

B BASISBANK
Hualing Group Member

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0

1

9



Content 2

About Basisbank..... 2

Group Structure 3

Bank Governance Bodies..... 5

Bank Risk Management and Strategy..... 12

Regulatory Requirements under Basel 3 23

Key Indicators of the Bank..... 30

Management Remuneration Policy 31

Content

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

Management's Statement

The Management Board confirms that the information provided in the Basisbank's Pillar 3 Annual Report for 2019 is accurate and free of any misstatement.

Unless otherwise stated, all data and information disclosed in the present report is presented according to the local reporting standards as required by the NBG. The present regulation does not require the audit of Pillar 3 disclosures. The report is prepared in full observation of the internal control processes as agreed with the Supervisory Board.

About Basisbank

Basisbank is the fourth largest leading financial institution in the Georgian financial market by its assets. The bank is represented on the market as a financial service group combining banking, insurance and leasing businesses. Under the umbrella of the Basisbank three subsidiaries operate: Hualing Insurance, BHL Leasing and BAM Holding.

By the end of 2019, the Bank's total assets stand at GEL 1.7 billion, consolidated capital at GEL 283 million and consolidated profit at GEL 37.3 million, under IFRS standards.

Note: For the details of Bank's financial information as at December 2019 on consolidated and stand-alone basis please refer to annex 1.

The Bank is expanding its operations and offering customers a variety of financial services through its multichannel network. With 24 branches, digital platforms and remote services, more than 510 Basisbank employees successfully serve strategic segments of small and medium-sized businesses, corporate and retail customers (132 thousand customers), and offer them a full package of financial services. Throughout our entire network, we offer a broad array of banking, leasing and insurance services that help corporate customers manage their companies, enable small businesses to grow, assist consumers to meet their financial goals and support the economic health of our communities.

The Group's fundamental aim is to be the best open financial services platform by acting responsibly and earning lasting loyalty of our people, customers, partners and shareholders. Our mid-term objectives are outlined in the following statements:

- Obtain and increase a leading position and become one of top Financial institutions on the market through key strategic business lines - Commercial Banking, Insurance and Leasing - new directions under the Basisbank umbrella;
- Enhance our image positioning and BRAND strength through three pillar qualities – SPEED, QUALITY and FLEXIBILITY;
- Move towards more automated and standardized business model and be at leading positions in financial services - cross selling of financial products to targeted clients using "Single window" principle in all business directions;
- Increase our clients' outreach by business acceleration – Investing in our core banking platform and technology upgrade;
- Improving and sharpening our client offerings, creating targeted value propositions and promotional campaigns, focusing on core regions, investing in frontline staff and senior corporate bankers to attract and service new business and retail customers.

The strong positioning of the Bank together with the new business directions – insurance and leasing, the use of complementary strengths backed by joint management will build the basis for significant cost and revenue synergies which we aim to fully realize by 2023 and beyond.

Group Structure

Joint Stock Company Basisbank was established on August 16, 1993, registered by the National Bank of Georgia on November 4, 1993, in accordance with the Law of Georgia on Entrepreneurs. In accordance with the current legislation, the bank holds a license issued by the National Bank of Georgia for banking activities (November 4, 1993, license No. 173. The bank's legal address is: 1, Ketevan Tsamebuli Avenue 0103 Tbilisi, Georgia.

The bank is a universal banking institution core activity in banking and related transactions in accordance with applicable law.

About Shareholders

Basisbank (“BB”) is a member of Chinese conglomerate Hualing group - a Chinese private enterprise group with broadly diversified businesses in China and extending overseas businesses. Xinjiang Hualing Industry and Trade Group Co. (“Hualing Group”) is in an ownership of BB since 2012. Being a major shareholder of the bank, keeping controlling stakes of above 90%, Xinjiang Hualing Industry and Trade Group Co. is committed to develop strong financial institution under the umbrella of Basisbank group with emphasis on integrated growth of business franchise and strong advancement on the market.

Hualing group is presented on Georgian market since 2006. The areas of the Group’s interests are broad and comprehensive included processing and mining of wood and forestry industry, construction of infrastructure facilities, a large-scale modern commerce market, Hotel and tourism, etc. Hualing Group’s vision is to leverage the advantage of its presence in Eastern Europe and Asia, develop along with the “Silk Road” project initiative and reviving the historic role of Georgia as the trading hub between Europe and Asia, progressively making Hualing markets a bridge between the two regions.

The founder and owner of the Group, Mi Enhua, is a prominent Chinese businessperson, with extensive experience in business sector, awarded multiple times for his special contribution to China’s economic development and charity work. Other minority shareholders are individuals, including the members of the Management Board. The portion of their remuneration is converted into bank shares.

Shareholders	% of ownership interest held as at 31 December	
	2019	2018
Xinjiang Hualing Industry & Trade (Group) Co Ltd	92.305%	92.305%
Mr. Mi Zaiqi	6.969%	6.969%
Other minority shareholders	0.726%	0.726%

The Bank's Subsidiaries

Three subsidiaries operate under the umbrella of Basisbank: JSC Hualing Insurance, JSC BHL Leasing and Basis Asset Management Holding LLC.

Name	Core activity	2019		2018	
		investment	Accumulated profit/loss	investment	Accumulated profit/loss
BAM holding LLC	Asset management	3,797	39	3,796	(51)
JSC Hualing Insurance	Insurance	4,300	1,640	4,300	1,588
JSC BHL Leasing	Leasing	5,000	(14)	2,000	(3)
Total		13,097	1,665	10,096	1,543



Established in 2017, [Hualing Insurance \(HI\)](#) is a rapidly growing subsidiary of Basisbank's Group and is the bank's main bancassurance partner. Hualing Insurance serves both individual and legal entities and provides a broad range of insurance products covering motor, property, life, travel and corporate packages. Hualing Insurance services are available in all cities and regions where Basisbank

Group is present through its branches. Despite being relatively new on the market, in 2019, Hualing Insurance managed to gain awareness and customer trust, ending the year with GEL 15 million in total assets and GEL 1.6 million of net profit.

Governing body of the company

Chairman of the Supervisory Board – Zaiqi Mi
 Members of the Supervisory Board - David Tsaava, Hui Li
 General Director - Konstantine Sulamanidze
 Deputy General Directors - Levan Pitiurishvili, Nino Chedia, Shota Svanadze



[BHL Leasing](#) has started operations with clients in February 2019. As a subsidiary of the Basisbank Group, BHL leasing is committed to complement the group's operations and services with products provided under leasing arrangements. BHL Leasing serves both individuals and legal entities and provides comprehensive leasing solutions and advisory

services. By the end of the year BHL Leasing has GEL 3 million of issued leases where legal entities account for around 47% of total portfolio (with construction, auto and technology being the largest sectors of the portfolio) and retail portfolio accounts for 53% mostly comprised of new and used cars. BHL Leasing effectively uses the parent company's branches in the service process. Starting from 2020, the leasing officers will be available at all regions and branches where the Group is presented. The users of leasing products vary from individuals to corporates with corporates to dominate the market mostly in such sectors as: agriculture, construction, manufacturing, mineral resources, trade, medical equipment, transportation and communication.

The governing body of the company

Chairman of the Supervisory Board - Zaiqi Mi
 Members of the Supervisory Board - David Tsaava, Hui Li
 General Director - Konstantine Sulamanidze;
 Deputy General Directors - Lia Aslanikashvili, Malkhaz Kharchilava

[Basis Asset Management-Holding LLC](#) was established and operates in Georgia. The company is a limited liability company, the main activity of the company is to carry out operations related to real estate and movable property management, ownership of property, leasing. The manager of the company - the director - Levan Gardapkhadze.

Bank Governance Bodies

Bank Governance Structure

To ensure the stable functioning of the bank, the powers between the supervisory and executive bodies of the bank are separated, the functions of which fully ensure the management of the bank.

The governing bodies of the bank are:

- ✓ General Meeting of Shareholders
- ✓ Supervisory Board and Board Level Committee
- ✓ Management Board and management board level committees

The following documents regulate the corporate governance of JSC Basisbank.

- Bank Charter
- Regulation on the principles of corporate governance
- Regulation on Corporate Ethics
- Internal regulation
- Regulation of the Supervisory Board
- Regulation of the Management Board
- Regulation of of the Audit Committee
- Regulation of the Risk Committee

Bank Governance Structure



General Meeting of Shareholders

The General Meeting of Shareholders is the supreme governing body of the bank, through participation in which the shareholder exercises the rights defined by the legislation of Georgia and the charter of the bank. At the General Meeting of Shareholders, one unit of ordinary share entitles its holder to one vote.

The General Meeting of Shareholders makes the following decisions:

- Amendments to the charter;
- Issuance of bank shares or other securities on the securities market;
- About the rules of sale of the bank shares and other own securities;
- Election of the Supervisory Board and the approval of the Board's budget (including the Board Committee(s));
- Approval of the Regulation of the Supervisory Board/amendments to it;

- Distribution and use of the bank's net profit;
- Increasing/decreasing the bank's capital.

Each scheduled meeting of the General Meeting of Shareholders is held once a year no later than two months after the preparation of the audited financial report for the previous year, which in turn shall be prepared four months after the end of the year. An unscheduled meeting of the General Meeting of Shareholders is convened at the request of the Chairman of the Supervisory Board, the Management Board or at least 5% of the shareholders.

Following the changes in the regulatory framework, the corporate governance structure of the bank changed in 2019, namely: the Risk Management Committee was established at the level of the Supervisory Board (instead of the Management Board). In accordance with the new legislative requirements, the changes affected the functions and responsibilities of the Management Board, the Supervisory Board, the Internal Audit and Audit Committee (and the relevant regulations).

Supervisory Board

The Supervisory Board (the Board) is the body supervising the Bank's activities, exercising its functions through the Board Meeting and Board-level Committees. The Board appoints and works closely with the Management Board, supervises and advises on important issues and is directly involved in fundamental decisions.

Powers of the Board:

- Implement the basic defining principles of the Bank's strategic development, banking, risk management and supervise their implementation;
- Approve and periodically update documents such as the bank's internal regulations, and those regulating bank management and banking activities;
- Approve strategic development plan of the bank, review and approve the annual plan of the bank's activities presented by the directorate, and the annual budget, control their implementation, review the periodic financial reports submitted by the directorate;
- Approve the organizational structure of the bank;
- In case of consent of the General Meeting of Shareholders, appoint the General Director, other members of the Directorate, determine the issues related to the fixed and variable remuneration of the members of the Directorate;
- Approve the policy defining the principles of managing the conflicts of interest, control potentially risky transactions and, above the policy limits, review the deals planned with the persons related to the bank;
- Appoint an external auditor of the bank and request direct reporting from them;
- Convene the General Meeting of Shareholders;
- Implement internal control and risk management oversight through the functions delegated to Board-level committees;
- Execute other powers granted by the current legislation and the bank's charter.

The key functions of the Supervisory Board are supervision of the Basisbank's activities, Corporate Governance and Risk Management. Within the framework of these functions, the Board makes decisions on establishing the Bank's values, organizational structure and generally, ensuring that the Bank is governed in full compliance with the principles of fairness, competence, professionalism and ethics; establishes strategy for the Bank and the group and oversees management's implementation of the strategic objectives; ensures that the Bank is in compliance with all regulatory and supervisory requirements; establishes the risk appetite of the company along with Management Board and the Director of Risks Management. The Board also oversees Management Board's activities and evaluates Management Board's decisions, ensuring independence and effectiveness of control functions, and conducts Management Board's performance evaluation in line with its long-term succession plan. The Board is responsible to oversee transactions with related parties and ensure availability of effective procedures and policies within the group in line with the requirements of law and regulatory framework.

Board Composition and Structure

The Supervisory Board is the supreme supervisory body of the bank. The Supervisory Board is elected by the General Meeting of Shareholders and consists of 5 members.

The Board consists of two independent members who are considered to be independent of the influence of the Bank and other external parties. The criteria according to which the independent member of the Board is elected are determined by the regulations of the National Bank of Georgia and the Regulation of the Supervisory Board drawn up on their basis.

When selecting board members, their education, work experience and skills are taken into account. It is a properly balanced board that has the mission to ensure that the underlying issues are discussed from a variety of perspectives and that strategic decisions are made that are important for the bank's operations.

The Board is elected for a term of 4 years, however, the term of office shall continue after the expiration of this term, before the convening of the General Meeting of Shareholders. Repeated election of board members is unrestricted. A member of the Board may be removed from the Board before the end of the term by the General Meeting at any time.

The Supervisory Board is chaired by the Chairman of the Board, who is elected by the simple majority of votes from among its members for a term of 4 years. The Supervisory Board has two vice chairman, who are elected by the Board by a simple majority of votes from among its members for a term of 4 years.

Meetings of the Supervisory Board are held at least four times a year. The meeting of the Supervisory Board may be held in the personal presence of the members of the Board, or by electronic means of communication.

Composition of the Supervisory Board

Zhang Jun - Chairman of the Supervisory Board

2010 to present: Deputy General Manager in finance and foreign investments at Xinjiang Hualing Trade and Industry (Group) Co., Ltd. 1998 to 2010: worked as Sales Department General Manager, Assistant to the Chairman of the Board, HR Director in Urumqi City Commercial Bank. 1992 to 1997: Deputy Director in Chengxin Credit Union of Urumqi. Mr. Zhang held senior managerial positions at Urumqi Branch of the People's Bank of China, Urumqi City Commercial Bank and other financial institutions for many years. He has extensive practical experience in the operation and management of commercial banks, hence the profound and clear view of the strategic development of small and medium-sized commercial banks. Zhang Jun holds an MBA.

Zhou Ning - Vice Chairman of the Supervisory Board, Independent Member

2005 to present: Managing Director in Tuhong International Co. Having implemented a number of financial advisory projects at Urumqi City Commercial Bank, Bank of Deyang, Yantai Bank, Hang Seng Bank, Wing Lung Bank, Xiamen Bank, Hong Kong Fubon Bank and Bank of Tianjin, Mr. Zhou has an in-depth understanding of strategy and business development of domestic and foreign small and medium banks. Zhou Ning holds an MBA from Fuqua School of Business in USA, MS in Engineering from Virginia Polytechnic Institute, and BS in Engineering from the University of Science and Technology of China.

Mi Zaiqi - Vice Chairman of the Supervisory Board

2011 to present: Deputy Director of GM Office in Xinjiang Hualing Trade and Industry Group Co., Ltd and Director of GM Office in Georgia Branch Office of Xinjiang Hualing Trade and Industry Group Co., Ltd. 2010-2011: worked as an assistant to GM in Xinjiang Hualing Real Estate Development Co., Ltd. 2005 to 2006: worked as an assistant to GM at Xinjiang Hualing Grand Hotel Co., Ltd. Holds a BA from University of California.

Zaza Robakidze - Independent Member of the Supervisory Board

Zaza Robakidze, a proficient banking expert with over 24 years of sector experience, accepted the position of the Member of Supervisory Board in late 2018. He has also been serving as Chairman of Basisbank's Audit Committee since 2012. Zaza Robakidze spent several years working at the National Bank of Georgia on various positions, from Economist to Head of Supervision Department. Zaza Robakidze holds a Master's Degree in Economics.

Mia Mi - Member of the Supervisory Board

Director of International Development at Hualing Group International Special Economic Zone in Georgia. Extensive experience in assisting Chairman of JSC Hualing International Special Economic Zone in 2 crucial actions: acquisition of Basisbank in 2012 and each year (2011-2015) organizing international construction materials fair, connecting buyers and sellers from across Central Asia. 2015-2017, Mia Mi held various positions in key departments at Basisbank, analyzing loan portfolio, communicating with Chinese corporate and retail clients as well as Banks shareholders, organizing major corporate events and assisting HR in recruiting talents. Holds a Bachelor's Degree in Business Administration from University of Southern California, Los Angeles.

Supervisory Board - level Committees

By the decision of the Supervisory Board, an **Audit Committee** is established from its members. The committee consists of three members and most of them are independent members of the board. Committee meetings are held at least once a quarter. The Committee is accountable to the Supervisory Board.

The main function of the Audit Committee is to ensure an effective internal control system, which in itself includes an assessment of the risk management framework, the adequacy and effectiveness of risk management systems and processes. In addition, the Audit Committee reviews and evaluates the bank's financial statements, monitors the bank's accounting policies and practices, and approves the scale and frequency of internal audits. The functions of the Audit Committee also include submitting recommendations on candidates for external audit, their independence, remuneration and dismissal, reviewing the conclusions and recommendations prepared by the external audit, and monitoring performance.

As of the end of 2019, the members of the committee were:

- Zaza Robakidze - Chairman of the Audit Committee/Independent Member of the Board
- Mi Zaiqi - Member of the Board
- Zhou Ning - Deputy Chairman of the Board/Independent Member of the Board.

According to the Corporate Governance Code of the National Bank of Georgia, in 2019 the Supervisory Board-level **Risk Committee** was set up, composed of three Board members. The Chairman of the Committee and one of the members are independent members. The primary responsibility of the Risk Committee is to oversee the Bank's risk strategies and policies and their effective implementation, to oversee and ensure the availability of a risk management framework and the proper functioning of internal control systems. Thus, through the Risk Committee, the Supervisory Board is actively involved in the risk management process, has the proactive information and recommendations on risk limits, monitoring and evaluation results, and observes the level at which the risk management strategies and policies are integrated in the daily activities of the bank management and other business units, and also whether they are acting in compliance with the laws and internal policies.

The members of the Risk Management Committee as of end-2019 were:

- Zhou Ning - Vice Chairman of the Supervisory Board, Independent Member,
- Mia Mi - Member of the Supervisory Board
- Zaza Robakidze - Independent Member of the Supervisory Board.

Management Board

The Management Board consists of 7 members. One of them is the General Director, who provides general guidance to the activities of the Directorate. The General Director is appointed/dismissed by the Supervisory Board with the consent of the General Meeting of Shareholders. The other members of the Board of Directors are appointed by the Supervisory Board upon the recommendation of the General Director.

The Supervisory Board defines the structure of the Management Board, functions of its members, their roles and responsibilities in the management process. The accountability of the members of the Management Board, the rules of holding meetings and making decisions are established under the Regulation of the Management Board approved by the Supervisory Board.

The primary function of the Management is to effectively run the bank on a daily basis and, consequently, to resolve all issues that do not fall within the competence of the General Meeting of Shareholders and the Supervisory Board under the legislation and the charter; also, to discuss and make preliminary decisions on the issues, which according to the legislation and the charter require the consent of the Supervisory Board.

The management recognizes the importance of good corporate governance and risk management culture as well as its role in these processes. The management runs operations of the Bank and is responsible for managing its activities in accordance with the Bank's objectives, in compliance with applicable laws/guidelines as well as internal regulations. The Management Board works closely together with the Supervisory Board and reports to the Supervisory Board on all issues with relevance for the Bank concerning strategy, the intended business policy, planning, business development, risk situation, risk management, staff development, reputation and compliance, on systematic basis but at least quarterly. One of the key functions of the Management is to effectively run the group's activity, ensure the uninterrupted growth and development of the bank and the group, ensuring sustainable positioning on the market in line with the objectives set by the Supervisory Board.

The management is responsible for delivering business objectives in line with the group's strategy, ensuring the Bank's capital and liquidity planning, and that management policies and procedures are communicated and implemented throughout the bank and are supported by sufficient authority and resources. The management is also responsible to ensure that the bank operates consistently with the processes and procedures set out in its internal and external regulations, allocations of resources, planning, managing, accounting and reporting of financial and risk position, properly executing the management and control functions.

General Director

- Distributes responsibilities among board members in consultation with the Supervisory Board;
- Ensures the proper functioning of the Management Board, collective decision-making and compliance of decisions made with the company's strategy;
- Supervises and coordinates the decisions made by the Management Board;
- Represents the bank in relations with third parties

Management Board members

- Supervise their respective structural units, take care of their proper functioning and implement the policy defined in accordance with the Bank's strategy;
- Represent the bank in relations with third parties within the scope of their managerial authority.

David Tsaava – General Director

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 BHL Leasing and Hualing Insurance, the subsidiaries of Basisbank Group.

David Tsaava has 15 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.

After obtaining a Bachelor's Degree in Banking and Finance from Tbilisi State University, David Tsaava got a Master's Degree at Sokhumi State University. Later, he obtained a PhD in Business Administration from Technical University of Georgia.

Lia Aslanikashvili – Deputy General Director, Finance

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

Lia Aslanikashvili has 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 2005-2007, headed the Settlement Department. In 2007-2008, Lia Aslanikashvili led the Treasury Department. In 2008-2012, she was a CFO of Basisbank.

Lia Aslanikashvili holds a Master's degree in International Economic Relations from Tbilisi State University.

Li Hui - Deputy General Director, Lending

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

Li Hui holds a Bachelor's Degree in Accounting from Financial University of China.

David Kakabadze – Deputy General Director, Risk Management

Basisbank's Deputy General Director, Risk Management since 2019. 2017-2019: General Director of Hualing Insurance, the subsidiary of Basisbank Group. 2017-2018: Deputy General Director of BHL Leasing, the Basisbank Group member company.

David Kakabadze has 17 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.

David Kakabadze holds a Master's Degree in Finance from Caucasus Business School.

Levan Gardapkhadze – Deputy General Director, Retail Business

Basisbank's Deputy General Director, Retail Business since 2012. 2017-2018: Deputy General Director of BHL Leasing and Hualing Insurance, the Basisbank Group member companies.

Levan Gardapkhadze has 17 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.

Levan Gardapkhadze holds a Master's Degree in Business Management from University of Georgia, a Master's Degree in law from Tbilisi University of Economics, Law and Information and a Bachelor's Degree in International Economics from Technical University of Georgia.

George Gabunia – Chief Commercial Officer (CCO)

Basisbank's CCO since 2019 has 15 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 of an international Georgian bank. In 2008-2010 he headed the Corporate Regional Group, and in 2006-2008 George Gabunia was a corporate banker at the same financial institution. In earlier years, he worked in Basisbank's marketing and sales areas.

George Gabunia holds a Master's Degree in Banking from Tbilisi State University and a Bachelor's Degree in Finance and Banking from the same university.

Rati Dvaladze – Chief Operations Officer (COO)

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 an educator, delivering lectures.

Rati Dvaladze obtained a Master's Degree in Information Technology Management from Free University and a Master's Degree in Mathematics from Tbilisi State University. He also holds a Bachelor's Degree in Mathematics.

Risk Strategy

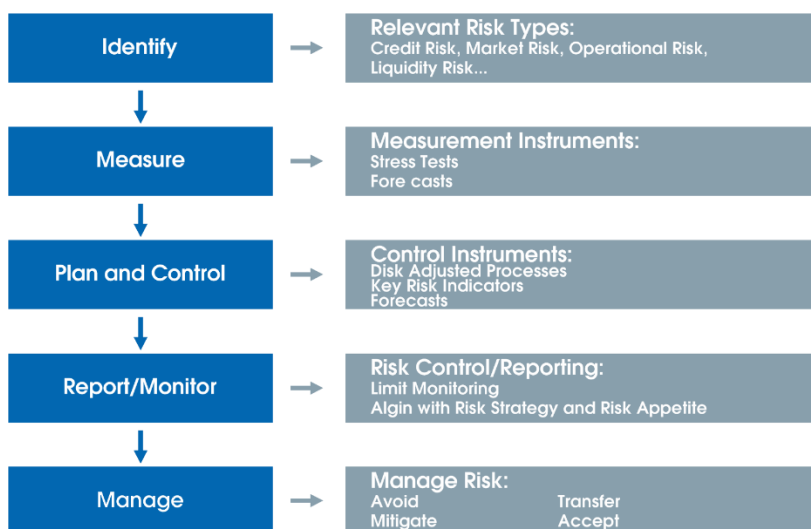
The risk strategy derives from the bank's business strategy. To determine and ensure an adequate level of bank capitalization at any time, the Bank formulates a risk appetite policy, sets risk limits based on the capital plan, its vision and goals for strategic development. Developing a risk strategy and capital adequacy planning is an integral part of the financial institution's governing framework and the strategic planning process in general.

The risk strategy is reviewed and approved by the Supervisory Board. It is necessary to review and amend it at any time, while updating the bank's business strategy, but at least once a year. The risk strategy should be available to the entire institution. Risks and capital are managed through a system of formalized principles outlined in the bank's policies and procedures, as well as through the structural units of the organization, the power and duties of which are clearly stated in the internal legal acts and regulatory documents. In addition, the bank has introduced the processes of evaluation and monitoring of departments and business units, which ensure adequate evaluation and management of the powers and activities performed by this unit. The system of governance thus ensures adequate daily management and control of all risks inherent in the activity by the bank. The management reporting system is arranged in such a way that it performs the function of an effective risk management tool, creating transparency and reducing risks.

The Bank sets principles about risk taking and risk management which are reflected in the internal rules and policies, and applied consistently throughout the organisation. 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 in order to avoid conflict of interest,
- taking into consideration risk perspective upon the launch of new activities, business lines or products,

Risk management is segregated into five discrete processes: *identify, assess, control, report and manage/challenge* 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 Banking Business. Modelling and measurement approaches for quantifying risk and capital demand are implemented across all material risk types in the frame of Internal Capital Adequacy Assessment Process (ICAAP) of the Bank.



Risk Management Structure

Given the volatility of financial markets, and uncertainty of macro-economic situation the function of Risk Management receives paramount importance. The Bank has developed a risk management framework with the aim to create an image of Basisbank as a stable and reliable bank. 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.

Implementation of robust and sound risk management system throughout the bank included amongst others formation of the independent Risk Management unit; creation of the risk-profile committees (Credit, Risk Management, Assets and Liabilities Committee-ALCO) which adhere to the risk management practices and ensure sound risk management practices and decision making; formation of an independent Internal Audit Department, which reports directly to the Supervisory Board, in order to give the Board unbiased information about adequacy of existing policies and procedures; initiation of risk management approach in analytical tools, practices, and decision making; developing a system of financial and managerial reporting to meet regulatory requirement and needs of Management Board; detection and classification of different types of risks which the Bank potentially faces; drafting policies, procedures and guidelines which govern management of risks in Basisbank. As a result, risk governance in Basisbank is organized across three lines of defence: at business unit level for operational day-to day management of risk, Risk Department level for internal controls and oversight of risk and Internal audit Level, for assurance to senior management and the board that the first and second lines' efforts are consistent with expectations. Responsibility for risk management resides at all levels within the Group, from the Supervisory Board and Management Board (The Executive Management) level down through to each business unit manager and risk officer.

Effective Risk Management System



At a strategic level, risk management objectives supported by the risk governance structure are:

- To define the bank's strategy, which is based on the Group's Risk Appetite and the Strategic and Capital Plan
- To optimize risk/response 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 risk profile so that financial soundness remains possible under a range of adverse business conditions.

- To monitor activities and correct deficiencies in internal control functions

Separate internal documents related to credit, operation and anti-money laundering policies allow the bank to internally assess /measure, combine risks, report key risks, and use this information for supervisory purposes.

In addition, the Bank's separate methodology and guidelines describe the processes that fully cover the credit granting and repayment cycle, the decision to approve a loan, the issuance, pricing and administration of a loan; It also provides information on loan portfolio management and capital adequacy assessments.

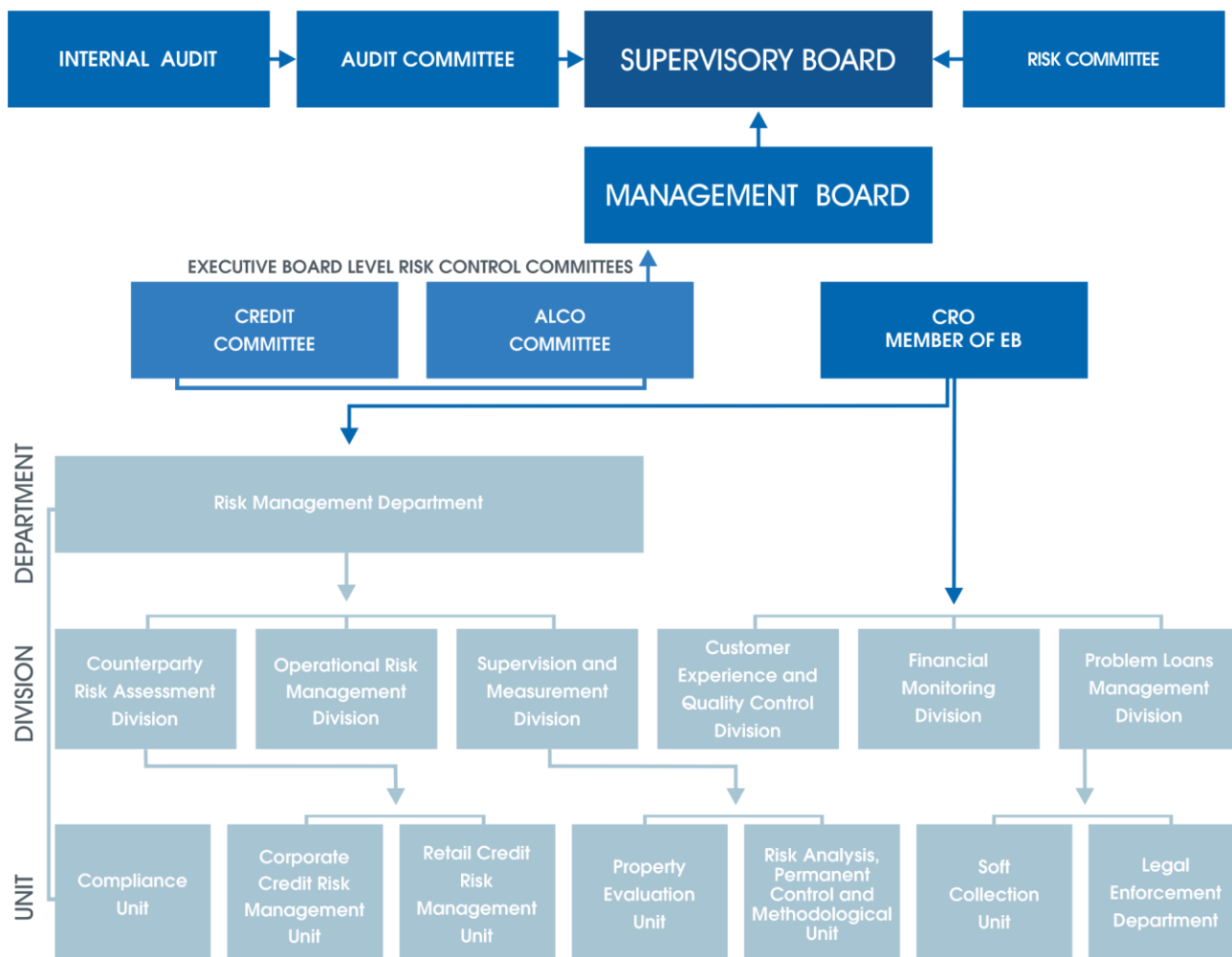
Risk Governance Continuity



The Bank maintains and adheres to the best Corporate Governance standards. Basisbank is a signatory to the Corporate Governance Code for Commercial Banks adopted by the Banking Association of Georgia (CG Code) in 2009. Our operations are regulated and supervised within banking supervision framework by NBG which focuses on licensing, capital adequacy, liquidity requirement, risks' concentration, Corporate Governance Code as well as organizational and reporting requirements. Supervision framework also provides guidelines for the regulation of Risk management in Commercial banks, risk governance principles, internal control systems, etc.

Risk Governance Structure in Basisbank ensures effective segregation of duties between all levels of personnel in the bank from senior management to front line personnel in order to achieve goals defined in Business strategy. Risk Oversight function is split between following risk management units: The Supervisory Board, the Management Board, Audit Committee, Risk Management committee, Assets and Liabilities Management Committee ("ALCO"), Risk Management department, Treasury department, and Credit Committees.

Risk Governance Organizational Structure



The Supervisory Board and the Executive Board have a sound understanding of risk management and its importance to the sustainable and strategic development of the Bank.

Supervisory Board - is setting “the tone on the top” by establishing and fostering a high ethical and responsible culture in the bank. The Supervisory Board has overall responsibility for the oversight of the risk management framework. As a top governing body of the Bank, the Supervisory Board approves and exercises control over the implementation of the Bank’s strategy and its budget, sets the general approach and principles for risk management by assessing the Bank’s risk profile, the adequacy and effectiveness of the Bank’s risk management framework, approves individual risk strategies, sets risk appetite and the risk control framework.

The Risk Management policies approved by the Supervisory Board of the Bank aim to identify, analyse 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.

Audit Committee – is an independent control function which regularly reviews internal controls and processes; reviews bank’s internal control system, evaluates its objectivity and correctness; provides oversight of the bank’s internal and external auditors’ recommendations; approves and makes recommendations to the Supervisory Board on monitoring financial accounting process; provides oversight of the effectiveness of the risk management system, particularly of the internal control system and the internal audit system. The audit committee reports to the Supervisory Board on quarterly

basis on key risk portfolios, on risk strategy and supports the Supervisory Board in monitoring the implementation of this strategy; monitors the Executive Board's activities that promote the company's compliance with legal requirements, regulations and internal policies.

The Risk Committee oversees the bank's risk profile; assesses the adequacy requirements for key risks, including risk assessment, monitoring, and limits; discusses and agrees on actions related to risk profile and risk strategy within the bank. The Committee reviews all policies and other documents to be approved by the Supervisory Board before submitting them to the Board; evaluates the effectiveness of the bank's internal control and risk management systems together with the Internal Audit Committee; checks the tests performed by the external audit to assess the risk management environment and develops appropriate recommendations; periodically checks available systems for risk limits.

The management Board is responsible for managing the Bank, so that the main goals and objectives, as well as performance targets of the Bank are achieved and the daily operations are performed in accordance with the regulatory requirements and the Bank's Terms of Reference. The Executive Board defines appropriate procedures for managing all inherent risks in each business line, structures business to reflect risk, ensures adequate segregation of duties and defines operational responsibilities of subordinate staff, ensures existence of adequate procedures in place. The Management Board is responsible for monitoring and implementation of risk mitigation measures and operation of the Group within the established risk parameters.

Management oversight and control culture for Basisbank involves inclusion of key items related to internal control into the regular tasks of the Executive Board. Daily activities of Executive Board in the scope of oversight and control function include:

- reviews of performance reports, which enables them to streamline the progress toward the Bank's goals and control the activity at division and departmental level;
- regular reviews of whether the bank's strategy and risk and capital limits are appropriate and if compliance with exposure and capital limits is maintained;
- follow-up on non-compliance to ensure that management at an appropriate level is aware of the transaction or situation;
- requiring approval and authorization for transactions above certain limits;
- review of evaluations of internal controls;
- ensuring prompt follow-ups on recommendations and concerns expressed by auditors and supervisory authorities related to internal control weaknesses.

The Executive Board establishes committees and functional units within the bank to ensure overall oversight and management of risk.

ALCO Committee reviews current and prospective liquidity positions and monitors alternative funding sources; reviews maturity/re-pricing schedules with particular attention to the maturity distribution of large amounts of assets and liabilities maturing; develops parameters for the pricing and maturity distributions of deposits, loans and investments; develops alternative strategies which take into account changes in interest rate levels and trends, deposit and loan products and related market/banking regulations, etc; performs an independent review of the validation and reasonableness of the inputs, assumptions, and output of the ALM model(s) and procedures; approves limit structure on counterparty risk.

Credit Committee acts in the best interest of the Bank and in compliance with internal policies and procedures; evaluates potential clients' financial standing and their ability to repay the loan; reviews loan applications and makes decisions within the authority delegated to the committee; reviews loan collection practices to improve loan underwriting and collection efforts.

Deputy General Director - Risk Management (CRO), who is a member of the Executive Board, is a top-level executive responsible for overall risk management in credit, market and operational 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. Responsibilities of CRO include comprehensive control of risk and continuing development of methods for risk measurement; setting risk limits and creating risk maps; communicating a clear vision of the firm's risk profile to the board and to key stakeholders. CRO has unimpeded direct access to Supervisory board, regularly reports to SB about the Bank's risk profile, its adherence to defined risk appetite, significant internal and external developments which could have material effect on bank's risks.

Risk Management Department evaluates credit, market and operational risks related to various transactions or operations and draws up suggestions about modifications necessary in structure, procedures, makes assessment of expected credit losses (ECL); manages and evaluates credit, market and operational risks; elaborates ICAAP (internal capital adequacy assessment process) and GRAPE (General Risk Assessment Program) framework, by coordinating them with the risk owners; elaborates and introduces methods of risk mitigation, specifically related to credit risk management; evaluates bank's lending performance and compares it to the past periods; reviews all policies and procedures prior to submission for approval to the executive board.

Risk Appetite and Key Risk Types

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 has to elaborate its risk tolerance framework.

Management of each material risk types is defined within the ICAAP framework of the Bank. Risk appetite of Basis Bank has been set as a limit system which enables the Bank continuously monitor the exposure to the relevant risk factors. The limits are defined by the Executive Board and have to be in line with strategic planning and external requirements (legal requirements on capital and liquidity; Group level / owner requirements). 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.

The risk map of the institution shows the complete picture of all risk types evaluated in Basisbank under the ICAAP. For each type of risk, it is determined which methodological approach should be used to reduce the risk.

If the risk is considered significant and it is quantifiable, the Bank has to define 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 available. However, the regular review of ICAAP ensures that at least yearly all risk types are assessed, and risk types that are irrelevant and became relevant over time are addressed in an appropriate matter.

Key Risk Types: Identification and Assessment

Financial risk comprises credit risk, market risk (including currency risk, interest rate risk and price risk), and **liquidity risk**. The primary objective of the financial risk management function is to establish risk limits, and then ensure that exposure to risks stays within these limits.

Credit risk. 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 as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments. Credit risk is obviously the most important type of risk for banks and banks' supervisory authorities. The Bank's credit strategy is to create diversified and profitable loan portfolio while maintaining maximum quality.

Credit risk management. The estimation of credit risk for risk management purposes is complex and involves use of 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.

Establishment of an appropriate credit risk management environment. In Basisbank this is achieved through written Credit Policy and Credit Manual related to target markets. In this formalized documents portfolio mix, price and non-price terms, the structure of limits, approval authorities and processing of exceptions and management reporting issues are addressed and outlined.

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 a more frequent review.

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.

- The senior credit committee reviews and approves limits above USD 600 thousand, Approvals are given by e-mail or the committee meets when necessary. It is also responsible for issuing guidance to lower-level credit committees;
- The junior credit committees review and approve credit limits between USD 300-600 thousand. Approvals are given by e-mail or the committee meets when necessary;
- Applications up to USD300 thousand are approved by risk management department. Exceptions are retail loans up to USD 100 thousand that are approved by retail lending group.

Sound credit-granting process. In Basis Bank this involves the consideration of a number of 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 Risk Management Division) take part in credit risk assessment of the client. For Individual borrowers the bank has developed simplified 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.

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.

Risk Mitigation and Residual risk. Exposure to credit risk is also managed, in part, by obtaining collateral as well as corporate and personal guarantees to mitigate the credit risk. The limits for collateral coverage are different depending on product type and borrower segment. To reduce the potential residual risk of collaterals, the Bank uses discounts on the market value of the collaterals when calculating collateral coverage during the lending processes and during portfolio management. The Group obtains collateral valuation at the time of granting loans and annually re-evaluates real estate properties pledged for the loans which are included in top 100 borrower group list by carrying amount as at reporting date. Apart from top-100 borrower groups, for the loans with carrying amount more than GEL 100 thousand, the Group

requests re-evaluation of the pledged real-estate collaterals if a new loan is disbursed under the pledge of the given collateral or in case of restructuring of the given commitment in case the last valuation is more than 1 year ago. During 2019 the Bank has re-evaluated representative sample of all collaterals that were left out of scope of mandatory yearly re-evaluations. This process has not revealed any significant deviations from the value according to the last valuation acts. 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 types by the Credit Policy.

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 the monitoring of 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.

Maintenance of appropriate portfolio quality reporting. Portfolio quality and lending limits determined by Credit Policy are regularly followed by the Credit Risk Management in its control function and presented to the management of the Bank via portfolio reporting. 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. In order 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 are reported to and reviewed by the Risk Committee, the Management Board and Supervisory Board.

Stress testing. The bank performs regular stress tests to monitor impact of adverse macroeconomic, 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, in order 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.

In order to determine stressful scenarios, the Bank uses the National Bank's stress-test methodology manual. According to the manual, the slowdown of the global economic activity causes recession to our region, the US dollar appreciates against all currencies and pushes interest rate raise resulted from the increased risk premium. The change in macroeconomic parameters occur in line with recession in the region, in particular: 5% reduction in gross domestic product, reduction of commodity (gold and other) prices; depreciation of national currency by 20%; a 30% reduction of real estate prices in USD; the interest rate increase by 2 percentage points, to assess credit losses on interest gap revaluation and variable lending rates; reduction of the number of employees by 5%; reduced employee revenue by 5%. Additionally, micro and retail portfolios are divided into sub-portfolios of loans issued with the analysis of borrowers' solvency performed and of those issued without performing such analysis. An additional 20% default is assigned to each loan in the portfolio of the loans issued without performing the borrowers' solvency analysis. The Bank calculates the financial and loan service ratios and the loan loss reserves for relevant stress scenarios for the selected loan portfolios (it is inadmissible to improve the reserve category after stress) and the subsequently results are applied to the rest of the portfolio. Due to the 2019 pandemic, the bank's portfolio was tested to detect possible negative effects of Covid-19.

During the stress test, individual scenarios are developed for high-risk sectors such as hospitality - hotels and tourism, deteriorating asset value, declining or losing potential sources of income for individual borrowers, foreign currency devaluation stress, and a general increase in default probability. The uncertainty of the full impact on the economy and its individual sectors remains high. Accordingly, the stress scenarios will resume in the second quarter of 2020. It will also be adjusted according to the reserves created for the depreciation of the portfolio related to Covid-19.

At the end of March, according to the standards of the NBG, the bank allocated additional reserves of GEL 24.1 million for the entire portfolio. The reserve was recorded as a general reserve of the total loan portfolio, which represents an advanced recognition of the possible losses resulting from the deterioration of the portfolio, in case of continuation of the crisis and also in case no improvement of the sector in the near future is expected. The reserve calculation is based on the analysis of the scenarios of the most vulnerable sectors and the individual assessment of the soundness of the borrowers. The calculation refers to a possible increase in NBG reserves over the next 12 months. The sectors under individual stress are hotels and tourism (hotels, restaurants, cafes and bars, tourism services), real estate development, real estate management, total retail portfolio by sources of income of individual borrowers.

According to the stress scenario analysis and the instructions of the NBG, the impact of Covid-19 on the Basisbank portfolio was estimated at 2.18% of the total loan portfolio. The bank's capital adequacy ratios, funding and liquidity positions are strong, and the overall quality of the assets is quite sound to ensure protection from the current situation. The results of the stress tests currently have a 1.5% impact on capital ratios.

Market and liquidity risks are managed by the Asset and Liability Management Committee (ALCO) in coordination with the Treasury Department and the Risk Management department. The Treasury Department performs monitoring by holding regular meetings with operational units in order to obtain expert judgments in their areas of expertise, executes the daily control of liquidity gaps, interest rate exposures, and controls and manages foreign exchange risk exposure.

Market Risk. The most likely sources of market risk are interest rate risk and foreign exchange rate risk.

Interest rate risk is the current or prospective risk to both the earnings and capital of institutions arising from adverse movements in interest rates. From a credit institution's perspective, an interest rate risk may occur for both its trading book portfolio and banking book transactions (traditional credit/deposit and investment transactions).

Types of interest rate risks relevant for the Bank are:

- re-pricing risk, i.e. risk deriving from the different maturity structure of receivables and payables and from pricing that is based on different interest rates or different periods. A re-pricing risk is generated when there is a mismatch between the maturity structure of assets and liabilities and if pricing takes place at different intervals or at differently based interest rates (e.g. receivables at a fixed interest rate and liabilities at a variable interest rate).
- yield curve risk, i.e. risk originating in changes of the shape and steepness of the yield curve.

Foreign exchange risk rises from an open or imperfectly hedged positions in a particular currency as a result of unexpected movements in the level of exchange rates (that may lead to losses in the local or reporting currency of the market participant).

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. The Bank maintains a comprehensive interest rate risk 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, repricing maturity gap.

Liquidity Risk. Liquidity risk is defined as the risk of inability of the bank to honour its financial obligations under normal or stressed conditions. Liquidity is the ability of the Bank to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses. The fundamental role of banks in the maturity transformation of short-term deposits into long-term loans makes banks inherently vulnerable to liquidity risk, affects markets as a whole. Virtually every financial transaction or commitment has implications for a bank's liquidity. Effective liquidity risk management helps ensure a bank's ability to meet cash flow obligations, which are uncertain as they are affected by external events and other agents' behaviour.

The bank relies on Basel 3 liquidity management methodologies and on other internal assessment models developed in line with best international practice and manages liquidity risk according to the internal policies of Anti-Money

Laundering (AML) and Liquidity Management, with detailed definition of processes and limit systems connected to liquidity management (cumulative maturity mismatch limit, Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR)).

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.

Operational Risk. Operational risk is defined as the risk of financial loss occurring from inadequate internal policies, system and control failures, human errors, fraud or management failure and natural disasters. The operational risk management exists on three levels in the Bank: business units/departments level, Operational Risk Management level and Internal Audit level. In order to effectively measure and manage operational risk, appropriate operational risk management environment is developed through internal reporting of operational risk as a distinct risk category related to the bank's safety and soundness on one hand, and by effective and comprehensive internal audit function, carried out by operationally independent, appropriately trained and competent staff, on the other hand.

The Bank's Operational Risk policy provides a comprehensive framework for operational risk identification, measurement and management. The policy defines the principles for how operational risk is to be identified, assessed, monitored, and controlled or mitigated. A system of checks to identify strengths and weaknesses of the operational risk environment is defined and contingency and business continuity plans are in place to ensure the ability to operate as going concern and minimize losses in the event of severe business disruption.

During the unprecedented spread of covid-19, Basisbank developed a business continuity plan to ensure proper response to health issues and operational risks. The Bank has taken precautionary measures to protect the health and safety of both employees and customers, to ensure the continuity of necessary services, and to reduce all operational and financial risks. All business continuity measures are coordinated with GoG and the NBS and are based on their guidelines and instructions. Bank offices and branches operate in compliance with additional safety standards, including strict hygiene standards. The bank will continue to follow the instructions of local and international health organizations and make informed decisions.

Although the Bank calculates capital requirement for operational risk using the Basic Indicators Approach (BIA approach), some qualitative elements of more advanced risk quantification are used, which serve as a basis of more comprehensive operational risk management.

Within the scope of ICAAP framework, the Bank assess other risks to which the bank can be exposed, some of these risks are described below:

Business Risk means current or prospective risk of earnings and capital decrease arising from changes in the business environment and from adverse business decisions, or from the overlooking of changes in the business environment, inadequate implementation of decisions or poor reactions to changes in the competitive environment.

Regulatory Risk. Banking sector is highly regulated and moreover the environment continues to evolve in an unpredictable way, therefore the bank is exposed to regulatory risk, i.e. of non-compliance with regulatory requirements. In addition to mandatory capital adequacy ratios, the regulator (National Bank of Georgia) sets lending limits and other economic ratios, including, lending, liquidity and investment ratios. The Bank is required to comply with minimum reserve requirements and provide regular periodic reports.

The bank is also regulated by respective tax code and number of other laws in Georgia, which are relevant for the Bank through its everyday business activities. Additional regulatory requirements arise among others through: the Anti-

Money Laundering (AML) and Counter-Terrorist Financing Policy; the Anti-Bribery, Anti-Corruption and Anti-Facilitation of Tax Evasion Policy, the Whistleblowing Policy, the Law of Georgia on Personal Data Protection (PDP).

In line with the Bank's integrated control framework, the bank carefully evaluates the impact of each legislative and regulatory change as part of its formal risk identification and assessment processes and has established systems and processes to ensure full regulatory compliance, with the Compliance Unit of Risk Management Department in charge of these processes.

Operational Risk Department identifies potential breaches of PDP law via analyzing customer complaints, the operational risk event databases and introduces changes in operational practices to improve personal data protection and avoid leakage of personal information in the environment of rapidly increasing automation.

Financial Monitoring Department on the other hand enhances compliance to regulatory requirements via creating operational framework for regulations imposed by the Financial Monitoring Service of Georgia (FMS), with the main objective of preventing illicit income legalization and terrorism financing.

The **management of environmental and social risks** includes, on the one hand, efficient consumption of natural resources and responsible waste management in the daily business activities of the bank, and integration of responsible financing principles in the bank's lending activity on the other.

In order to effectively implement responsible financing principles, on 2018 Basisbank made significant changes in its environmental and social risk management policy by developing the Due Diligence and E&S Risk Assessment procedures. The bank also introduced the exclusion list. It specifies the types of the activities that the bank does not finance. The activities on the exclusion list can be, in some way, linked to production/trade of weapons and military materials, forced and child labor, illegal pharmaceuticals, production/trade of certain pesticides and herbicides, gambling and casinos, etc. These documents are based on the active Georgian legislative framework, best practice and recommendations of the international financial institutions.

As part of the environmental and social risk assessment process, all business loans are subject to standard procedure of verifying the project in the exclusion list. At a later stage, based on the data and documents provided by the client, assessments after the onsite visit, and information received from independent sources, the responsibility of the potential client is assessed, along with the client's degree of environmental and social risk management. The bank refers to the IFC's Environmental and Social Performance Standards for its assessments. The bank is also empowered to set covenants for the client for the purpose of enhancing the client's environmental and social responsibility (e.g. improvement of the fire safety system and upgrade of working conditions).

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 limit system by introducing Country Risk Management Policy in order to measure its exposure to country risk based on the external rating of the countries.

Reputation Risk may originate in the lack of compliance with industry service standards, failure to deliver on commitments, lack of customer-friendly service and fair market practices, low or inferior service quality, unreasonably high costs, a service style that does not harmonize with market circumstances or customer expectations, inappropriate business conduct or unfavourable authority opinion and actions.

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 mitigate potential risks by the 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.

Regulatory Requirements under Basel 3

In 2013 the NBG Regulation on Capital Adequacy Requirements for Commercial Banks became effective. The principles of the regulation are based on the requirements of the capital adequacy framework document, i.e. Basel 3, of the Basel Committee on Banking Supervision, and directives and regulations of European Union N 575/2013 approved on 26 June 2013 and Directives 2013/36 / EU.

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

Under Basel 3, Capital Adequacy Requirements for Commercial Banks are based on three pillars: Pillar 1 sets minimum requirements for regulatory capital; Pillar 2 covers supervisory review and capital assessment process and Regulation on Additional Capital Buffers; Pillar 3 is about information disclosure by commercial banks.

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

Pillar 2 includes a supervisory reviewing and assessment process, in which the National Bank examines the relevant risks management policies implemented by commercial banks, strategies, processes and mechanisms and their compliance with the Bank's risk positions; In addition to fulfilling minimum capital requirements, the Commercial Bank is obliged to comply with the requirements of the additional capital buffer for the risks that are not included in the Pillar 1 (including market risks that are not included in the Pillar 1. For example, the concentration risks, interest, liquidity, strategic and reputation risks and more).

Pillar 3 - Commercial Banks are obliged to provide a high level of transparency aimed at raising confidence towards the financial sector and protection of 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 concentrations and management standards, as well as disclosure of internal processes and other important information.

Capital Requirements

Within Pillar 1, the minimum capital requirements are defined as follows:

- | | |
|---|------|
| ○ Common Equity Tier 1 (CET 1) ratio of | 4.5% |
| ○ Tier 1 Capital ratio of | 6% |
| ○ Regulatory Capital ratio of | 8% |

Common Equity Tier 1 (CET1) minimum capital requirement applicable is 4.5 %. It represents the primary source of the capital, i.e. the equity that includes common stock and additional reserves (additional funds originated as a result of issuing the 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. At least 6 per cent of risk-weighted assets are required to be covered by Such Tier 1 capital (CET1 plus AT1), considering regulatory adjustments.

Supervisory Capital - Commercial Bank's capital adequacy is determined by its supervisory capital, composed of basic and additional premium capital elements and secondary, liquidation capital.

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

Minimum Supervisory Requirements and Additional Buffers

In addition to the minimum capital requirements under Pillar 1, NBG sets capital buffer requirements within pillar 1 and pillar 2 framework.

Under pillar 1 commercial banks are required to meet a combination of capital buffer requirements 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 originated as a result of stress events.
- The countercyclical buffer 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. In determining the countercyclical capital buffer, an analysis of a number of factors is taken into account, including the credit-to-GDP ratio and indicators describing its deviation from the long-run trend; trends in lending, along with other indicators and characteristics of the country's macro-financial environment.
- Systemic buffers are set additionally by the NBG for systemically important commercial banks.

Supervisory Requirements for JSC Basisbank

The Supervisory Requirements of JSC BasisBank include minimum supervisory requirements set within the framework of Pillar 1, plus capital conservation buffer and counterparty buffer, which is currently defined by the National Bank at 0%. As for system buffers, Basisbank is not considered by the National Bank as a system-maker, so the systemic capital buffer rate for Basisbank is set at 0%.

The requirements introduced under Pillar 2 define the following buffers:

- Unhedged currency induced credit risk buffer;
- Credit portfolio concentration risk buffer, consisting of the name and sectoral concentration buffers;
- Net stress test buffer, set in accordance with supervisory stress tests;
- Net GRAPE buffer is set as part of the review of the risk categories and the bank's internal capital adequacy within the NBG's General Risk Assessment Program.

Capital buffers defined by Pillar 2 are individual for all banks and depend on the Bank's risk positions concentration. Individual GRAPE buffers also became active during 2018.

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

By December 2019, the distribution of the concentration (name and sectoral) buffer and the net GRAPE buffer requirement for capital elements was carried out in the following percentage ratio:

○ Common Tier 1 Capital	15%
○ Tier 1 Capital	20%
○ Total Regulatory Capital	100%

Risk Weighted Risk Exposures

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

Credit Risk Analysis

In accordance with the current regulation, the bank uses a standardized approach to calculate the credit risk weighted risk exposure.

Credit risk exposure consists of three components: balance elements, off-balance elements and counterparty-related credit risk weighted risk exposures.

The cost of the risk exposure for balance elements is interest, penalty, accounts receivable, and other claims against the party, reduced by special reserve and capital adjustment and added to the principal.

In the calculation of the 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 these purposes, it is permitted to substruct risk position only with the funds available on the client’s deposit account. Accordingly, the risk position, is considered as funded collateral when it is secured with deposit. The deposit can be owned as by the borrower client as well by the third party. Deposit taken as collateral (or its part used as collateral) must be free of other liabilities.

As of December 2019 the credit mitigation is equal to GEL 101,819 thousand.

Note: See Appendix 1, Table 12.

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 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
2		F2	P-2
3		F3	P-3
4	Lower than F3		NP
			A-1+, A-1
			A-2
			A-3
			B-1, B-2, B-3, C

Note: starting from July, 2018, the NBG introduced the Regulation on Defining the Unhedged Borrowers. The borrower risk exposure can be attributed to the hedged category, if the repayment of their claims is considered by:

1. The versatile banks and those financial institutions, against whom the risk exposures are weighted at 0%.
2. Production of the standardized merchandise/proceeds from trade and products are traded (pricing) in the same currency as the loan.
3. Proceeds from export, sales price for the product is in the same currency as the loan.
4. Proceeds from the hotels; majority (>50%) of the hotel visitors are from foreign countries.
5. Proceeds from electric energy production sector; 50% of the risk exposure;
6. Borrowers that meet the below criteria:
 1. Debt / EBITDA \leq 1.5
 2. EBIT / Interest Expenses \geq 5.0
 3. Equity / Assets \geq 75%

It is also important that the Regulation on Asset Classification and the Creation and Use of Loan Loss Reserves by Commercial Banks sets the minimum requirements for "Loan Services" (PTI) and Loan Security (LTV) ratios for the loans classified as standard and issued to individuals. The amendments double the risk weight for those unsecured consumer loans, which do not meet the requirements related to the loan service and security ratios. If the commercial banks breach the limits set under the revised regulation, they face the sharply increased regulatory burden in terms of capital adequacy requirements.

The cost of the risk exposure for off-balance elements is their value, reduced by special reserves, multiplied by the credit conversion factor. The effect of the credit conversion factor the credit risk conversion factor of the off-balance elements related to the credit risk weighting as of December 2019, is GEL 34,994 thousand GEL.

Note: Please refer to Appendix 1, Table 8.

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 term of the agreements on the interest rate and the exchange rate derivative instruments does not exceed 14 calendar days, it does not take into consideration for the risk weighting purposes.

As of December 31, 2019, the bank had no counterparty-related, exchange rate and interest rate-related contracts.

Note: Please refer to Appendix 1, table 15.

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 at open and unproperly hedged positions as a result of unexpected movements in certain currency (this causes the possible losses of market participant related to internal or settlement currency).

Currency positions are managed in compliance with Bank Management's foreign exchange policy. 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 is calculated using the Basic Indicator Approach (BIA). The operational capital requirement, according to BIA, should amount to 15% of the NBG-set indicator. It is defined as the average of the sum of net interest and net non-interest revenues for the last three years.

As of December, 2019, the operational risk-weighted risk exposure amounts to GEL 112,081.

Note: Please refer to Appendix 1, table 23.

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.

The following instruments are used:

- **Data accumulation on losses and damages:** obtaining of 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 incurred losses)
- **Definition of appropriate measures for risk mitigation** - based on incurred losses and analysis obtained as a result 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.

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: Information on the volume of operational losses is given in appendix 1/table 22.

JSC Basisbank Tier 1 and Regulatory Capital Positions as of 2019

Capital adequacy	Thousand lari
Common shares that comply with the criteria for Common Equity Tier 1	16,181
Stock surplus (share premium) of common share that meets the criteria of Common Equity Tier 1	76,413
Other reserves	123,143
Retained earnings (loss)	24,830
Before adjustments	240,567
Adjustments	-11,546
Common equity Tier 1 capital	229,021
Tier 2 capital	29,612
Regulatory capital	258,633
Total risk weighted risk exposure	1,359,786
Tier 1 capital	16.84%
Regulatory capital	19.02%

Based on the data of 2019, supervisory components are adjusted by the following elements:

- with asset revaluation reserves
- with intangible assets

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

1. Insurance Company Hualing 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. JSC BHL 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 2019, 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 1 / Table 5.

Risk-weighted Risk Exposures

Thousand lari	2019
Credit risk-weighted risk exposures	1,244,578
Balance elements	1,151,387
Off-balance elements	93,191
Market risk-weighted risk exposures	3,127
Operational risk-weighted risk exposures	112,081
Total risk-weighted risk exposures	1,359,786

Additional Basel 3 Requirements

The leverage ratio was introduced by the NBG in 2018 based on the recommendations by the Basel Committee of Banking Supervision, which is the capital risk based additional requirement.

To calculate the leverage ratio, the primary capital is divided to the 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.

On September 26, 2019, based on the Decree of the Governor of the National Bank of Georgia No. 214/04, the bank leverage should always exceed 5%. As of December 31, 2019, the Basisbank indicator is 12.85%.

Note: refer to table 15.1

Liquidity Risk. In parallel with the capital standards based on Basel 3 framework, the NBG introduced LCR – Liquidity Coverage Ratio. 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 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. Except for the LCR, the liquidity of commercial banks is regulated through the average liquidity ratio, which is the ratio of average liquid assets of the reporting month to the same month's average liabilities.

The table below shows the LCR for December 2019.

Liquidity Coverage Ratio	2019
High quality liquid assets	400,668
Net cash outflow	243,707
LCR (%)	164%

In 2019 the National Bank introduced a long-term liquidity ratio – Net Stable Funding Ratio (NSFR), to be in full compliance with Basel 3 standards. This ratio restricts dependence from short-term financing and stabilizes the risk of funding. The NSFR is defined as the ratio of available stable funding to the need of stable funding. The compulsory requirement is the minimum of 100%. After the implementation of the requirement, starting from 2020, the average liquidity requirement will be abolished.

The table below shows the NSFR as of December 2019.

Available stable funding (in thousand lari)	2019
Available stable funding	1,008,834
Need for stable funding	789,500
Net stable funding ratio %	128%

Key Indicators of the Bank

As of December 31, 2019, the link between the IFRS financial statements and the reports prepared for regulatory purpose

In thousand Lari	Carrying Values as reported in published IFRS financial statements	Carrying Values per IFRS under scope of regulatory consolidation (stand-alone)	Carrying values as reported in published stand-alone financial statements per local accounting rules (stand-alone)
Cash and cash equivalents	248,700	246,711	256,223
Mandatory cash balances with the NBG	177,989	177,989	177,989
Due from other banks	7,186	-	-
Investments in debt securities	202,569	202,269	202,548
Investments in equity securities	63	63	63
Investment in subsidiaries	-	13,097	9,300
Loans and advances to customers	984,994	984,994	963,099
Finance leases to customers	3,126	-	-
Insurance receivables	8,798	-	-
Investment properties	959	367	-
Current income tax prepayment	1,472	1,472	1,444
Other financial assets	1,204	1,157	3,152
Other assets	30,616	28,294	18,790
Premises and equipment	27,016	26,949	26,949
Intangible assets	2,199	2,033	2,033
Right of use assets	3,536	3,536	3,536
Non-current assets held for sale	486	291	-
Total assets	1,700,912	1,689,220	1,665,124
Due to other banks	183,984	183,984	193,616
Customer accounts	768,871	770,050	768,902
Other borrowed funds	428,926	428,926	431,632
Lease liabilities	3,737	3,737	3,737
Insurance Liabilities	8,828	-	-
Other financial liabilities	2,558	2,152	4,707
Deferred income tax liability	1,853	1,847	2,503
Provisions for liabilities and charges	1,010	1,010	2,177
Other liabilities	3,096	2,638	2,873
Subordinated debt	14,410	14,410	14,410
Total liabilities	1,417,274	1,408,753	1,424,557
Share capital	16,057	16,057	16,181
Share premium	74,923	74,923	76,413
Retained earnings	181,670	178,498	138,460
Share based payment reserve	1,822	1,822	-
Revaluation reserve for premises	9,165	9,165	9,513
Total equity	283,638	280,466	240,567

Key Financial Ratios

Capital ratios as a percentage of RWA	31-Dec-19	31-Dec-18
Common equity Tier 1 ratio $\geq 8.6734\%$	16.84%	16.93%
Tier 1 ratio $\geq 10.7379\%$	16.84%	16.93%
Total Regulatory Capital ratio $\geq 16.1774\%$	19.02%	18.08%
Income		
Total Interest Income / Average Annual Assets	7.46%	7.84%
Total Interest Expense / Average Annual Assets	3.72%	3.51%
Earnings from Operations / Average Annual Assets	2.38%	3.15%
Net Interest Margin	3.74%	4.33%
Return on Average Assets (ROAA)	1.66%	2.87%
Return on Average Equity (ROAE)	10.98%	17.64%
Assets Quality		
Non Performed Loans / Total Loans	3.88%	3.76%
LLR/Total Loans	3.86%	3.76%
FX Loans/Total Loans	55.87%	63.05%
FX Assets/Total Assets	54.52%	57.23%
Loan Growth-YTD	9.00%	16.27%
Liquidity		
Liquid Assets/Total Assets	28.87%	30.38%
FX Liabilities/Total Liabilities	65.08%	69.73%
Current & Demand Deposits/Total Assets	22.04%	26.60%

Management Remuneration Policy

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

The Supervisory Board establishes the terms of employment and remuneration of the members of the Board of Directors, 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 2019 is given in Table 24/27 in appendix 1.

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

The compensation system and structure are reflected in the individual contracts of the Directorate Members. The fixed individual salaries of the directorate members are reviewed by way of consultations between the Director and the Supervisory Board. The variable portion of the remuneration is regulated by a contract with the members of the directorate, which is common to all members; the amount of annual compensation depends on the Bank's financial results.

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. In July 2013, the Bank's Supervisory Board approved the top management bonus system, which includes both cash and share based payments.

The total bonus determination is based on the financial results of the previous reporting year, which is confirmed by external audit opinion (one of the world's four largest international audit companies), the goal of the team is, first of all, determined by the profitability and growth indicators set by the Supervisory Board. At the same time, the normative ratios must be observed along with the agreements stipulated in the contracts concluded with international financial institutions.

All expenses related to the top management's bonus scheme are recognized in the reporting period. Please refer to table 24/27, appendix 1.

Share Based Payments

At least 50% (fifty percent) of the compensated amount shall be used to purchase the bank's shares in pre-determined conditions. The total amount 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.

Management shares are subject to limitation within two years from the date of purchase ("blocking period"). Following the expiry of such period, half of the shares held by the directors are relieved of the block. All the shares owned by the Directors may be fully transferred to the new holders only after the expiry of contractual obligations.

Shares will be issued by setting the terms of service, which will be valid until the rights and obligations of the scheme participant are expired. Before these terms expire, the shares only carry the right to receive dividends. They are not entitled to voting right and are not subject to alienation or transfer to third parties. These terms imply continuous employment; during this period the transfer of the full rights on the shares to the scheme participants is not completed.

The holders were granted rights on 2015 shares in July, 2016. By the decision of the Bank's Supervisory Board, all post-transfer restrictions were lifted for the shares issued before 2016 (116,630 shares).

Table 24 shows the remuneration of the directors based on shares (see Appendix 1) of Pillar 3 Annual Report. The reviewed pay scheme is based on local accounting standards.

Pillar 3 quarterly report		
1	Name of a bank	JSC "BasisBank"
2	Chairman of the Supervisory Board	Zhang Jun
3	CEO of a bank	David Tsaava
4	Bank's web page	www.basisbank.ge

Senior management of the bank ensures fair presentation and accuracy of the information provided within Pillar 3 disclosure report. The report is prepared in accordance with internal review and control processes coordinated with the board. The report meets the requirements of the decree N92/04 of the Governor of the National Bank of Georgia on "Disclosure requirements for commercial banks within Pillar 3" and other relevant decrees and regulations of NBG.

Table N	Table of contents
1	Key ratios
2	Balance Sheet
3	Income statement
4	Off-balance sheet
5	Risk-Weighted Assets (RWA)
6	Information about supervisory board, senior management and shareholders
7	Linkages between financial statement assets and balance sheet items subject to credit risk weighting
8	Differences between carrying values of balance sheet items and exposure amounts subject to credit risk weighting
9	Regulatory Capital
9.1	Capital Adequacy Requirements
10	Reconciliation of regulatory capital to balance sheet
11	Credit risk weighted exposures
12	Credit risk mitigation
13	Standardized approach - effect of credit risk mitigation
14	Liquidity Coverage Ratio
15	Counterparty credit risk
15.1	Leverage Ratio
20	Differences between accounting and regulatory scopes of consolidation
21	Consolidation by entities
22	Information about historical operational losses
23	Operational risks - basic indicator approach
24	Remuneration awarded during the reporting period
25	Special payments
26	Information about deferred and retained remuneration
27	Shares owned by senior management

Bank: JSC "BasisBank"

Date: 31-Dec-19

Table 1 **Key metrics**

N		31-Dec-19	30-Sep-19	30-Jun-19	31-Mar-19	31-Dec-18
	Regulatory capital (amounts, GEL)					
	<i>Based on Basel III framework</i>					
1	Common Equity Tier 1 (CET1)	229,020,833	218,750,973	210,197,882	209,924,565	207,916,638
2	Tier 1	229,020,833	218,750,973	210,197,882	209,924,565	207,916,638
3	Total regulatory capital	258,633,011	248,732,470	225,806,273	224,305,045	221,980,554
	Risk-weighted assets (amounts, GEL)					
4	Risk-weighted assets (RWA) (Based on Basel III framework)	1,359,785,587	1,344,638,133	1,354,642,968	1,243,022,792	1,227,819,486
	Capital ratios as a percentage of RWA					
	<i>Based on Basel III framework</i>					
5	Common equity Tier 1 ratio >=8.67344676373385%	16.84%	16.27%	15.52%	16.89%	16.93%
6	Tier 1 ratio >=10.7379439444857%	16.84%	16.27%	15.52%	16.89%	16.93%
7	Total Regulatory Capital ratio >=16.1774056289484%	19.02%	18.50%	16.67%	18.05%	18.08%
	Income					
8	Total Interest Income /Average Annual Assets	7.46%	7.55%	7.59%	7.60%	7.84%
9	Total Interest Expense / Average Annual Assets	3.72%	3.70%	3.69%	3.68%	3.51%
10	Earnings from Operations / Average Annual Assets	2.38%	2.39%	2.37%	2.50%	3.15%
11	Net Interest Margin	3.74%	3.85%	3.91%	3.92%	4.33%
12	Return on Average Assets (ROAA)	1.66%	1.31%	0.88%	0.65%	2.87%
13	Return on Average Equity (ROAE)	10.98%	8.56%	5.66%	4.09%	17.64%
	Asset Quality					
14	Non Performed Loans / Total Loans	3.88%	5.57%	6.17%	5.14%	3.76%
15	LLR/Total Loans	3.86%	4.37%	4.48%	4.27%	3.76%
16	FX Loans/Total Loans	55.87%	57.22%	63.59%	63.38%	63.05%
17	FX Assets/Total Assets	54.52%	56.59%	56.71%	56.16%	57.23%
18	Loan Growth-YTD	9.00%	3.11%	3.56%	1.73%	16.27%
	Liquidity					
19	Liquid Assets/Total Assets	28.87%	32.57%	31.97%	29.84%	30.38%
20	FX Liabilities/Total Liabilities	65.08%	68.48%	68.69%	69.07%	69.73%
21	Current & Demand Deposits/Total Assets	22.04%	22.50%	23.36%	24.57%	26.60%
	Liquidity Coverage Ratio***					
22	Total HQLA	465,115,399	461,494,516	425,348,002	369,765,654	385,346,441
23	Net cash outflow	212,250,100	232,894,584	211,554,192	210,151,384	225,044,412
24	LCR ratio (%)	219.14%	198.16%	201.06%	175.95%	171.23%

*** LCR calculated according to NBG's methodology which is more focused on local risks than Basel framework. See the table 14. LCR; Commercial banks are required to comply with the limits by coefficients calculated according to NBG's methodology. The numbers calculated within Basel framework are given for illustratory purposes.

Bank: JSC "BasisBank"

Date: 31-Dec-19

Table 2 **Balance Sheet** *in Lari*

N	Assets	Reporting Period			Respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
1	Cash	15,073,237	21,726,807	36,800,045	15,916,984	16,965,491	32,882,475
2	Due from NBG	40,851,251	179,075,242	219,926,493	31,775,104	170,451,123	202,226,227
3	Due from Banks	10,431,884	166,934,406	177,366,290	1,206,959	65,809,613	67,016,572
4	Dealing Securities	0	0	0	0	0	0
5	Investment Securities	192,809,747	5,620,692	198,430,439	172,524,654	0	172,524,654
6.1	Loans	439,957,031	556,925,665	996,882,696	337,892,802	576,665,727	914,558,530
6.2	Less: Loan Loss Reserves	-12,849,484	-25,638,399	-38,487,882	-9,500,796	-24,906,874	-34,407,670
6	Net Loans	427,107,548	531,287,266	958,394,814	328,392,006	551,758,853	880,150,859
7	Accrued Interest and Dividends Receivable	6,594,842	2,667,593	9,262,435	5,529,699	2,716,440	8,246,139
8	Other Real Estate Owned & Repossessed Assets	13,825,651	0	13,825,651	8,909,285	0	8,909,285
9	Equity Investments	9,362,704	0	9,362,704	6,362,705	0	6,362,705
10	Fixed Assets and Intangible Assets	32,516,689	0	32,516,689	28,000,237	0	28,000,237
11	Other Assets	8,706,472	531,962	9,238,434	5,176,289	187,023	5,363,312
12	Total assets	757,280,026	907,843,969	1,665,123,994	603,793,921	807,888,544	1,411,682,465
	Liabilities						
13	Due to Banks	28,001,144	22,466,500	50,467,644	1,144	50,146,300	50,147,444
14	Current (Accounts) Deposits	122,834,835	107,699,066	230,533,901	127,428,299	106,485,263	233,913,562
15	Demand Deposits	37,321,730	99,094,862	136,416,593	45,960,314	95,602,874	141,563,188
16	Time Deposits	77,838,437	318,550,941	396,389,378	100,858,304	252,425,425	353,283,728
17	Own Debt Securities	0	0	0			0
18	Borrowings	220,494,400	349,425,994	569,920,394	76,655,000	316,251,743	392,906,743
19	Accrued Interest and Dividends Payable	2,173,979	8,605,927	10,779,906	1,206,404	7,997,093	9,203,497
20	Other Liabilities	8,764,744	7,232,925	15,997,669	8,923,496	2,807,425	11,730,921
21	Subordinated Debentures	0	14,051,730	14,051,730	0	0	0
22	Total liabilities	497,429,269	927,127,946	1,424,557,215	361,032,961	831,716,123	1,192,749,084
	Equity Capital						
23	Common Stock	16,181,147	0	16,181,147	16,137,647	0	16,137,647
24	Preferred Stock	0	0	0	0	0	0
25	Less: Repurchased Shares	0	0	0	0	0	0
26	Share Premium	76,412,653	0	76,412,653	75,783,643	0	75,783,643
27	General Reserves	113,629,628	0	113,629,628	82,128,716	0	82,128,716
28	Retained Earnings	24,830,002	0	24,830,002	35,230,140	0	35,230,140
29	Asset Revaluation Reserves	9,513,350	0	9,513,350	9,653,235	0	9,653,235
30	Total Equity Capital	240,566,780	0	240,566,780	218,933,381	0	218,933,381
31	Total liabilities and Equity Capital	737,996,049	927,127,946	1,665,123,994	579,966,341	831,716,123	1,411,682,465

Table 3

Income statement

in Lari

N		Reporting Period			Respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
	Interest Income						
1	Interest Income from Bank's "Nostro" and Deposit Accounts	1,447,506	1,943,232	3,390,738	730,615	999,771	1,730,385
2	Interest Income from Loans	41,246,127	44,703,226	85,949,352	31,870,403	44,921,560	76,791,963
2.1	from the Interbank Loans	13,971	-	13,971	204,310	-	204,310
2.2	from the Retail or Service Sector Loans	6,828,224	20,869,232	27,697,456	4,683,742	19,389,913	24,073,655
2.3	from the Energy Sector Loans	1,124,815	168	1,124,983	864,978	298,348	1,163,326
2.4	from the Agriculture and Forestry Sector Loans	1,281,160	392,052	1,673,212	1,039,299	628,172	1,667,471
2.5	from the Construction Sector Loans	3,067,291	3,568,413	6,635,704	1,425,630	4,145,458	5,571,089
2.6	from the Mining and Mineral Processing Sector Loans	815,501	1,169,612	1,985,113	1,318,471	822,144	2,140,615
2.7	from the Transportation or Communications Sector Loans	59,335	446,740	506,075	31,556	1,084,605	1,116,160
2.8	from Individuals Loans	20,817,278	12,373,533	33,190,810	17,557,846	13,060,260	30,618,105
2.9	from Other Sectors Loans	7,238,552	5,883,477	13,122,028	4,744,571	5,492,659	10,237,230
3	Fees/penalties income from loans to customers	1,869,339	2,458,421	4,327,760	1,269,723	2,508,758	3,778,481
4	Interest and Discount Income from Securities	13,982,510	777,064	14,759,574	12,370,757	-	12,370,757
5	Other Interest Income	2,578,206	555,322	3,133,528	1,457,885	231,976	1,689,861
6	Total Interest Income	61,123,888	50,437,265	111,560,953	47,699,382	48,662,065	96,361,447
	Interest Expense						
7	Interest Paid on Demand Deposits	7,401,659	2,159,871	9,561,530	5,358,296	1,642,228	7,000,524
8	Interest Paid on Time Deposits	7,324,006	9,702,465	17,026,470	5,233,051	9,881,557	15,114,608
9	Interest Paid on Banks Deposits	1,065,675	308,317	1,373,991	1,192,091	494,279	1,686,369
10	Interest Paid on Own Debt Securities	221,868	-	221,868	129,136	-	129,136
11	Interest Paid on Other Borrowings	8,295,207	19,126,321	27,421,528	4,666,953	14,549,845	19,216,798
12	Other Interest Expenses	-	-	-	-	-	-
13	Total Interest Expense	24,308,413	31,296,974	55,605,387	16,579,526	26,567,909	43,147,435
14	Net Interest Income	36,815,275	19,140,291	55,955,565	31,119,856	22,094,156	53,214,012
	Non-Interest Income						
15	Net Fee and Commission Income	3,194,685	(1,159,293)	2,035,392	4,282,769	572,621	4,855,390
15.1	Fee and Commission Income	5,396,579	3,807,703	9,204,282	5,822,545	4,363,301	10,185,846
15.2	Fee and Commission Expense	2,201,894	4,966,996	7,168,890	1,539,775	3,790,680	5,330,455
16	Dividend Income	-	-	-	-	-	-
17	Gain (Loss) from Dealing Securities	314,298	-	314,298	-	-	-
18	Gain (Loss) from Investment Securities	-	-	-	-	-	-
19	Gain (Loss) from Foreign Exchange Trading	4,681,821	-	4,681,821	4,467,242	-	4,467,242
20	Gain (Loss) from Foreign Exchange Translation	(372,482)	-	(372,482)	(282,955)	-	(282,955)
21	Gain (Loss) on Sales of Fixed Assets	944,798	-	944,798	2,856,723	-	2,856,723
22	Non-Interest Income from other Banking Operations	602,705	29,047	631,752	181,221	13,887	195,109
23	Other Non-Interest Income	799,628	696,050	1,495,677	176,200	230,829	407,029
24	Total Non-Interest Income	10,165,453	(434,196)	9,731,257	11,681,201	817,338	12,498,538
	Non-Interest Expenses						
25	Non-Interest Expenses from other Banking Operations	354,831	207,657	562,488	1,149,290	26,642	1,175,933
26	Bank Development, Consultation and Marketing Expenses	2,419,681	40,177	2,459,858	2,773,420	77,946	2,851,365
27	Personnel Expenses	18,211,800	-	18,211,800	14,914,710	-	14,914,710
28	Operating Costs of Fixed Assets	106,256	-	106,256	81,162	-	81,162
29	Depreciation Expense	3,327,849	-	3,327,849	1,709,041	-	1,709,041
30	Other Non-Interest Expenses	4,488,930	77,455	4,566,386	3,685,175	36,043	3,721,218
31	Total Non-Interest Expenses	28,909,347	325,289	29,234,637	24,312,797	140,630	24,453,428
32	Net Non-Interest Income	(18,743,894)	(759,485)	(19,503,380)	(12,631,597)	676,707	(11,954,889)
33	Net Income before Provisions	18,071,380	18,380,805	36,452,185	18,488,260	22,770,863	41,259,123
34	Loan Loss Reserve	4,041,200	-	4,041,200	1,282,221	-	1,282,221
35	Provision for Possible Losses on Investments and Securities	-	-	-	-	-	-
36	Provision for Possible Losses on Other Assets	6,107,225	-	6,107,225	346,103	-	346,103
37	Total Provisions for Possible Losses	10,148,425	-	10,148,425	1,628,323	-	1,628,323
38	Net Income before Taxes and Extraordinary Items	7,922,955	18,380,805	26,303,761	16,859,936	22,770,863	39,630,799
39	Taxation	1,469,659	-	1,469,659	4,397,544	-	4,397,544
40	Net Income after Taxation	6,453,297	18,380,805	24,834,102	12,462,392	22,770,863	35,233,255
41	Extraordinary Items	(4,100)	-	(4,100)	(3,115)	-	(3,115)
42	Net Income	6,449,197	18,380,805	24,830,002	12,459,277	22,770,863	35,230,140

Bank: JSC "BasisBank"

Date:

31-Dec-19

Table 4

in Lari

N	On-balance sheet items per standardized regulatory report	Reporting Period			Respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
1	Contingent Liabilities and Commitments	82,737,510	66,292,465	149,029,976	101,374,975	55,235,195	156,610,170
1.1	Guarantees Issued	57,009,238	24,863,939	81,873,177	68,894,157	9,871,797	78,765,955
1.2	Letters of credit Issued		1,116,297	1,116,297			-
1.3	Undrawn loan commitments	25,705,577	40,259,306	65,964,883	32,458,122	45,313,078	77,771,200
1.4	Other Contingent Liabilities	22,695	52,923	75,619	22,695	50,320	73,016
2	Guarantees received as security for liabilities of the bank	-	70,155,731	70,155,731	5,000,000	45,618,935	50,618,935
3	Assets pledged as security for liabilities of the bank			-			-
3.1	Financial assets of the bank			-			-
3.2	Non-financial assets of the bank			-			-
4	Guarantees received as security for receivables of the bank	31,918,939	528,277,968	560,196,907	41,941,146	440,115,252	482,056,398
4.1	Surety, joint liability	30,365,939	526,282,049	556,647,988	40,111,146	436,562,065	476,673,212
4.2	Guarantees	1,553,000	1,995,919	3,548,919	1,830,000	3,553,187	5,383,187
5	Assets pledged as security for receivables of the bank	67,929,354	1,769,434,306	1,837,363,660	65,216,589	1,678,653,151	1,743,869,740
5.1	Cash	18,306,493	107,605,504	125,911,997	20,917,687	114,208,833	135,126,519
5.2	Precious metals and stones	-	-	-	2,400,000	20,004,908	22,404,908
5.3	Real Estate:	30,488,006	1,604,646,623	1,635,134,629	863,151	1,221,682,342	1,222,545,493
5.3.1	Residential Property	-	314,110,601	314,110,601	607,563	809,013,903	809,621,466
5.3.2	Commercial Property	-	281,135,838	281,135,838	156,025	238,361,449	238,517,474
5.3.3	Complex Real Estate	-	-	-	-	7,327,267	7,327,267
5.3.4	Land Parcel	53,626	639,355,470	639,409,096	44,313	97,986,238	98,030,551
5.3.5	Other	30,434,380	370,044,714	400,479,094	55,250	68,993,484	69,048,734
5.4	Movable Property	2,151,119	20,661,224	22,812,344	20,112,173	148,566,686	168,678,859
5.5	Shares Pledged	-	-	-	-	-	-
5.6	Securities	8,523,000	22,020,502	30,543,502	9,423,000	77,687,566	87,110,566
5.7	Other	8,460,736	14,500,453	22,961,189	11,500,578	96,502,816	108,003,394
6	Derivatives			-			-
6.1	Receivables through FX contracts (except options)			-			-
6.2	Payables through FX contracts (except options)			-			-
6.3	Principal of interest rate contracts (except options)			-			-
6.4	Options sold			-			-
6.5	Options purchased			-			-
6.6	Nominal value of potential receivables through other derivatives			-			-
6.7	Nominal value of potential payables through other derivatives			-			-
7	Receivables not recognized on-balance			-			-
7.1	Principal of receivables derecognized during last 3 month	725,883	130,824	856,707	191,865	123,621	315,486
7.2	Interest and penalty receivable not recognized on-balance or derecognized during last 3 month	314,942	656,997	971,939	216,212	198,252	414,465
7.3	Principal of receivables derecognized during 5 years month (including last 3 month)	4,101,886	1,258,712	5,360,598	3,028,046	1,322,336	4,350,382
7.4	Interest and penalty receivable not recognized on-balance or derecognized during last 5 years (including last 3 month)	1,489,290	1,862,869	3,352,159	1,030,389	1,251,794	2,282,183
8	Non-cancelable operating lease			-	13,507	83,845	97,353
8.1	Through indefinit term agreement			-			-
8.2	Within one year			-	1,044	616	1,660
8.3	From 1 to 2 years			-	2,291	16,145	18,436
8.4	From 2 to 3 years			-	822	11,867	12,689
8.5	From 3 to 4 years			-			-
8.6	From 4 to 5 years			-	350		350
8.7	More than 5 years			-	9,000	55,218	64,218
9	Capital expenditure commitment			-			-

Bank: JSC "BasisBank"

Date:

31-Dec-19

Table 5

Risk Weighted Assets

in Lari

N		31-Dec-19	30-Sep-19
1	Risk Weighted Assets for Credit Risk	1,244,577,961	1,240,081,303
1.1	Balance sheet items	1,151,387,079	1,151,970,250
1.1.1	Including: amounts below the thresholds for deduction (subject to 250% risk weight)	23,250,000	23,250,000
1.2	Off-balance sheet items	93,190,882	88,111,053
1.3	Counterparty credit risk	0	0
2	Risk Weighted Assets for Market Risk	3,126,974	3,569,970
3	Risk Weighted Assets for Operational Risk	112,080,652	100,986,860
4	Total Risk Weighted Assets	1,359,785,587	1,344,638,133

Bank: JSC "BasisBank"

Date:

31-Dec-19

Table 6 **Information about supervisory board, directorate, beneficiary owners and shareholders**

Members of Supervisory Board		
1	Zaiqi Mi	
2	Zhang Jun	
3	Zhou Ning	
4	Zaza Robakidze	
5	Mia Mi	
Members of Board of Directors		
1	David Tsaava	
2	Lia Aslanikashvili	
3	David Kakabadze	
4	Levan Gardaphkhadze	
5	Li Hui	
6	George Gabunia	
7	Rati Dvaladze	
List of Shareholders owning 1% and more of issued capital, indicating Shares		
1	Xinjiang HuaLing Industry & Trade (Group) Co LTD	91.60%
2	Zaiqi Mi	6.92%
List of bank beneficiaries indicating names of direct or indirect holders of 5% or more of shares		
1	Enhua Mi	91.56%
2	Zaiqi Mi	6.92%

Bank: JSC "BasisBank"

Date: 31-Dec-19

Table 7 Linkages between financial statement assets and balance sheet items subject to credit risk weighting

		a	b	c
		Carrying values of items		
	Account name of standardized supervisory balance sheet item	Carrying values as reported in published stand-alone financial statements per local accounting rules	Not subject to capital requirements or subject to deduction from capital	Subject to credit risk weighting
1	Cash	36,800,045		36,800,045
2	Due from NBG	219,926,493		219,926,493
3	Due from Banks	177,366,290		177,366,290
4	Dealing Securities	-		-
5	Investment Securities	198,430,439		198,430,439
6.1	Loans	996,882,696		996,882,696
6.2	<i>Less: Loan Loss Reserves</i>	<i>(38,487,882)</i>		<i>(38,487,882)</i>
6	Net Loans	958,394,814		958,394,814
7	Accrued Interest and Dividends Receivable	9,262,435		9,262,435
8	Other Real Estate Owned & Repossessed Assets	13,825,651		13,825,651
9	Equity Investments	9,362,704		9,362,704
10	Fixed Assets and Intangible Assets	32,516,689	11,545,946	20,970,743
11	Other Assets	9,238,434		9,238,434
	Total exposures subject to credit risk weighting before adjustments	1,665,123,994	11,545,946	1,653,578,048

Bank: JSC "BasisBank"

Date:

31-Dec-19

Table 8 **Differences between carrying values per standardized balance sheet used for regulatory reporting purposes and the exposure amounts used for capital adequacy calculation purposes** *in Lari*

1	Total carrying value of balance sheet items subject to credit risk weighting before adjustments	1,653,578,048
2.1	Nominal values of off-balance sheet items subject to credit risk weighting	147,871,720
2.2	Nominal values of off-balance sheet items subject to counterparty credit risk weighting	0
3	Total nominal values of on-balance and off-balance sheet items before any adjustments used for credit risk weighting purposes	1,801,449,768
4	Effect of provisioning rules used for capital adequacy purposes	16,042,675
5.1	Effect of credit conversion factor of off-balance sheet items related to credit risk framework	-34,994,302
5.2	Effect of credit conversion factor of off-balance sheet items related to counterparty credit risk framework (table CCR)	0
6	Effect of other adjustments	
7	Total exposures subject to credit risk weighting	1,782,498,141

Bank: JSC "BasisBank"

Date:

31-Dec-19

Table 9

Regulatory capital

N		in Lari
1	Common Equity Tier 1 capital before regulatory adjustments	240,566,779
2	Common shares that comply with the criteria for Common Equity Tier 1	16,181,147
3	Stock surplus (share premium) of common share that meets the criteria of Common Equity Tier 1	76,412,653
4	Accumulated other comprehensive income	0
5	Other disclosed reserves	123,142,978
6	Retained earnings (loss)	24,830,001
7	Regulatory Adjustments of Common Equity Tier 1 capital	11,545,946
8	Revaluation reserves on assets	9,513,350
9	Accumulated unrealized revaluation gains on assets through profit and loss to the extent that they exceed accumulated unrealized revaluation losses through profit and loss	0
10	Intangible assets	2,032,596
11	Shortfall of the stock of provisions to the provisions based on the Asset Classification	0
12	Investments in own shares	0
13	Reciprocal cross holdings in the capital of commercial banks, insurance entities and other financial institutions	0
14	Cash flow hedge reserve	0
15	Deferred tax assets not subject to the threshold deduction (net of related tax liability)	0
16	Significant investments in the common equity tier 1 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions that are outside the scope of regulatory consolidation	0
17	Holdings of equity and other participations constituting more than 10% of the share capital of other commercial entities	0
18	Significant investments in the common shares of commercial banks, insurance entities and other financial institutions (amount above 10% limit)	0
19	Investments in the capital of commercial banks, insurance entities and other financial institutions where the bank does not own more than 10% of the issued share capital (amount above 10% limit)	0
20	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	0
21	The amount of significant Investments and Deferred Tax Assets which exceed 15% of common equity tier 1	0
22	Regulatory adjustments applied to Common Equity Tier 1 resulting from shortfall of Tier 1 and Tier 2 capital to deduct investments	0
23	Common Equity Tier 1	229,020,833
24	Additional tier 1 capital before regulatory adjustments	0
25	Instruments that comply with the criteria for Additional tier 1 capital	0
26	Including: instruments classified as equity under the relevant accounting standards	
27	Including: instruments classified as liabilities under the relevant accounting standards	
28	Stock surplus (share premium) that meet the criteria for Additional Tier 1 capital	
29	Regulatory Adjustments of Additional Tier 1 capital	0
30	Investments in own Additional Tier 1 instruments	
31	Reciprocal cross-holdings in Additional Tier 1 instruments	
32	Significant investments in the Additional Tier 1 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions	
33	Investments in the capital of commercial banks, insurance entities and other financial institutions where the bank does not own more than 10% of the issued share capital (amount above 10% limit)	
34	Regulatory adjustments applied to Additional Tier 1 resulting from shortfall of Tier 2 capital to deduct investments	
35	Additional Tier 1 Capital	0
36	Tier 2 capital before regulatory adjustments	29,612,179
37	Instruments that comply with the criteria for Tier 2 capital	14,051,730
38	Stock surplus (share premium) that meet the criteria for Tier 2 capital	0
39	General reserves, limited to a maximum of 1.25% of the bank's credit risk-weighted exposures	15,560,449
40	Regulatory Adjustments of Tier 2 Capital	0
41	Investments in own shares that meet the criteria for Tier 2 capital	
42	Reciprocal cross-holdings in Tier 2 capital	
43	Significant investments in the Tier 2 capital (that are not common shares) of commercial banks, insurance entities and other financial institutions	
44	Investments in the capital of commercial banks, insurance entities and other financial institutions where the bank does not own more than 10% of the issued share capital (amount above 10% limit)	
45	Tier 2 Capital	29,612,179

Bank: JSC "BasisBank"

Date: 31-Dec-19

Table 9.1 Capital Adequacy Requirements

Minimum Requirements		Ratios	Amounts (GEL)
1	Pillar 1 Requirements		
1.1	Minimum CET1 Requirement	4.50%	61,190,351
1.2	Minimum Tier 1 Requirement	6.00%	81,587,135
1.3	Minimum Regulatory Capital Requirement	8.00%	108,782,847
2	Combined Buffer		
2.1	Capital Conservation Buffer	2.50%	33,994,640
2.2	Countercyclical Buffer	0.00%	-
2.3	Systemic Risk Buffer		-
3	Pillar 2 Requirements		
3.1	CET1 Pillar 2 Requirement	1.67%	22,755,288
3.2	Tier 1 Pillar2 Requirement	2.24%	30,431,239
3.3	Regulatory capital Pillar 2 Requirement	5.68%	77,200,543
	Total Requirements	Ratios	Amounts (GEL)
4	CET1	8.67%	117,940,279
5	Tier 1	10.74%	146,013,014
6	Total regulatory Capital	16.18%	219,978,030

Bank: JSC "BasisBank"

Date:

31-Dec-19

Table 10 **Reconciliation of balance sheet to regulatory capital**

in Lari

N	On-balance sheet items per standardized regulatory report	Carrying values as reported in published stand-alone financial statements per local accounting rules	linkage to capital table
1	Cash	36,800,045	
2	Due from NBG	219,926,493	
3	Due from Banks	177,366,290	
4	Dealing Securities	0	
5	Investment Securities	198,430,439	
6.1	Loans	996,882,696	
6.2	<i>Less: Loan Loss Reserves</i>	<i>-38,487,882</i>	
6.2.1	<i>Of Which General Reserves</i>	<i>15,812,832</i>	
6.2.2	<i>Of Which General Reserves</i>	<i>15,560,449</i>	<i>Table 9 (Capital), N39</i>
6	Net Loans	958,394,814	
7	Accrued Interest and Dividends Receivable	9,262,435	
8	Other Real Estate Owned & Repossessed Assets	13,825,651	
9	Equity Investments	9,362,704	
10	Fixed Assets and Intangible Assets	32,516,689	
10.1	<i>Of which intangible assets</i>	<i>2,032,596</i>	<i>Table 9 (Capital), N10</i>
11	Other Assets	9,238,434	
12	Total assets	1,665,123,994	
13	Due to Banks	50,467,644	
14	Current (Accounts) Deposits	230,533,901	
15	Demand Deposits	136,416,593	
16	Time Deposits	396,389,378	
17	Own Debt Securities	0	
18	Borrowings	569,920,394	
19	Accrued Interest and Dividends Payable	10,779,906	
20	Other Liabilities	15,997,669	
21	Subordinated Debentures	14,051,730	
21.1	<i>Of which tier II capital qualifying instruments</i>	<i>14,051,730</i>	<i>Table 9 (Capital), N37</i>
22	Total liabilities	1,424,557,215	
23	Common Stock	16,181,147	<i>Table 9 (Capital), N2</i>
24	Preferred Stock	0	
25	Less: Repurchased Shares	0	
26	Share Premium	76,412,653	<i>Table 9 (Capital), N3</i>
27	General Reserves	113,629,628	<i>Table 9 (Capital), N5</i>
28	Retained Earnings	24,830,002	<i>Table 9 (Capital), N6</i>
29	Asset Revaluation Reserves	9,513,350	<i>Table 9 (Capital), N5, N8</i>
30	Total Equity Capital	240,566,780	

Bank: JSC "BasisBank"
Date:

31-Dec-19

Credit Risk Weighted Exposures

Table 11 (On-balance items and off-balance items after credit conversion factor)

Exposure classes	a		b		c		d		e		f		g		h		i		j		k		l		m		n		o		p		q
	0%		20%		35%		50%		75%		100%		150%		250%		Risk Weighted Exposures before Credit Risk Mitigation																
	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount					
1 Claims or contingent claims on central governments or central banks	231,930,309	-	-	-	-	-	-	-	-	-	-	-	-	179,100,857	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	179,100,857	
2 Claims or contingent claims on regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
3 Claims or contingent claims on public sector entities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
4 Claims or contingent claims on multilateral development banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
5 Claims or contingent claims on international organizations/institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
6 Claims or contingent claims on commercial banks	-	-	172,382,820	-	-	-	-	-	4,949,421	-	-	-	-	256,158	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	37,207,432		
7 Claims or contingent claims on corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	649,794,852	89,400,668	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	739,195,521		
8 Retail claims or contingent retail claims	-	-	-	-	-	-	-	-	-	113,210,368	-	-	-	-	1,212,260	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	86,120,036		
9 Claims or contingent claims secured by mortgages on residential property	-	-	-	-	40,412,413	-	-	-	1,114,292	-	-	-	19,254	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	14,720,745		
10 Past due items	-	-	-	-	-	-	-	-	-	-	-	-	17,238,552	-	-	-	8,571,148	-	-	-	-	-	-	-	-	-	-	-	-	-	30,095,274		
11 Items belonging to regulatory high-risk categories	-	-	-	-	-	-	-	-	-	-	-	-	27,531,987	599,784	7,175,914	-	-	-	-	-	-	-	-	-	-	4,426,330	-	-	-	49,981,467			
12 Short-term claims on commercial banks and corporates	-	-	-	-	-	-	-	-	-	-	-	-	22,226,104	14,181,042	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	36,407,147		
13 Claims in the form of collective investment undertakings (CIU)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		
14 Other items	37,125,045	-	-	-	-	-	-	-	-	-	-	-	-	142,854,908	7,483,664	-	-	-	-	-	-	-	-	-	-	9,300,000	-	-	-	173,588,572			
Total	269,055,354	-	172,382,820	-	40,412,413	-	-	6,063,712	-	113,210,368	-	-	1,039,022,673	112,877,418	15,747,062	-	-	-	-	-	-	-	-	-	13,726,330	-	-	-	1,346,397,050				

Table 12 Credit Risk Mitigation										in Lakh		
	On-balance sheet netting	Cash on deposit with or cash instrumented instruments	Debt securities issued by central governments or central banks, regional governments or local authorities, public sector entities, multilateral development banks and international organizations/institutions	Funded Credit Protection			Standard gold bullion or equivalent	Debt securities without credit rating issued by commercial banks	Units in collective investment undertakings	Total Credit Risk Mitigation - On-balance sheet	Total Credit Risk Mitigation - Off-balance sheet	Total Credit Risk Mitigation
				Debt securities issued by regional governments or local authorities	Debt securities issued by other entities, which securities have a credit assessment, which has been determined by NBS to be associated with credit step 3 or above under the rules for the risk weighting of exposures to corporates.	Debt securities with a short-term credit assessment, which has been determined by NBS to be associated with credit quality step 3 or above under the rules for the risk weighting of short term exposures						
1	Claims or contingent claims on central governments or central banks	0	0	0	0	0	0	0	0	0	0	0
2	Claims or contingent claims on regional governments or local authorities	0	0	0	0	0	0	0	0	0	0	0
3	Claims or contingent claims on public sector entities	0	0	0	0	0	0	0	0	0	0	0
4	Claims or contingent claims on multilateral development banks	0	0	0	0	0	0	0	0	0	0	0
5	Claims or contingent claims on international organizations/institutions	0	0	0	0	0	0	0	0	0	0	0
6	Claims or contingent claims on commercial banks	0	0	0	0	0	0	0	0	0	0	0
7	Claims or contingent claims on securitizations	83,348,424	0	0	0	0	0	0	83,348,424	0	83,348,424	83,348,424
8	Special claims or contingent special claims	0	0	0	0	0	0	0	0	0	0	0
9	Claims or contingent claims covered by mortgages on residential property	0	0	0	0	0	0	0	0	0	0	0
10	Trade receivables	0	1,000,000	0	0	0	0	0	0	1,000,000	1,000,000	1,000,000
11	Claims receivable on regulatory financial companies	0	0	0	0	0	0	0	0	0	0	0
12	Claims on banks or commercial banks and corporations	0	0	0	0	0	0	0	0	0	0	0
13	Claims on banks or commercial banks and corporations	0	0	0	0	0	0	0	0	0	0	0
14	Trade receivables	0	0	0	0	0	0	0	0	0	0	0
15	Trade receivables on other financial institutions	0	0	0	0	0	0	0	0	0	0	0
16	Total	0	1,000,000	0	0	0	0	0	83,348,424	1,000,000	84,348,424	84,348,424

Bank: JSC "BasisBank"

Date: 31-Dec-19

Table 13 Standardized approach - Effect of credit risk mitigation

		a	b	c	d	e	f
Asset Classes		On-balance sheet exposures	Off-balance sheet exposures		RWA before Credit Risk Mitigation	RWA post Credit Risk Mitigation	RWA Density f=e/(a+c)
			Off-balance sheet exposures - Nominal value	Off-balance sheet exposures post CCF			
1	Claims or contingent claims on central governments or central banks	411,031,167			179,100,857	179,100,857	44%
2	Claims or contingent claims on regional governments or local authorities	0			0	0	#DIV/0!
3	Claims or contingent claims on public sector entities	0	0	0	0	0	#DIV/0!
4	Claims or contingent claims on multilateral development banks	0			0	0	#DIV/0!
5	Claims or contingent claims on international organizations/institutions	0			0	0	#DIV/0!
6	Claims or contingent claims on commercial banks	177,588,399			37,207,432	37,207,432	21%
7	Claims or contingent claims on corporates	649,794,852	117,995,359	89,400,668	739,195,521	653,547,055	88%
8	Retail claims or contingent retail claims	113,210,368	1,370,321	1,212,260	86,120,036	85,539,365	75%
9	Claims or contingent claims secured by mortgages on residential property	41,545,959	0	0	14,720,745	14,720,745	35%
10	Past due items	25,809,700	0	0	30,095,274	30,095,274	117%
11	Items belonging to regulatory high-risk categories	39,134,231	634,196	599,784	49,961,467	48,110,490	121%
12	Short-term claims on commercial banks and corporates	22,226,104	16,925,107	14,181,042	36,407,147	27,248,032	75%
13	Claims in the form of collective investment undertakings ('CIU')	0			0	0	#DIV/0!
14	Other items	189,279,953	10,946,736	7,483,664	173,588,572	169,008,711	86%
	Total	1,669,620,733	147,871,720	112,877,418	1,346,397,050	1,244,577,961	70%

Bank: JSC "BasisBank"

Date: 31-Dec-19

Table 11 Liquidity Coverage Ratio

		Total unweighted value (daily average)			Total weighted values according to NBG's methodology* (daily average)			Total weighted values according to Basel methodology (daily average)		
		GEL	FX	Total	GEL	FX	Total	GEL	FX	Total
High-quality liquid assets										
1	Total HQLA				170,714,755	294,400,644	465,115,399	168,064,423	239,308,602	407,373,025
Cash outflows										
2	Retail deposits	56,236,494	253,623,752	309,860,247	7,482,177	22,870,000	30,352,178	1,449,400	4,196,553	5,645,954
3	Unsecured wholesale funding	264,185,104	613,619,157	877,804,261	88,254,718	82,884,182	171,138,900	66,087,497	52,955,151	119,042,647
4	Secured wholesale funding	86,164,348	-	86,164,348	-	-	-	-	-	-
5	Outflows related to off-balance sheet obligations and net s	64,892,395	57,230,109	122,122,504	11,933,246	13,591,941	25,525,186	4,785,734	5,138,154	9,923,888
6	Other contractual funding obligations				-	-	-			
7	Other contingent funding obligations	5,549,704	10,547,132	16,096,836	2,849,082	-	2,849,082	2,849,082	-	2,849,082
8	TOTAL CASH OUTFLOWS	477,028,045	935,020,151	1,412,048,196	110,519,223	119,346,123	229,865,346	75,171,713	62,289,858	137,461,571
Cash inflows										
9	Secured lending (eg reverse repos)	-	-	-			-	-	-	-
10	Inflows from fully performing exposures	398,299,841	579,618,800	977,918,641	12,927,564	4,687,682	17,615,246	15,577,895	102,680,670	118,258,565
11	Other cash inflows	3,149,664	8,199,159	11,348,823	-	-	-	-	-	-
12	TOTAL CASH INFLOWS	401,449,504	587,817,959	989,267,464	12,927,564	4,687,682	17,615,246	15,577,895	102,680,670	118,258,565
					Total value according to NBG's methodology* (with limits)			Total value according to Basel methodology (with limits)		
13	Total HQLA				170,714,755	294,400,644	465,115,399	168,064,423	239,308,602	407,373,025
14	Net cash outflow				97,591,659	114,658,441	212,250,100	59,593,817	15,572,465	34,365,393
15	Liquidity coverage ratio (%)				175%	257%	219%	282%	1537%	1185%

* Commercial banks are required to comply with the limits by coefficients calculated according to NBG's methodology. The numbers calculated within Basel framework are given for illustratory purposes.

Bank: JSC "BasisBank"

Date:

31-Dec-19

Table 15.1 Leverage Ratio

On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1,681,166,679
2	(Asset amounts deducted in determining Tier 1 capital)	(11,545,946)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	1,669,620,733
Derivative exposures		
4	Replacement cost associated with <i>all</i> derivatives transactions (ie net of eligible cash variation margin)	
5	Add-on amounts for PFE associated with <i>all</i> derivatives transactions (mark-to-market method)	
EU-5a	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	Total derivative exposures (sum of lines 4 to 10)	-
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	-
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	147,871,720
18	(Adjustments for conversion to credit equivalent amounts)	(34,994,302)
19	Other off-balance sheet exposures (sum of lines 17 to 18)	112,877,418
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposures		
20	Tier 1 capital	229,020,833
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	1,782,498,151
Leverage ratio		
22	Leverage ratio	12.85%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) NO 575/2013	

Bank: Basisbank
Date: 12/31/2019

Table 20 Differences between accounting and regulatory scopes of consolidation

a	b	c	d	e	f														
					Reconciliation with standardized regulatory reporting format														
					1	2	3	4	5	6.1	6.2	6	7	8	9	10	11	12	
Assets (as reported in published IFRS financial statements)	Carrying Values as reported in published IFRS financial statements	Carrying Values per IFRS under scope of regulatory consolidation (stand-alone)	Carrying values as reported in published stand-alone financial statements per local accounting rules (stand-alone)	Notes	Cash	Due from NBG	Due from Banks	Dealing Securities	Investment Securities	Total Loans	Less: Loan Loss Reserves	Net Loans	Accrued Interest and Dividends Receivable	Other Real Estate Owned & Repossessed Assets	Equity Investments	Fixed Assets and Intangible Assets	Other Assets	TOTAL ASSETS	
Cash and cash equivalents	248,700,136	246,711,233	256,223,211		36,800,045	41,962,460	177,222,905						237,801						256,223,211
Mandatory cash balances with the NBG	177,988,609	177,988,609	177,988,609			177,964,032							24,577						177,988,609
Due from other banks	7,185,623																		0
Investments in debt securities	202,568,922	202,268,827	202,548,243						198,430,439				4,117,804						0
Investments in equity securities	62,705	62,705	62,705												62,705				62,705
Investment in subsidiaries	-	13,096,650	9,300,000												9,300,000				9,300,000
Loans and advances to customers	984,993,508	984,993,508	963,098,734							996,882,696	-38,487,882	958,394,814	4,703,920						958,394,814
Finance leases to customers	3,125,965	-	-																-
Insurance receivables	8,798,386	-	-																-
Investment properties	958,857	367,119	-																-
Current income tax prepayment	1,472,289	1,472,289	1,443,687															1,443,687	-
Other financial assets	1,204,073	1,156,728	3,152,334				143,385											3,008,949	-
Other assets	30,616,479	28,294,052	18,789,783															4,785,799	-
Premises and equipment	27,016,351	26,948,508	26,948,508										178,333	13,825,651				26,948,508	-
Intangible assets	2,199,009	2,032,596	2,032,596															2,032,596	-
Right of use assets	3,535,584	3,535,584	3,535,584															3,535,584	-
Non-current assets held for sale	485,748	291,237	-															-	-
Total assets	1,700,912,243	1,689,219,646	1,665,123,994	0	36,800,045	219,926,492	177,366,290	0	198,430,439	996,882,696	-38,487,882	958,394,814	9,262,435	13,825,651	9,362,705	32,516,688	9,238,435	434,211,820	0

a	b	c	d	e	f										
					Reconciliation with standardized regulatory reporting format										
					13	14	15	16	17	18	19	20	21	22	
Liabilities (as reported in published IFRS financial statements)	Carrying Values as reported in published IFRS financial statements	Carrying Values per IFRS under scope of regulatory consolidation (stand-alone)	Carrying Values per local accounting rules under scope of regulatory consolidation (stand-alone)	Notes	Due to Banks	Current (Accounts) Deposits	Demand Deposits	Time Deposits	Own Debt Securities	Borrowings	Accrued Interest and Dividends Payable	Other Liabilities	Subordinated Debentures	Total Liabilities	
Due to other banks	183,984,092	183,984,092	193,615,801		50,467,644					143,000,000	148,157				193,615,801
Customer accounts	768,871,310	770,049,553	768,902,007			230,533,901	136,416,593	396,389,378			5,562,135				768,902,007
Other borrowed funds	428,926,080	428,926,080	431,632,079							426,920,394	4,711,685				431,632,079
Lease liabilities	3,737,281	3,737,281	3,737,281									3,737,281			3,737,281
Insurance Liabilities	8,827,671	-	-												0
Other financial liabilities	2,557,920	2,151,889	4,707,086									4,707,086			4,707,086
Current income tax liability	-	-	-												0
Deferred income tax liability	1,853,260	1,846,713	2,503,249									2,503,249			2,503,249
Provisions for liabilities and charges	1,010,262	1,010,262	2,177,249									2,177,249			2,177,249
Other liabilities	3,096,212	2,637,625	2,872,803									2,872,804			2,872,804
Subordinated debt	14,409,659	14,409,659	14,409,659								357,929			14,051,730	14,409,659
Total liabilities	1,417,273,747	1,408,753,153	1,424,557,214	0	50,467,644	230,533,901	136,416,593	396,389,378	0	569,920,394	10,779,906	15,997,669	14,051,730	1,424,557,215	0

a	b	c	d	e	f								
					Reconciliation with standardized regulatory reporting format								
					23	24	25	26	27	28	29	30	
Equity (as reported in published IFRS financial statements)	Carrying Values as reported in published IFRS financial statements	Carrying Values per IFRS under scope of regulatory consolidation (stand-alone)	Carrying Values per local accounting rules under scope of regulatory consolidation (stand-alone)	Notes	Common Stock	Preferred Stock	Less: Repurchased Shares	Share Premium	General Reserves	Retained Earnings	Asset Revaluation Reserves	Total Equity Capital	
Share capital	16,057,277	16,057,277	16,181,147		16,181,147								16,181,147
Share premium	74,923,497	74,923,497	76,412,653					76,412,653					76,412,653
Retained earnings	181,670,424	178,498,422	138,459,630						113,629,628	24,830,002			138,459,630
Share based payment reserve	1,822,050	1,822,050	-										0
Revaluation reserve for premises	9,165,248	9,165,248	9,513,350								9,513,350		9,513,350
Total equity	283,638,496	280,466,494	240,566,780	0	16,181,147	0	0	76,412,653	113,629,628	24,830,002	9,513,350	240,566,780	0

Bank: Basisbank

Date: 12/31/2019

Table 21

Consolidation by entities

	Name of Entity	Method of Accounting consolidation	Method of regulatory consolidation				Description
			Full Consolidation	Proportional Consolidation	Neither consolidated nor deducted	Deducted	
1	JSC "Hualing Insurance"	Full Consolidation			x		
2	"Basis Asset Management-Holding" LLC	Full Consolidation				x	
3	BHL Leasing	Full Consolidation			x		

Bank: Basisbank

Date: 12/31/2019

Table 22 **Information about historical operational losses**

		2019	2018	2017
1	Total amount of losses	40,953	14,395	15,504
2	Total amount of losses, exceeding GEL 10,000	0	0	0
3	Number of events with losses exceeding GEL 10,000	0	0	0
4	Total amount of 5 biggest losses	32,072	6,577	10,780

Bank: Basisbank

Date: 12/31/2019

Table 23 **Operational risks - basic indicator approach**

		a	b	c	d	e
		2019	2018	2017	Average of sums of net interest and net non-interest income during last three years	Risk Weighted asset (RWA)
1	Net interest income	55,955,565	53,214,012	44,109,119		
2	Total Non-Interest Income	9,731,257	12,498,538	8,139,513		
3	less: income (loss) from selling property	944,798	2,856,723	517,440		
4	Total income (1+2-3)	64,742,024	62,855,828	51,731,192	59,776,348	112,080,652

Bank: Basisbank
 Date: 12/31/2019

Table 24 **Remuneration awarded during the reporting period**

		Board of Directors	Supervisory Board	Other material risk takers	
1	Fixed remuneration	Number of employees	7	5	
2		Total fixed remuneration (3+5+7)	1,280,225	474,879	0
3		Of which cash-based	1,280,225	474,879	
4		Of which: deferred			
5		Of which: shares or other share-linked instruments			
6		Of which deferred			
7		Of which other forms			
8		Of which deferred			
9	Variable remuneration	Number of employees	7	5	
10		Total variable remuneration (11+13+15)	2,018,835	0	0
11		Of which cash-based	1,165,540		
12		Of which: deferred	853,295		
13		Of which shares or other share-linked instruments	853,295		
14		Of which deferred	853,295		
15		Of which other forms	0		
16	Of which deferred				
17		Total remuneration	3,299,060	474,879	0

Bank:
Date:

Basisbank

12/31/2019

Table 25

Special payments

		Board of Directors	Supervisory Board	Other material risk takers
Guaranteed bonuses	Number of employees			
	Total amount			
Sign-on awards	Number of employees			
	Total amount:	0	0	0
	Of which cash-based			
	Of which shares			
	Of which share-linked instruments			
	Of which other instruments			
Severance payments	Number of employees			
	Total amount:	0	0	0
	Of which cash-based			
	Of which shares			
	Of which share-linked instruments			
	Of which other instruments			

Bank: Basisbank

Date: 12/31/2019

Table 26 **ation about deferred and retained remuneration**

		a	b	c	d	e
		Total amount of outstanding deferred remuneration	Of which Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or implicit adjustment	Total amount of reduction during the year due to ex post explicit adjustments	Total amount of reduction during the year due to ex post implicit adjustments	Total amount of deferred remuneration paid out in the financial year
1	Board of Directors	2,018,835	2,018,835	0	0	2,667,865
2	Cash	1,165,540	1,165,540			1,828,788
3	Shares	853,295	853,295			839,077
4	Share-linked instruments					
5	Other					
6	Supervisory Board	0	0	0	0	0
7	Cash					
8	Shares					
9	Share-linked instruments					
10	Other					
11	Other material risk takers	0	0	0	0	0
12	Cash					
13	Shares					
14	Share-linked instruments					
15	Other					
16	Total	0	0	0	0	0

Bank: Basisbank

Date: 12/31/2019

Table 27 Shares owned by senior management

		a	b	c	d	e	f	g	h	i	j	k	l	m
		Amount of shares at the beginning of the reporting period				Changes during the reporting period						Amount of shares at the end of the reporting period		
		Unvested	Vested	Total (a+b)	Awarded during the period		Vesting	Reduction during the period		Other Changes		Unvested (a+d-f-g)	Vested (b+e+f-h+i-j)	Total(k+l)
Of which: Unvested	Of which: Vested				Unvested	Vested		Purchase	Sell					
	Senior management													
1	Total amount:	0	1,316,012	1,316,012	0	43,500	0	0	0	0	0	0	1,359,512	1,359,512
1.1	Tsaava David		39,400	39,400		8,700						0	48,100	48,100
1.2	Gardapkhadze Levan		39,400	39,400		8,700						0	48,100	48,100
1.3	Kakabadze David		39,400	39,400		8,700						0	48,100	48,100
1.4	Aslanikashvili Lia		39,400	39,400		8,700						0	48,100	48,100
1.5	Li Hui Dian		39,400	39,400		8,700						0	48,100	48,100
1.6	Zaiqi Mi		1,119,012	1,119,012		0						0	1,119,012	1,119,012
	Other material risk takers													
2	Total amount:											0	0	0