of liquidity, to allow it to cope with the expected difference between the inflow and outflow of liquid funds within a 30-day stress environment.

The minimal requirements of LCR ratio of 100% on foreign currency and 75% of local currency preserves high quality liquid assets to ensure stability in stressful environment.

The table below shows the LCR

Liquidity Coverage Ratio	2025	2024
LCR (%). GEL	337.4%	105.6%
LCR (%). FX	160.6%	198.3%
LCR (%). Combined	223.6%	142.2%

Note: refer to Appendix PE1-BBS-QQ-20251231 table 14_LCR

Net Stable Funding Ratio (NSFR) - ratio restricts dependence on short-term financing and stabilizes the risk of funding. The NSFR is defined as the ratio of available stable funding to the need for stable funding. The compulsory requirement is the minimum of 100%.

The table below shows the NSFR as of 31 December:

Available stable funding	2025	2024
Net stable funding ratio %	134.14%	124.2%

Key Performance Indicators of the bank are presented in appendix PE1-BBS-QQ-20251231 table 1.

6. Environmental, Social, and Governance (ESG) Overview

Other than the qualitative data regarding the Sustainability Strategy, ESG risk management, and other sustainability topics provided throughout this report, BasisBank also publishes an annual ESG Disclosure Form. The 2025 reporting was prepared using an updated form to enhance transparency and ensure alignment with evolving sustainability practices. The disclosure form provides information on governance, strategy, and ESG-related risk management, and includes key performance indicators (KPIs) across the three ESG pillars. These KPIs cover green and social taxonomy-aligned loans, emissions disclosures, energy use, water and waste management, employee metrics, labor rights, and stakeholder engagement, demonstrating how the Bank measures, manages, and monitors its sustainability performance and enabling progress tracking against its objectives. Furthermore, the disclosure provides quantitative information on the Bank's exposure by sector and geographical region, including associated financed emissions, credit quality, and maturity ladder, offering stakeholders a comprehensive and transparent view of BasisBank's ESG performance, sustainability initiatives, and risk profile.

7. Gender Breakdown of Micro, Small, and Medium Enterprise (MSME) Clients

In 2025, the Bank continued to support inclusive access to finance for MSMEs, with women representing around one quarter of the total SME customer base (4,725 out of 18,607 customers). Women-led SMEs actively participated in lending activities, with 231 loan applications submitted and approved, demonstrating effective access to credit. The total value of loans approved for women-led businesses amounted to GEL 215.8 million, with outstanding loans reaching GEL 533.1 million, reflecting their meaningful contribution to the overall MSME portfolio. Women-led SMEs also maintained a strong deposit base of GEL 418.9 million, highlighting their active financial engagement with the Bank. Women-led SMEs were charged a slightly lower average interest rate (10.92%) compared to non-women-led SMEs (11.49%), demonstrating competitive and supportive lending conditions. Overall, the data confirms the Bank's ongoing commitment to supporting women entrepreneurs and promoting inclusive business growth.

8. Remuneration Policy

In line with the regulatory requirements, in 2022 the Supervisory Board of the Bank adopted the Remuneration Policy, to set forth the basic principles governing the remuneration of the top management, other material risk takers, staff with control functions and other staff.

The remuneration policy is based on principles such as justice, equal pay for work of equal value, taking into account the functional load of the position, the competence and experience of the person, inadmissibility of differentiation on discriminatory grounds, motivate and retain employees, paid vacation and rest time, social security guarantees as well as promoting sound corporate governance and risk management behaviors.

Remuneration includes a fixed component and may also include a variable component. Variable remuneration is not issued to members of the Supervisory Board.

Fixed remuneration includes:

a) Fixed Salary

b) The so-called 13th pays, only if the above is not a discretionary payment, its volume is fixed, the bank has no right to suspend its payment, and its payment does not depend on the financial indicators of the bank or the performance of the person;

c) As to other indirect, the fixed type of compensation and benefits, if the above is not a discretionary payment and its volume is fixed, are paid to all employees in a similar situation and is not discriminatory, the bank has no right to suspend its payment and its payment does not depend on the bank's financial performance or person's performance indicators. Indirect compensation may include other substantially fixed remuneration-like payments, including (but not limited to): Financing by an employer of the contribution of an individual pension account based on fixed remuneration, various types of insurance, car service, sick leave compensation, maternity leave, business trip, telephone and fuel costs and other similar forms.

Fixed pay is determined by a person's professional experience and organizational responsibility, which in turn should be commensurate with the position he or she holds. The amount expressed in cash equivalent of fixed remuneration is predetermined and unchanged and it does not depend on performance indicators. Fixed remuneration should form a major part of the total remuneration and should be balanced with variable remuneration (if any) in such a way as to enable the bank not to issue / adjust variable remuneration. The amount expressed in cash equivalent of a fixed fee must be determined in advance and must be unchanged.

Variable remuneration includes:

a) Bonus

b) Financing by the employer on the individual pension account on the basis of variable remuneration.

c) Any remuneration granted by a bank that does not meet the fixed remuneration criteria, or the criteria are ambiguous, which makes it difficult to categorize it as a fixed remuneration.

The payment of not less than 40% of the annual variable remuneration of the material risk takers (except for the members of the Supervisory Board), and whereas the annual variable remuneration exceeds 100% of the annual fixed remuneration and/or GEL 500,000 or its equivalent – (the payment of) not less than 60%, must be deferred for 3 years (Deferral Principle).

Adjustment of variable remuneration

The variable remuneration of any material risk taker (incl. the Management Board) may be subject to adjustment, in line with the respective NBG regulations as well as internal Remuneration Policy, in case of the following preconditions:

Qualitative and quantitative characteristics

- a. Economic capital, economic profit, returns on risk-weighted assets
- b. Violations of compliance with the legislation, violations of the risk limit, characteristics identified by the internal control functions

Adjustment may be applied to variable remuneration/part of it in case in case of the following preconditions

- a. Committing an action by a person subject to compensation that has caused significant damage to the bank;
- b. the person subject to remuneration can no longer meet the standards set by the respective regulation on the suitability criteria for administrators of commercial banks;
- c. Unlawful conduct or material misconduct by a person subject to compensation, including a material violation of the Code of Ethics or other internal rules;
- d. Deterioration of the financial performance of the bank / structural unit (for example, specific business indicators).
- e. Significant errors / problems in terms of risk management in the bank or in the structural unit where the said person works.
- f. Significant increase in the economic / regulatory capital requirements of the bank / structural unit.
- g. The subject of remuneration is the action of a person who has had some influence on the imposition of a statutory / supervisory sanction on a bank.

During the reporting year there were no employees whose remuneration exceeded GEL 1 million.

Management's Remuneration

The report includes information on the policy and compensation system for the remuneration for JSC BasisBank's top management. The Supervisory Board and the Management Board are the top management of the Bank.

The Supervisory Board establishes the terms of employment and remuneration of the Management Board, while the general meeting of shareholders determines the issues of compensation of members of the supervisory board.

Detailed information about the remuneration generated by management in 2025 is given in Table 24_Rem1 /27_REM 4 in appendix PE1-BBS-QQ-20251231.

The remuneration system for the Management Board members includes both fixed and variable parts.

Remuneration of the Supervisory Board members includes only fixed remuneration.

The fixed individual salaries of the Management Board members are reviewed by way of consultation between a Director and the Supervisory Board.

The variable amount determined as bonus is based on an agreement concluded between the Bank and the members of the Management Board, after the end of the variable remuneration generation period. Bonus is calculated:

- In accordance with the work performed by the subject of pay during the variable remuneration generation period, within the scope of achieving the pre-defined KPIs, in consideration of the applicable weights.
- Taking into account adjustments based on performance and risk.

Calculation of Variable Remuneration. Variable payment is issued in the form of bonuses. A bonus is an additional reimbursement payable to the Director for the fulfilment of the contractual liabilities.

The total bonus determination is based on the audited financial results of the reporting year, which is confirmed by an external auditor (one of the world's four largest international audit companies).

At least 20% (twenty percent) of the compensated amount shall be used to purchase the bank's shares in pre-determined conditions. The total number of shares to be transferred depends on the value of the share; the results are evaluated based on the audited financial consolidated statement of the previous reporting year prepared in accordance with the IFRS standard.

All expenses related to the top management's bonus scheme are recognized in the reporting period. Please refer to table 24_Rem1 /27_REM 4, appendix PE1-BBS-QQ-20251231.

Remuneration of other Material Risk Takers

Material Risk Takers (MRT)

To identify individuals who have a material impact on the Bank's risk profile, the Bank developed quantitative and qualitative criteria in line with the respective regulations and recommendations of NBG. As a result, the following individuals have been identified as Material Risk Takers (MRT):

- Members of the Supervisory Board
- Members of the Management Board
- Employees whose professional activities have a significant impact on the Bank's risk profile. There were 12 employees (excluding the above-mentioned top management members) identified as MRTs.

MRT employees' remuneration is a subject to the NBG Corporate Governance Code as well as internal Remuneration Policy. The variable remuneration of MRTs is subject to the above-described deferral principle except when the annual variable remuneration is not material, meaning that the annual variable remuneration does not exceed 20% of the annual fixed remuneration.

Remuneration of the Control Functions

Control Functions are functions that are responsible for checking the efficiency and effectiveness of processes, for objective evaluation, and for reporting in appropriate directions. These functions include risk management, compliance, and internal audit function.

Remuneration of the staff with control functions, namely internal audit, risk management and compliance, does not pose a risk to the independence of these employees. Remuneration of employees of control functions does not depend on the financial results of the business line activities that are audited or monitored by these functions.

External Consultants

During the reporting period, the Bank did not engage any external consultants in relation to the design, implementation, or review of its Remuneration Policy or remuneration practices.

Remuneration Committee and Policy Review

The Bank does not have a separate Remuneration Committee. Oversight of remuneration matters is performed directly by the Supervisory Board.

During the reporting period, the Bank introduced clarifications to the Remuneration Policy regarding the establishment and governance of Key Performance Indicators (KPIs) for Material Risk Takers.

In accordance with the updated provisions, specific KPIs, their ratios, and bonus payment parameters may be determined by the Management Board, in compliance with the principles set out in the Remuneration Policy. The Supervisory Board establishes and approves KPIs for Material Risk Takers, ensuring a consistent framework based on both corporate and individual performance components.

KPIs are set for a one-year performance period and are assessed by the Supervisory Board based on audited financial and non-financial results. These changes strengthen alignment between remuneration and performance, enhance governance, and ensure consistency and regulatory compliance.

Changes in Risk Adjustment Framework

During the reporting period, there were no material changes to the risk adjustment measures applied in the remuneration framework. The existing mechanisms for aligning remuneration with risk and performance remained unchanged.

Adjustment in Case of Weak Performance

Variable remuneration is linked to the Bank's financial and non-financial performance, as well as individual performance and risk considerations. In cases of weak financial performance of the Bank, the relevant business unit, or the individual employee, variable remuneration may be reduced, deferred, or not awarded, in accordance with the Remuneration Policy and applicable regulations.

Clawback and Malus provisions

In accordance with the Bank's Remuneration Policy, variable remuneration of Material Risk Takers, including members of the Management Board, is subject to adjustment mechanisms both prior to and after its award, attribution, vesting, and payment, based on the decision of the Supervisory Board. These adjustment mechanisms apply to both cash and share-based components of variable remuneration.

The Bank has the right to reduce, cancel, defer, or recover variable remuneration, in whole or in part, including deferred and vested amounts, where justified by risk and performance considerations. Adjustment may be applied first to the non-cash component and subsequently to the cash component, where applicable.

Such adjustments may be applied in cases including, but not limited to:

- material deterioration in the financial performance of the Bank or relevant business unit;
- material breach of legal, regulatory, or internal policy requirements;
- misconduct or violation of the Code of Ethics or internal regulations;
- failure to meet suitability and fitness requirements;
- significant failures in risk management or internal control processes;
- actions contributing to financial loss, increased capital requirements, or regulatory sanctions; or
- other qualitative and quantitative risk indicators, including economic capital, risk-adjusted performance measures, and compliance-related findings.

These provisions ensure alignment of remuneration with prudent risk management, long-term performance, and the Bank's regulatory and governance framework.

Shareholder Remuneration Disclosure

Income received from the Bank by a shareholder or beneficial owner is disclosed in the tables below. Shareholders holding management positions in the bank and/or whose share in the bank's paid-in share capital is less than 2% are not disclosed.

As of 31 December 2025, shareholder remuneration was:

In thousands of Georgian Lari

Shareholder/Beneficial owner	Interest received from Deposit	Interest received from Subordinated Loan
Mr. Mi Zaiqi	23	-
Xinjiang Hualing Industry & Trade (Group) Co Ltd	85	1,435

As of 31 December 2024, shareholder remuneration was:

In thousands of Georgian Lari

Shareholder/Beneficial owner	Interest received from Deposit	Interest received from Subordinated Loan
Mr. Mi Zaiqi	296	-
Xinjiang Hualing Industry & Trade (Group) Co Ltd	70	1,443

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