

BASISBANK

Pillar 3 Disclosures

at 31 December 2017



ბანკი
BASISBANK

Hualing Group Member

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CONTENT OF THE DOCUMENT

Pillar 3 disclosures of JSC Basisbank are based on disclosure requirements on Pillar 3 by Basel Committee on Banking Supervision, directives European Union N 575/2013 and within the framework of the “Regulation on Disclosure requirements for commercial banks within Pillar 3” approved by the National Bank of Georgia (NBG). The purpose of this document is to provide Pillar 3 disclosures on capital and liquidity of the Group as required by the Basel Committee on Banking Supervision under Basel 3 requirements.

MANAGEMENT STATEMENT

The Management Board confirms that the information provided in this document is correct and free from any misstatement. The report is prepared in accordance with the supervisory board-agreed internal control processes and requirements of the Decree №92/04 of the Governor of the National Bank of Georgia dated April 2017 on “Regulation on Disclosure requirements for commercial banks within Pillar 3” and other rules and norms approved by the NBG. Per current regulation it is not required to have Pillar 3 disclosures audited.

REGULATORY REQUIREMENTS UNDER BASEL 3

Application of the Basel 3 framework

In 2013 the new “Regulation on Capital Adequacy Requirements for Commercial Banks” of NBG has become effective. The principals of the regulation are based on capital framework established by the Basel Committee on Banking Supervision under Basel 3 and directives and regulations of European Union N 575/2013 approved on 26 June 2013.

Minimum Capital requirements defined under Regulation on Capital Adequacy Requirements for Commercial Banks” is based on three Pillars: Pillar 1 – sets Minimum requirements for regulatory capital; Pillar 2 – Supervisory Review Process - Regulation on Capital Buffer Requirements for Commercial Banks within Pillar 2; Pillar 3 - Market disclosure by commercial banks.

Pillar 1 of the regulatory framework focuses on the determination of risk-weighted assets and calculations of capital requirements for credit risk, credit induced market risk and operational risks.

According to that regulation, within the Pillar 1 framework the minimum capital requirements are as follows:

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

Tier 1 minimum capital requirement applicable to the Group is 4.5 % of risk weighted assets. This represents the primary source of capital consisting of - common shares and additional reserves (additional resources resulting from the issue of instruments of equity instruments included in Tier 1 capital; accumulated reserves/retained earnings) resulting from the issue of instruments. Please see Table 1.

Additional Tier 1 capital (AT1) – is non-secured, perpetual securities and there are no step-ups or other incentives, is subordinated to depositors, general creditors and subordinated debt of the bank; is neither secured nor covered by a guarantee of the issuer or related entity or other arrangement that legally or economically enhances the seniority of the claim vis-à-vis bank creditors; and the bank retains the discretion on distributions/payments 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) less regulatory adjustments.

Tier 2 capital – comprises certain other subordinated debt securities that instruments, non-secured securities, long-term debts, with original term of more than 5 years, there are no step-ups or other incentives, the investor must have no rights to accelerate the repayment of future scheduled payments (coupon or principal), except in bankruptcy and liquidation.

Additional capital 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 defined as 2.5% of risk-weighted assets, and is designed to provide for losses in the event of stress
- The countercyclical capital buffer - was introduced within the Basel III framework and represents one of the main macro-prudential policy instruments. Its goal is 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; other indicators and characteristics of the country's macro-financial environment and etc.
- Systemic buffers - are set separately for each commercial bank considered to be systematically important.

As at year-end 2017 BB's capital conservation buffer amounted to 24,507 thousand Lari, countercyclical capital buffer set by NBG was determined to be 0%; Systemic buffer is not applicable to BB and is 0%.

Pillar 2 – refers to the Supervisory Review and Evaluation Process within which the NBG reviews the arrangement, strategies, process and mechanisms implemented by banks and evaluates adequacy of these measures to the risks to which the institution might be exposed. In addition to the minimum capital requirements defined under pillar 1, the banks should held further capital buffers for risks which are not covered under pillar 1 framework (including, market risks not included in pillar 1, concentration risk, Interest rate risk, liquidity, strategy, reputation and etc)

The requirements introduced under Pillar 2 consist of the following buffers:

- Unhedged currency induced credit risk buffer;
- Credit portfolio concentration buffer, which entails name and sectoral concentration buffers;
- Net stress test buffer, which set in accordance with stress tests administered by the NBG;
- Net GRAPE buffer, set in accordance with the NBG's General Risk Assessment Program and the assessment of banks' internal capital

Note – starting from December 2017 NBG has implemented changes in capital ratio calculation by removing “foreign exchange induced credit risk weighted assets” from calculation of credit risk weighted positions and reflected it in the capital buffer requirements under pillar 2 framework.

The table below shows the capital indicators. For comparison the RWA of December 2016 are calculated as well without the Currency induced credit risk (CICR)

	2017	2017	2016	2016
Primary capital	Pillar I/II	Pillar I	Pillar I/II	Pillar I
Share capital	16,097	16,097	16,057	16,057
Share premium	75,284	75,284	74,865	74,865
Retained earnings according to the NBG regulations	65,530	65,530	47,179	47,179
Revaluation reserve	8,602	8,602	8,602	8,602
Current year profit according to NBG regulations	19,588	19,588	20,774	20,774
Primary capital Before Correction	185,101	185,101	167,477	167,477
Primary capital Corrections	(9,463)	(9,463)	(12,931)	(12,931)
Total primary capital After correction	175,638	175,638	154,546	154,546
General reserve	11,390	11,390	8,783	9,224
Total secondary capital	11,390	11,390	8,783	9,224
Total regulatory capital	187,028	187,028	163,329	163,770
Risk weighted assets, combining credit, market and operational risks	980,272	1,227,106	795,362	1,026,124
<i>Minimum Tier 1 Ratio</i>	<u>10.1%</u>			<u>8.5%</u>
Tier I ratio	17.92%	14.3%	19.4%	15.1%
<i>Minimum regulatory capital ratio</i>	<u>12.7%</u>			<u>10.5%</u>
Regulatory capital ratio	19.1%	15.2%	20.5%	16.0%

The table below displays the capital position of the bank as at year end 2017.

TABLE1

CAPITAL ADEQUACY

In GEL

DEC – 2017

Common shares that comply with the criteria for Common Equity Tier 1	16,096,897
Stock surplus (share premium) of common share that meets the criteria of Common Equity Tier 1	75,284,048
Other disclosed reserves	74,131,460
Retained earnings (loss)	19,587,851
Common Equity Tier 1 capital before regulatory adjustments	185,100,255
Regulatory Adjustments of Common Equity Tier 1 capital	-9,462,731
Common Equity Tier 1	175,637,524
Additional tier 1 capital	0
General reserves, limited to a maximum of 1.25% of the bank's credit risk-weighted exposures	11,389,547
Total regulatory capital	187,027,072
Risk-weighted assets (RWA)	980,272,025
Common equity Tier 1 ratio	17.92%
Total regulatory capital ratio	19.08%

Based on data from 2017 correction of supervisory components are carried out with following elements:

- Asset revaluation reserve of GEL 8,602;
- Intangible assets with amount of GEL 861.

The Bank has invested in tree Companies which accounting is held with full consolidation.

1. Insurance Company "Hualing Insurance". This significant investment is subject to limited recognition. The value of investment does not exceed the 10% limit set for significant investments, so decrease in capital is not carried out with this element.
2. The Company of assets management Ltd. "Basis Assets Management Holding" is accounted in capital as corrective component of based primary capital.
3. JSC "BHL Leasing" -this investment to capital is subject to limited recognition, The value of investment does not exceed the 10% limit set for significant investments so decrease in capital is not carried out with this element.

Information disclosure according the Pillar-3

In complianve with "Information disclosure regulation for commercial banks" approved by resolution N 92/04 of President of National Bank of Georgia from June 22, 2017, Commercial Banks are obliged to disclosure quantitative

and qualitative information on supervisory capital elements, weighted assets related to risks, remuneration of Top Management on other material issues based on framework of Basel III. Regulation for disclosure of said information as well includes issues related to Corporate and risk management, which in its turn is based on the principles of transparency of the European Union.

MAIN INDICATORS OF THE BANK

Connection between the Financial statement drawn up in compliance with IFRS and statement prepared for supervisory purposes.

TABLE 2

In GEL

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)
Cash and cash equivalents	139,576,796	139,576,796	140,923,310
Mandatory Cash balances with the NBG	130,823,564	130,823,564	130,823,564
Due from Other Banks	15,093,699	15,093,699	15,093,699
Loans to customers	757,873,894	757,873,894	742,239,032
Investment securities available for sale	62,705	62,705	62,705
Repurchase receivables	0	8,096,650	4,300,000
Bonds carried at amortized cost	143,903,758	143,903,758	143,652,483
Investment property	1,078,042	399,822	0
Current income tax prepayment	217,186	182,793	192,356
Other financial assets	1,428,937	1,428,937	656,332
Other assets	16,857,012	14,018,664	10,956,446
Intangible assets	861,076	861,076	861,076
Property and equipment	21,893,404	21,887,856	22,287,678
Non-current assets held for sale (or disposal groups)	1,928,143	1,928,143	0
Total assets	1,231,598,216	1,236,138,356	1,212,048,680
Due to other banks	59,982,368	59,982,368	59,982,368
Current accounts and deposits from customers	677,819,470	682,317,480	683,692,952
Other borrowed funds	270,278,894	270,278,894	271,245,167
Other financial liabilities	7,673,246	7,673,246	8,016,012
Deferred tax liability	152,378	152,378	1,761,877

Provisions for liabilities and charges	346,120	346,120	476,224
Other liabilities	1,854,062	1,854,062	1,773,832
Total liabilities	1,018,106,538	1,022,604,548	1,026,948,433
Share capital	16,057,277	16,057,277	16,096,897
Share premium	74,923,497	74,923,497	75,284,048
Retained earnings	113,274,148	113,316,278	85,117,647
Share based payment reserve	850,626	850,626	0
Revaluation reserve for premises	8,232,570	8,232,570	8,601,655
Revaluation reserve available-for-sale securities	153,561	153,561	0
Total equity	213,491,678	213,533,809	185,100,247

Risk Weighted Risk Exposures

Taking into account changed adopted in regulation risk weighted risk exposures consists of sum of three components:

- weighted risk position according to the credit risk, market risk and operational risk.

TABLE 3

Risk Weighted Assets

in GEL

	DEC – 2017	SEP – 2017
Risk Weighted Assets for Credit Risk	903,928,850	812,065,321
Balance sheet items	849,789,991	766,098,982
Including: amounts below the thresholds for deduction (subject to 250% risk weight)	4,300,000	0
Off-balance sheet items	54,138,859	45,966,339
Counterparty credit risk	0	0
Risk Weighted Assets for Market Risk	748,685	1,059,137
Risk Weighted Assets for Operational Risk	75,594,490	57,595,802
Total Risk Weighted Assets	980,272,025	870,720,260

Remarks – in compare with the third quarter, in fourth quarter sharp decline of credit risk position is caused by changes calculation methodology for weighted risks positions according to risk,

Analysis of credit risk

In accordance with a current regulation for calculation of weighted risk position according the credit risk the Bank applies standardized approach.

Credit risk position consists of three components: balance elements, non-current elements and weighted risk positions according the credit risk related to counteragent.

Risk positions cost for balance elements is percent added to initial amount decreased with with special reserve capital correction, plus fine, receivables and any other types of claims of the party.

In calculation of credit risk positions JSC “BasisBank” is applied the following permitted methods:

- instead of risks weight of unsecured loans the loans secured with commercial immovable property is taken into account with 75% weighted risk;
- loan secured with living immovable property is weighted with 35% risk weight, by means of what these positions are replaced, which are weighted with unsecured risk
- Mitigation of credit risk;
- using of ratings set by Credit evaluation external institutions;
- the method of main indicator for operational risks;

Evaluation of Off-balance sheet exposures elements is their value decreased with special multiplied by credit-conversion factor, effect of credit conversion factor of non-current elements related to weighted according the credit risk is equal to GEL 20,002 thousand as per December 2017, see annex 1 - table 8.

Counterparty credit risk – credit risk related to counterparty is the risk of counteragent default before performing the transaction. For this purpose is taking into consideration only risks related to counteragent that are included in interest rate and currency exchange rate derivatives (futures and forward contracts, swap, options and other non-current liabilities arised from similar contracts). If contract duration of interest rate and currency exchange rate derivatives does not exceed 14 calendar days, it is not considered for the weighted purpose according the risk. By the end of 2017 there was no credit risk position related to counteragents

The credit mitigation – the Bank made a statement to carry out mitigation of risk position for „funded collateral of the credit”, its mitigation taking into account cost of collateral/guarantee and credit evaluation weight, the Bank is entitled in case of the clients default to carry out temporarily realization of collateral assets and/or acquisition. For this purpose is allowed substruction of risk position only with money amounts available on Deposit account of the Client. Accordingly the Bank considers as financed collateral the risk position which is secured with Deposit. The Deposit can be owned as by Borrower-client as well by the third person. Deposit allowed as the collateral (or its part used for collateral) must be not pledged with other liabilities. As per December 2017 the credit mitigation is equal to GEL 126,295 thousand, see annex 1 - table 12.

the second form of mitigation for which the Bank has received approval from the regulatory body is unfunded collateral of the credit. Unfunded collateral of credit guarantee of the third party. For the purpose of mitigation is used the Guarantees received only from such counteragents toward to whom the risk weight of requirements is less than risk weight of conditional and unconditional requirements secured by them.

Credit evaluation by credit rating agency

With recommendations of National Bank of Georgia the assessment of the following organizations shall be used credit assessment external institutions: Moody’s, Fitch, Standard&Poors. Evaluation of specified organizations is a six-pace scale which is in compliance with the below table:

6-pace scale of credit quality evaluation			
	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

Using of evaluation for short-term assessment is carried out in compliance with the table below:

6-pace scale of credit quality evaluation			
	Fitch	Moody's	S&P
1	F1+, F1	P-1	A-1+, A-1
2	F2	P-2	A-2
3	F3	P-3	A-3
4	lower than F3	NP	B-1, B-2, B-3, C
5			
6			

Risk Weighted Assets for Market Risk

Within Pillar-1 as market risk is considered currency risk only. According the currency risk the position of the risk to be weighted is equal to aggregate overall open currency position defined by “regulation of limit defining, calculation and following of overall open currency position for Commercial Banks”.

The currency risk arises at open and unproperly hedged postions as a resul of unexpected movement in certain currency (this causes the possible losses of market participant related to internal or settlement currency).

Management of currency positions ia carried out in complinace with Bank Management currency policy. Cuurrency management policy comprises limits for everyday positions and limit of overall open currency positions, which is 5% of supervisory capital, which is quite strict in compare with limits allowed by NBG (limit of 20% for the open net position).

Analysis of operational risks

Within Pillar-1 capital requirements are calculated by means of approach of main indicator method. According the main indicator method requirements of operational risk capital must comprise 15% of appropriate limit set by National Bank of Georgia, which is defined as an average indicator of total incomes of net interest and net non-interest during the last three years.

TABLE 4

Operational risks - basic indicator approach

in GEL

	a	b	c	d	e
	2016	2015	2014	Average of sums of net interest and net non-interest income during last three years	Risk Weighted asset (RWA)
Net interest income	38,022,966	34,868,822	25,186,668		
Total Non-Interest Income	9,027,024	7,550,871	6,439,932		
Less: income (loss) from selling property	57,913	31,201	55,983		
Total income	46,992,077	42,388,492	31,570,618	40,317,062	75,594,491

Despite the fact that the bank calculates capital requirements using the BIA approach, within the evaluation of operational risks and within management process the Bank also uses other qualitative and quantitative criteria, that provides a more comprehensive and effective management of operational risks. Activity of operational risk is governed by regulation of 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-esteem:** 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 obtain as a result of self-esteem.

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

Operational risks department carries out annual evaluation of required capital by method defined by the main indicator and annually assesses 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 demand of operational risk management.

TABLE 5

Information about historical operational losses

in GEL

	2017	2016	2015
Total amount of losses	15,504	50,200	53,769
Total amount of losses, exceeding GEL 10,000	0	37,712	38,693
Number of events with losses exceeding GEL 10,000	0	2	1
Total amount of 5 biggest losses	10,779	42,528	47,244

Liquidity risk

Parallel to capital standards based on framework of Basel III NBS has introduced LCR – Liquidity Coverage Ratio, whose goal is to have a commercial bank own liquid assets sufficient for the complete net money flow coverage during the financial stress. For these purposes it is necessary for the Bank to maintain the adequate stock of liquidity which will enable the bank to survive the expected difference between inflows and liquidity outflows during 30-day stress conditions. Besides the liquidity coverage ratio, liquidity of Commercial banks is regulated by means of average liquidity ratio which is equal to average liquid assets of current month relatively to average liabilities of current month.

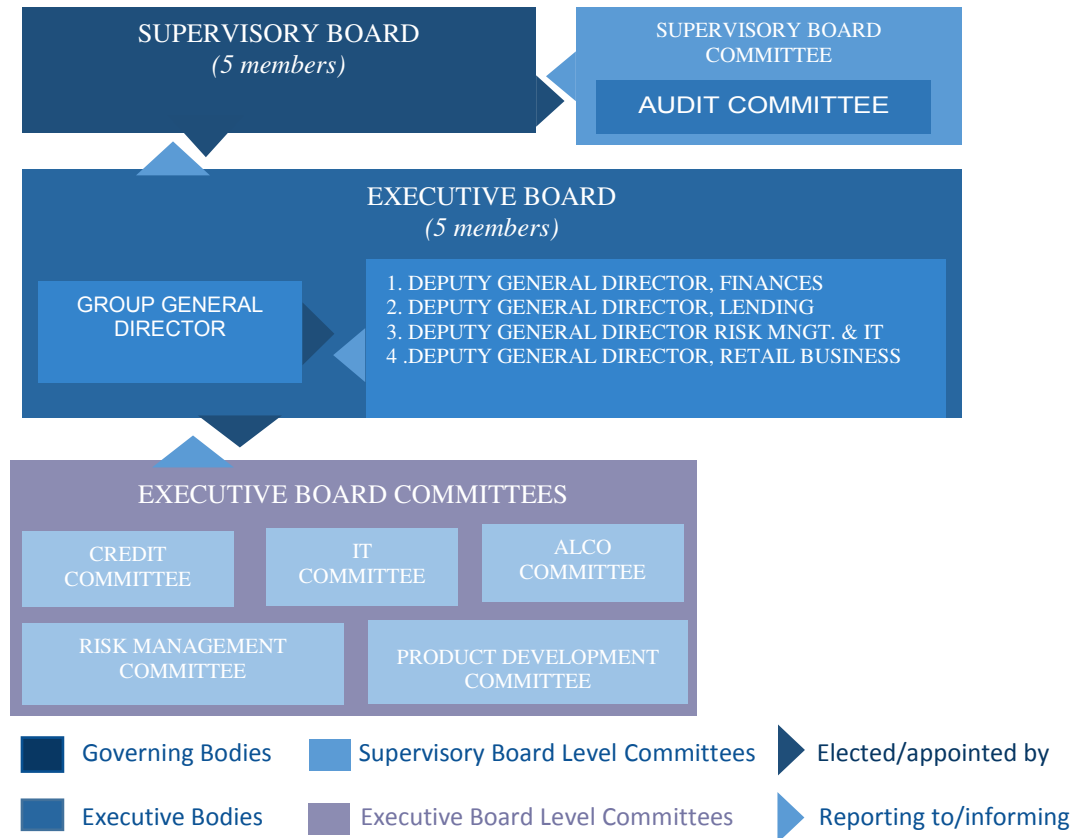
In table below are given indicators of liquidity coverage ratio as of per December 2017 .

Liquidity Coverage Ratio

in GEL

	DEC – 2017
Total HQLA	364,003
Net cash outflow	256,930
Liquidity Coverage Ratio (LCR ratio %)	142%

STRUCTURE OF THE BANK GROUP



THE GROUP STRUCTURE

Joint Stock Company “Basisbank” (hereinafter referred to as “Bank”) established on August 16, 1993, registered by the National Bank of Georgia on November 04, 1993 according to the Law of Georgia on Entrepreneurs. In accordance with the Georgian legislation, Bank holds license for the banking activities issued by the National Bank of Georgia (November 4, 1993, license N173). The Bank’s registered address is: #1 Ketevan Tsamebuli Avenue, Tbilisi 0103, Georgia.

The Bank is a universal banking institution and is authorized to carry out any kind of activity, permitted for the licensed commercial banks in full compliance with the law.

Shareholders structure

Since 2012 the Bank's immediate parent company was Xinjiang Hualing Industry & Trade (Group) Co Ltd incorporated in People's Republic of China, and the Bank was ultimately controlled by Mr. Mi Enhua.

The list of BB's Shareholders as at 31 December 2017

List of shareholders of holders of 1% or more share of the authorized capital in accordance with their shares	
Ltd. "Xinjiang HuaLing Industry & Trade (Group) Co"	92.08%
Mi Zaiqi	6.95%
List of Beneficiaries of the Bank who holds directly or indirectly 5% of shares or more in accordance with their shares	
Mi Enhua	91.99%
Mi Zaiqi	6.95%

The Rights and Obligations of Shareholders is defined by the bank's Article of incorporation. Shareholder of the ordinary shares is authorized to: receive full information about place, date, and agenda of the General Meeting of Shareholders, also information regarding the agenda of the meeting; participate in the management of the Bank through taking part in the General Meeting of Shareholders; and carry out the voting right at the General Meeting of Shareholders; receive dividends; purchase or sell his/her own shares; use the pre-emptive right for new shares pro rata to his/her shares in the authorized capital.

General meeting of shareholders

The General Meeting of Shareholders is the supreme governing body of the Bank by participating in which the shareholder carries out his rights of bank membership in compliance with legislation of Georgia and rights defined by Charter of the Bank. The meeting of shareholders should be convened and organized in such a way that an equitable approach is provided to all shareholders.

Meeting of shareholders is held two types of meetings: regular general meeting of shareholders and extraordinary general meeting of shareholders. Each ordinary share shall entitle the right of one vote to its holder at General Meeting of Shareholders.

General meeting of shareholders takes decisions:

- ✓ on changes and amendments to the Charter;
- ✓ on the export of shares or other securities of the Bank on the market of securities;
- ✓ on rules of purchase/selling of shares and other owned securities of the Bank;
- ✓ elect the Supervisory Board, approve of its (including the board committee(s) budget;;
- ✓ on distribution and usage of net profit of the Bank;
- ✓ on increasing/decreasing of the Bank's capital;

The regular general meeting of shareholders shall be held once a year, no later than two months after preparation of the audited fiscal account of previous year, which shall be prepared within the period of four months after completion of the year.

The extraordinary general meeting of shareholders may be convened by the request of the Chairman of the Supervisory Board, the Board of Directors and the shareholders or the group of shareholders holding at least 5% of shares.

Structure of Bank's Group - subsidiary companies of the Bank

JSC „Hualing Insurance“

Was founded in 2017, the Founder and the owner of 100% of shares is JSC “BasisBank”.
Business activity of the company :
Providing of insurance and related operations in compliance with legislation of Georgia
Executive Body of the company:
Chairman of Supervisory Board- Mi Ziaqi
Members of Supervisory Board: David Tsaava, Li Hui
General Director- David Kakabadze
Deputy General Directors: Lia Aslanikashvili, Levan Gardapkhadze

JSC „BHL Leasing“

Was founded in 2017, the Founder and the owner of 100% of shares is JSC “BasisBank”.
Business activity of the company : providing leasing activity
Executive Body of the company:
Chairman of Supervisory Board- Mi Ziaqi
Members of Supervisory Board: David Tsaava, Li Hui
General Director- Lia Aslanikashvili.
Deputy General Directors: Levan Gardapkhadze. David Kakabadze

Ltd. "Basis-Asset Management-Holding"

The founder and holder of 100% of shares is JSC “BasisBank”. The company was registered in February 27, 2012.
Business activity of the company: performing operations related to movable/immovable property.
Executive Body of the company:
Director: Zaza Robakidze

Consolidation according to enterprises

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

As of 2017 for the purposes of supervising, the subsidiaries of the Bank are not consolidated in financial statements of the Bank but are weighted according to risk I weighted assets with 250% risk weigh.

EXECUTIVE BODIES OF THE BANK

For stable management of the Bank the powers are delineated between the Supervisory, Executive and Controlling bodies, the functions of which provides the complete management of the Bank.

The Supervisory Board

Board members are elected by the General Meeting of Shareholders, carries out general governance of the Bank, takes decisions on development strategy of the Bank, provides Supervision of Executive Bodies, is responsible for its own activity and is accountable to the general meeting of shareholders

The Supervisory Board of the Bank consists of 5 (five) members. Board members are elected by the General Meeting of Shareholders for the period of 4 (four) years, but after the expiration of the mentioned period authority of board members continuous before the convene of the next General Meeting Shareholders. Re-appointment of the Board members is unlimited. Dismiss of Supervisory Board member before the term is possible by the General meeting of shareholders at any time.

The Supervisory Board is headed by the Chairman, who is elected by the Board for a four years period from the members of the Board by a simple majority.

Supervisory Board has two Vice Chairmen who are elected by the simple majority of the Board for the 4 (four) years term from the members of the Board.

Meetings of the Board are held at least four times per annum; Supervisory Board meeting can be attended as in person as well as by electronic facilities communication.

Supervisory Board is authorized to:

- ✓ Define activity policy of the Bank's, work out and approve the main principles of the policy
- ✓ approve strategic development plan of the Bank submitted by Directorate.
- ✓ approve organizational structure, policies of the Bank.
- ✓ Assign candidacy of the Director General in case of consent of the General Shareholders Meeting, Assign other members of Directorate, define remuneration and bonuses of all members of Directorate,
- ✓ Approve transactions between the Bank and Bank's administrators, also between the Bank and the Shareholders of the Bank holding more than 5% of Bank's shares, supervise transactions, that were made by breaching rules of conflict of interests,
- ✓ supervise implementation of recommendations and comments provided by the internal audit department, work out and request from Directorate forms of the periodical reports about the status of Banking activities.
- ✓ Approve staffing of the Internal Audit Service, it's annual plan, budget, appoint Head of the Service, determine salary and bonuses of Service staff.
- ✓ Review and approve annual plan of Bank activity and budget submitted by Directorate and supervise its implementation, review periodical financial reports submitted by Directorate.

- ✓ appoint an external auditor for the bank and require him to be directly accountable, convene a general meeting of shareholders.

Members of the Supervisory Board

Zhang Jun	Chairman of the Supervisory Board Mr. Zhang Jun is a holder of MBA Degree. Since 2010 he has been Deputy General Manager in finance and foreign investments in Xinjiang Hualing Trade and Industry (Group) Co., Ltd. From 1998 to 2010 he worked as Sales Department General Manager, Assistant of the Chairman of the Board, HR Director in Urumqi City Commercial Bank. From 1992 to 1997 he was Deputy Director in Chengxin Credit Union of Urumqi. Mr. Zhang held senior management positions in the Urumqi Branch of the People's Bank of China, Urumqi City Commercial Bank and in other financial institutions for many years. He has a vast practical experience in the operation and management of commercial Banks, and therefore has a profound and clear view about the strategic development of small and medium-sized commercial Banks.
Zhou Ning	Vice Chairman of the Supervisory Board Mr. Zhou holds MBA degree from Fuqua School of Business in USA, MS in Engineering at Virginia Polytechnic Institute, BS in Engineering at the University of Science and Technology of China. Since 2005 he has been a Managing Director in Tuhong International Co. Mr. Zhou has executed a number of financial advisory projects in Urumqi City Commercial Bank, Bank of Deyang, Yantai Bank, Hang Seng Bank, Wing Lung Bank, Xiamen Bank, Hong Kong Fubon Bank, Bank of Tianjin. Mr. Zhou has a deep understanding of strategy and business development of domestic and foreign small and medium Banks
Mi Zaiqi	Vice Chairman of the Supervisory Board. Mr. Mi graduated from University of California with BA degree and at Singapore Association of Small and Medium Enterprises; Since 2011 he has been the 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. From 2010 to 2011 he worked as an assistant to GM in Xinjiang Hualing Real Estate Development Co.,Ltd. From 2005 to 2006 he worked as an assistant to GM in Xinjiang Hualing Grand Hotel Co., Ltd.
Li Hui	Member of the Supervisory Board Member of the Executive Board since 2012 Member of the supervisory Board since 2015 Graduated with Bachelor's Degree in Accounting. Ms. Li has been working in the financial sector since 1993, successively as an accountant, a credit officer. She has a wealth of work and management experience and is very familiar with banking business. She was in charge of credit approval in Credit Management Department of Urumqi City Commercial Bank. Then she held the position of Deputy Manager of Credit Department and Deputy Director in Urumqi Chengxin Credit Cooperatives. Ms. Li joined Management Board of BB in 2012. She supervises the approval of large-scale loans in BB
David Tsaava	Member of the Supervisory Board Member of Directorate since 2008 General Director of the Bank from 2010. Mr. Tsaava graduate of Banking and Finance at Tbilisi State University. He has more than 9 years work experience in banking sector. Mr. Tsaava started his career in BB as a Credit

Officer, later he headed Corporate Loan Division in the Bank. In 2008 he became a member in Management Board and was responsible for Corporate Banking.
In 2010 Mr. Tsaava has been promoted to General Director 's Position. Since December 2017 has been appointed as Supervisory Board member of JSC "BHL Leasing" and JSC "Hualing Insurance".

Audit Committee

Based on decision of Supervisory Board is established Audit Committee consisting of independent members. The main function of Audit Committee is to support and promote the functioning of internal and external audit of the Bank. Audit Committee regularly provides the Supervisory Board with reports of its activity.

The Committee consists of three members, meeting of the Committee are held once per quarter.

The Committee is empowered:

- Consider and assess Report of external auditor before the submission to the Supervisory Board and the General Meeting of Shareholders.
- Carries out evaluation of quality and efficiency of financial statements and accounting records, internal control, risk management and control systems and processes. Committee is empowered to entrust the Service to provide unscheduled audit of any banking issues.
- To monitor and verify the implementation of the recommendations and tasks of the Supervisory Board regarding issues within the competence of the Committee.
- The Audit Committee, in conjunction with the Internal Committee Service, reviews issues related to internal audit and in the event that recommendations of the service are ignored by Directorate or the corrective measures are not taken, request the Supervisory Board to dismiss the responsible person of the Bank

Currently the committee consists of two members

Zaza Robakidze	Chairman of Committee
Mi Zaiqi	Member of Committee

Board of Directors

The main function of Executive Board is to provide day-to-day management of the Bank and respectively settlement of all issues that do not fall within the competence of the General Meeting of Shareholders and the Supervisory Board according to the legislation and Charter of the Bank. also discussing and making initial resolutions concerning the questions that require consent of the Supervisory Board pursuant to the legislation and Charter of the Bank.

The Executive Board comprises at least 5 (five) members. One of the members is the Director General of the Bank who maintains general activities of the board. The Supervisory Board appoints/dismisses the Director General by the consent of the General Meeting of Shareholders. Other members of the Executive Board submitted by the Director General are appointed by the Supervisory Board

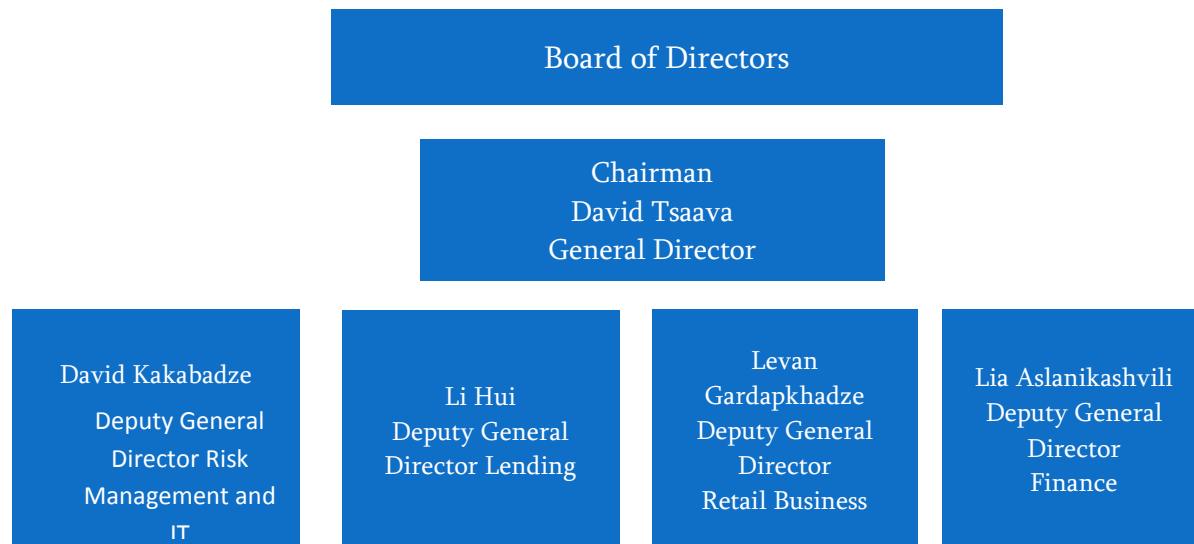
General Director:

As a result of consulting with the Supervisory Board divides duties and responsibilities among the members of the Executive Board;

- Ensures due functioning of the Executive Board, achievement of collective resolutions and compliance of the resolutions with the strategy of the company.
- Supervises and coordinates execution of the resolutions made by the Executive Board; Represents the Bank with the third parties.

Members of Executive Board:

- Maintain structural units falling under their powers, deal with due functioning of the units and implementing of the politics in conformity with the bank strategy;
- Represent the Bank with the third parties within their managerial powers;
- Meetings of the Executive Board are held at least once per month or with more frequently by the decision of the Executive Board.



David Tsaava	General Director
	<p>Member of Directorate from 2008. Member of Supervisory Board from, was awarded a PhD in Business administration</p> <p>Member of the Executive Board since 2008. Member of Supervisory Board since 2015, holds a Phd. Degree in Business Administration. Mr. Tsaava has 13 years experience in banking sector. Mr. Tsaava started his career as a Credit Officer, later he headed Corporate Loan Division. In 2010 Mr. Tsaava has been promoted to General Director's Position. In 2015 he became a member in Supervisory Board.</p> <p>Since December 2017 has been appointed as Supervisory Board member of JSC "BHL Leasing" and JSC "Hualing Insurance". working</p>

Lia Aslanikashvili	Deputy General Director, Finance
	Member of Executive Board since 2008. Ms Aslanikashvili has been graduated from the State University of Tbilisi, International Economic Relations sphere. She was awarded a master's degree. Ms. Aslanikashvili has 18 years experience in banking sector. She managed treasury and settlement departments for many years in BasicBank. Since December 2017 has been appointed as a Deputy General Director of JSC “BHL Leasing” and General Director of JSC “Hualing Insurance”. Since December 2017 has been appointed as a General Director of JSC “BHL Leasing” and a Deputy General Director of JSC “Hualing Insurance”.
Li Hui	Deputy General Director Lending
	Member of the Supervisory Board since 2012. Graduated with Bachelor’s Degree in Accounting. Ms. Li has been working in the financial sector since 1993, successively as an accountant, a credit officer. She has a wealth of work and management experience and is very familiar with banking business. She was in charge of credit approval in Credit Management Department of Urumqi City Commercial Bank. Then she held the position of Deputy Manager of Credit Department and Deputy Director in Urumqi Chengxin Credit Cooperatives. Ms. Li joined Management Board of BB in 2015. She supervises the approval of large-scale loans in BB
David Kakabadze	Deputy General Director Risk Management and IT
	Member of Executive Board since 2008. He was awarded a master's degree of Finance. He has been graduated from Caucasus Business School. He has a 15 years experience in banking sector. He worked in the field of Information Technologies and Risk. Since December 2017 has been appointed as a Deputy General Director of JSC “BHL Leasing” and General Director of JSC “Hualing Insurance”.
Levan Gadrapkhadze	Deputy General Director Retail Business
	Member of Executive Board since 2008, Deputy General Director in Retail Business. He was awarded a master's degree in business management. He has a 15 years experience in banking sector. He worked in the department of plastic cards and the currency department on variety of positions. He is a member of Executive Board since 2008. Since December 2017 has been appointed as a Deputy General Director of JSC “BHL Leasing” and JSC “Hualing Insurance”.

RISK MANAGEMENT STRATEGY

Risk strategy - As holding adequate level of capital is mandatory to be ensured over any time of the operation of the Bank, setting up a risk strategy and planning the capital adequacy as part of the general strategic planning is crucial part of the governance of the institutions.

Risk strategy of the Bank has to be derived from the business strategy, which is approved by the Supervisory Board and needs to be modified at any time when strategy is revised by the Bank, but at least annually and it is essential to be available for the whole institution. Risk management processes have to be constructed in a way to support the execution of the risk strategy in the daily processes of the Bank and management reporting system also has to be built up in a way to serve as a proper tool for risk governance.

The Bank sets principles about risk taking and risk management which are to be reflected in the rules and policies, and applied consistently throughout the organisation. These general principles are the followings:

- prudent risk-taking with comprehensive risk assessment and control environment,
- adequate and effective monitoring and reporting system,
- proper quantification of risks using proper 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 via using international standard,
- operating effective risk governance with having proper risk control structure independent from business activities in order to avoid conflict of interest,
- the observation of risk management considerations upon the launch of new activities, business lines or products

Risk strategy defines Basis Bank's approach to risk management including general methodologies to identify, assess, control, report and manage / challenge relevant risks and the risk governance structure built to support these activities within the everyday operation of the Bank.

Basis Bank has been developed a risk management framework with the aim to create an image of Basis Bank as a stable and reliable bank. Given volatility of financial markets, and uncertainty of macro-economic situation, the function of Risk Management receives paramount importance. Implementation of robust and sound risk management system throughout the bank included the execution of the following steps:

- formation of the independent Risk Management unit;
- creation of the risk-profile committees (Credit, Risk Management, ALCO) which adhere to the risk management practices and ensure sound risk management practices and decision making;
- initiation of risk management approach in analytical tools, practices, and decision making;
- analysis of current system of financial and managerial reporting;
- detection and classification of different types of risks which Basis Bank potentially faces;
- drafting of policies, procedures and practices which govern management of risks in Basis Bank.

At a strategic level, our risk management objectives are:

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

In pursuit of these objectives, risk management is segregated into five discrete processes: identify, assess, control, report and manage/challenge:

Process	Activity
Identify	<ul style="list-style-type: none"> - understand the principal risks to achieve Basis Bank strategy - establish risk appetite - establish and communicate the risk management framework including responsibilities, authorities and key controls.
Assessment	<ul style="list-style-type: none"> - establish the process for identifying and analyzing business – level risks - agree and implement measurement and reporting standards and methodologies
Control	<ul style="list-style-type: none"> - establish key control processes and practices, including limit structures, impairment allowance criteria and reporting requirements - monitor the operation and adherence to risk direction and limits - provide early warning of losing control
Report	<ul style="list-style-type: none"> - interpret and report on risk exposures, concentrations and risk-taking outcomes - interpret and report on sensitivities and key risk indicators - communicate with external parties
Manage and Challenge	<ul style="list-style-type: none"> - review and challenge all aspects of the Basis Bank risk profile - assess new risk-return opportunities - advise on optimizing Basis Bank's risk profile - review and challenge risk management practices - ensure that risk management practices and conditions are appropriate for the business environment.

Management oversight and control culture. For Basis Bank this involves the inclusion of key items related to internal control into the regular tasks of the Executive Board. Among these items are regular discussions with management concerning effectiveness of internal control systems; review of evaluations of internal controls by management, internal auditors, and external auditors, ensuring prompt follow-ups by management on recommendations and concerns expressed by auditors and supervisory authorities related to internal control weaknesses, and regular reviews of whether the bank's strategy and risk limits are appropriate.

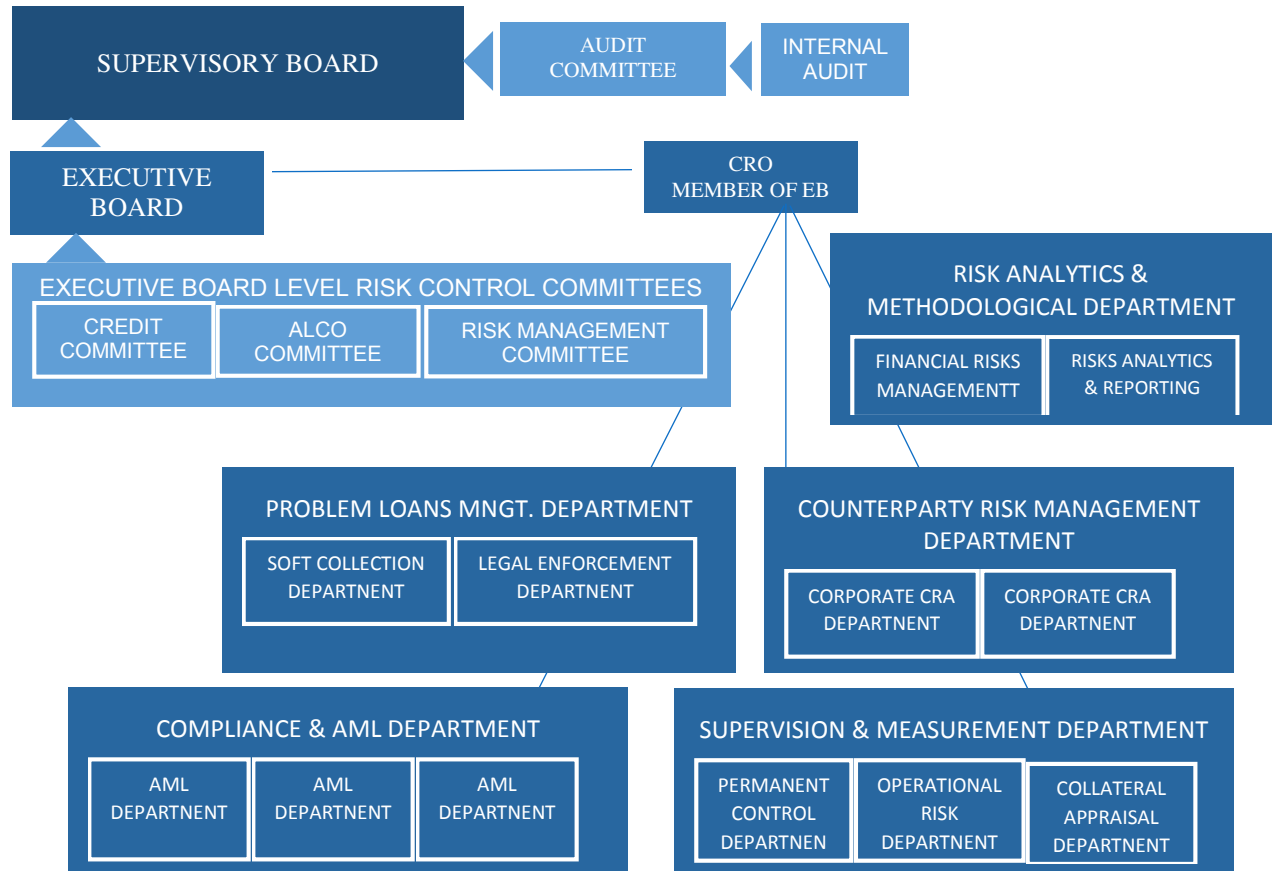
Control activities and segregation of duties. In Basis Bank this involves all levels of personnel in the bank from senior management to front line personnel. Key activities include reviews by the Executive Board and management of performance reports enabling them to streamline the progress toward the bank's goals and control the activity at division and departmental level. This also includes compliance with exposure limits through a process for reviewing compliance with prudent limits on risk exposures, and follow-up on non-compliance as well as requiring approval and authorization for transactions above certain limits to ensure that management at an appropriate level is aware of the transaction or situation; and to establish accountability.

Information and communication. In Basis Bank this involves the inclusion of key types of data in the record keeping process, such as internal financial, operational and compliance data, as well as external market information on events and conditions relevant to decision making.

Monitoring activities and correcting deficiencies. These are indicated by the existence of an independent internal audit department to check whether existing policies and procedures remain adequate. The internal audit function

reports directly to the Supervisory board. This ensures the proper functioning of the bank governance by giving the board unbiased information in regards to the levels of management covered by the reports.

Risk Management Structure of the BasisBank



The Bank maintains and adheres to the best CG standards - The BB 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, risks' concentration, conduct of business as well as organizational and reporting requirements, provides for the regulation of Risk management in Commercial banks, risk governance principals, internal control systems, etc.

An effective internal control system requires that significant risks are identified and assessed on an ongoing basis. This process should cover all risks assumed by the banks and operate at all levels within it.

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 Board approves and exercises control over the implementation of the Bank’s strategy and its budget, and sets the general approach to risk management by approving individual risk strategies.

Individual policies for Credit, Operational and ALM policies enable the Bank to measure, aggregate and report risk internally, as well as regulatory purposes. Further, internal bank’s methodologies and manuals provide processes and measurements, from credit decision granting, pricing and approval to portfolio management and capital adequacy processes.

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; approving, or recommending to the Board on monitoring the financial accounting process; the effectiveness of the risk management system, particularly of the internal control system and the internal audit system. The audit committee report to the 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 measures that promote the company’s compliance with legal requirements, regulations and internal policies.

Executive Board is responsible for managing the Bank in accordance with the law, the bank’s Article and its’ Terms of Reference for performing its activities in accordance with the main goals and objectives of the Bank. The Executive Board is responsible for establishing a proper business organization, encompassing appropriate and effective risk management:

- Structures business to reflect risk;
- Ensures adequate segregation of duties;
- Ensures adequate procedures in place, including final approval of all policies (prior to submission to the Supervisory Board) and procedures before implementation;
- Defines operational responsibilities of subordinate staff.

The Executive Board establishes committees and functional units within the bank to ensure overall oversight and management of risk, the roles of which are described in more detail below:

Risk Management Committee

- Monitors the Bank’s risk profile;
- Evaluates adequacy requirements for principal risks, including evaluation, monitoring and limits of the risks;
- Debates and agrees actions on the risk profile and risk strategy across Bank;
- Discuss all policies and documents proposed for approval by the Supervisory board prior to submission. ;
- Evaluates effectiveness of the bank’s internal control and risk management systems together with the Internal Audit Committee;
- Reviews test results of risk management conducted by external audit and work out corresponding recommendations;
- Periodic review of limits.

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 deemed appropriate, which take into account changes in interest rate levels and trends, deposit and loan products and related markets, banking regulations, etc;
- Performs an independent review of the validation and reasonableness of the input, assumptions, and output of the ALM model(s) and procedures;
- Approves limit structure on counterparty risk.

Credit Committee

- Evaluates potential clients' financial condition and their ability to repay the loan;
- Reviews applications for loans and make decision upon such applications within the authority delegated to the committee;
- Acts in the best interest of the Bank, in compliance with internal policies and procedures;
- Reviews credit loan collection practices to improve loan underwriting and collection efforts.

The Chief Risk Officer ("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 as well as for the comprehensive control of risk, and continuing development of methods for risk measurement; 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. This includes: measuring and quantifying risks and setting risk limits, developing the requisite risk systems, and communicating a clear vision of the firm's risk profile to the board and to key stakeholders; 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 drawing up of suggestions about alteration necessary for structure, procedure and provision;
- Management and evaluation of credit, market and operational risks
- Elaboration of ICAAP framework, coordination of ICAAP with the involvement of risk owners
- Elaboration and introduction of methods of risk mitigation, specifically related to credit risk management;
- Evaluates bank lending performance and compare to the past periods;
- Reviews all Basis Bank policies and procedures prior to submission for approval to the executive board

Risk Identification and Assessment

Credit risk - The Bank's credit strategy is to create diversified and profitable loan portfolio while maintaining maximum quality. Credit risk is obviously the most important type of risk for banks and bank supervisory authorities. BB uses the following steps to measure and manage credit risk:

- **Establishment of an appropriate credit risk management environment.** In BB this is achieved through written Credit Policy and Credit Manual related to target markets, portfolio mix, price and non-price terms, the structure of limits, approval authorities and exception processing and reporting. Credit Policy of the Bank contains the limit system defined by the Bank for the control of concentration risks including towards single group exposure, top borrowers exposure, sector exposure.
- **Operating under a sound credit-granting process.** In BB this involves the consideration of a number of elements in credit granting. Depending on the type of credit exposure and the nature of the credit relationship to date, these include variety of factors such as 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, and the borrower's repayment history and current capacity to repay, given 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 Lending Departments (under Risk Management group) takes part of credit risk assessment of the client; pricing of each loan is risk adjusted, based on the rating of the client and riskiness of the product.
- **Maintenance of appropriate credit administration, measurement and monitoring processes.** This 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 relative to the obligor's current condition' and contractual payment delinquencies. Also it involves the monitoring of levels of credits in the credit portfolio to specific types of borrowers to avoid concentrations of risk. Such concentrations occur when there are high levels of direct or indirect credits to a single counterparty, a group of connected counterparties, or a particular industry or economic sector. BB will further develop appropriate credit administration, measurement and monitoring processes which will involve the inclusion of certain key areas in the process of stress testing to help the bank identify possible events or economic changes that could affect the bank's credit exposures and assess its ability to withstand such changes.
- **Maintenance of appropriate portfolio quality reporting.** Portfolio quality and lending limits determined by Credit Policy are regularly followed by the Credit Risk Management as 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.
- **Residual risk.** To reduce the potential residual risk of collaterals, the Bank uses discounts on the market value / value of the collaterals when calculating collateral coverage during the lending processes and during portfolio management. 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.
- **Stress testing.** The bank performs regular stress tests to monitor impact on regulatory capital buffer of adverse macro-economic as well as bank specific events on various levels of aggregation. Stress tests amongst others covers 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), default of several large exposures.

Liquidity risk – The Bank manages liquidity risk according to the ALM Policy and Regulation of Liquidity Management, where detailed processes and limit system connected to liquidity management is defined (cumulative

maturity mismatch limit, LCR, NSFR). The bank relies on Basel III liquidity management methodologies and on other internal assessment models developed in line with best international practice.

Liquidity management process mainly consists of following steps:

- Establishing and assessment of liquidity requirement; liquidity requirement is subject of constant re-assessment based on the Bank's asset and liability structure and General market conditions.
- Developing and controlling 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.

Market risk - The most likely sources of market risk are interest rate risk and foreign exchange risk. Obtaining financing abroad poses mismatch in respect to currency. Offering loans in foreign currency to match funding vehicle, or seek to use hedging vehicles like currency swaps and forwards can be viewed as most used methods of hedging Forex risk. The Bank uses the following steps to measure and manage market risk:

- Senior management's oversight of market risk. This is to ensure that the bank's policies and procedures, for managing interest rate risk and FX risk on both a long-term and day-to-day basis are adequate and that clear lines of authority and responsibility for managing and controlling this risk are maintained. Effective oversight of market risk requires that bank maintains appropriate limits on risk taking, adequate systems and standards for measuring risk, standards for valuing position and measuring performance, a comprehensive interest rate risk reporting and management review process, as well as effective internal controls.
- Process of risk measurement, monitoring and control. Different measures are used for this purpose, including reprising gap analysis, duration gap analysis, and different approaches.

Operational Risk - The measurement and management of operational risk is done as a distinct risk category. Operational risk is defined as the risk of financial loss occurring from inadequate internal policies, system and control failures, human error, fraud or management failure and natural disasters. The Bank uses the following steps to measure and manage operational risk:

- Developing an appropriate operational risk management environment. This may be addressed especially through the management and internal reporting of operational risk as a distinct risk category related to the bank's safety and soundness.
- Risk mapping. The Bank's Operational Risk policy provides a comprehensive framework for operational risk identification, measurement and management. The policy lay down the principles for how operational risk is to be identified, assessed, monitored, and controlled or mitigated.
- Operational risk identification, assessment, monitoring and mitigation. It involves a system of checks to identify strengths and weaknesses of the operational risk environment; provision of sufficient operational risk environment is ensured by effective and comprehensive internal audit by operationally independent, appropriately trained and competent staff.
- Contingency and business continuity plans in place. The Bank has implemented business continuity plans to ensure their ability to operate as going concerns and minimize losses in the event of severe business disruption.
- Although the Bank calculates capital requirement using the BIA approach, some qualitative elements of more advanced risk quantification are used which serves as a basis of more comprehensive operational risk management. Operational Risk activities are regulated by the Operational Risk Methodology Regulation.

The operational risk management in the Bank exists at three levels (business units / departments level, Operational Risk Management level, Audit level), which ensures regular control of operational risk.

In addition the bank is assessing in ICAAP document other risks to which the bank can be exposed, the some of these risks are discussed below:

Business risk - means the current or prospective risk to earnings and capital arising from changes in the business environment and from adverse business decisions, or from the overlooking of changes in the business environment.

- Present or prospective business risk is defined as the risk linked to a potential drop in profits or capital due to changes in the operating environment or erroneous corporate decisions, inadequate implementation of decisions or poor reactions to changes in the competitive environment.

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 (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.

Governance, systems and controls risks – Assessed and measured through processes (Assessment of Corp. Governance structure, internal key risk governance systems and control functions);

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 is committed to have a comprehensive risk management process in place that effectively identifies, measures, monitors and controls all risk exposures as the Bank wants to avoid high volatility in its earnings and net worth due to events arising from the poor reactions to changes in the competitive environment and/or erroneous corporate decisions and is committed to substantially mitigated by the Bank's adequate, well-elaborated business strategy development system and back-testing methodology.

REMUNERATION POLICY

Report on compensation includes the detailed info on compensation for 2017 year on Top Management of JSC "BASISBank" and other bodies carries material risks.

As supreme governing body of the Bank are considered Supervisory Board members and Directors.

- Supervisory Board
 - ✓ Chairman of Supervisory Board
 - ✓ Co-Chairman of Supervisory Board
 - ✓ Co-Chairman of Supervisory Board
 - ✓ Member of Supervisory Board
 - ✓ Member of Supervisory Board

- Executive Board
 - ✓ General Director
 - ✓ Deputy General Director, Finance
 - ✓ Deputy General Director, Retail Business
 - ✓ Deputy General Director, Risk Management and Information Technology
 - ✓ Deputy General Director, lending

Definition of fixed remuneration

Supervisory Board as supreme body takes decision as on Directorate remuneration as well on its own remuneration. Decision on annual increase of Directorate members remuneration is taken by Supervisory Board.

Variety of factors are considered within the process of development of compensation system and determination of individual remuneration. Taking into account the specified principles Supervisory Board and members of Directorate take the decision on fixed remuneration.

Compensation system and structure are specified in individual Contracts of Top Management members.

Definition for variable remuneration

The bonus is additional remuneration to be awarded to Director for implementation of responsibilities provided by Contract. Determination of bonus is based on the calculation of the financial results of the previous fiscal year, which is confirmed by the report of external audit (here refers to the four largest international audit companies of the world). The bonus system of top management includes as money remuneration type as well as share-based compensations.

Any expenses related to bonus scheme of Top management is recognized in reporting period . See table 24/27 Annex 2.

Remuneration awarded during the reporting period

in GEL

		Board of Directors	Supervisory Board
Fixed remuneration	<i>Number of employees</i>	5	3
	Total fixed remuneration	783,843	172,500
	Of which cash-based	783,843	783,843
	Of which: deferred	-	-
	Of which: shares or other share-linked instruments	-	-
	Of which deferred	-	-
	Of which other forms	-	-
	Of which deferred	-	-
Variable remuneration	<i>Number of employees</i>	5	
	Total variable remuneration	1,478,917	-
	Of which cash-based	828,917	-

	Of which: deferred	650,000	-
	Of which shares or other share-linked instruments	650,000	-
	Of which deferred	650,000	-
	Of which other forms	-	-
	Of which deferred	-	-
Total remuneration		2,262,760	172,500

In July 2013, the Supervisory Board of the Bank approved a Senior Management Bonus scheme for the years 2013 – 2014 and granted 73 000 new shares to the members of senior management of the Group. According to the scheme, each year, subject to predefined performance conditions, certain number of the shares is awarded to the participants. The total number of the shares to be awarded depends on meeting team goals and the book value per share according to the audited IFRS consolidated and separate financial statements of the Group for the year preceding the date of the award. The team goals primarily relate to achieving growth and profitability metrics set by the Supervisory Board as well as compliance with certain regulatory ratios and covenants. The awarded shares carry service conditions and before those conditions are met, the shares are eligible to dividends but do not have voting rights and cannot be sold or transferred to third parties. Service conditions assume continuous employment until the gradual transfer of the full title to the scheme participants is complete. The awarded shares vested in July 2016, these shares were removed of all post-vesting restrictions.

The Group considers 26 July 2013 as the grant date. The fair value per share at the grant date was estimated at GEL 7.85 per share. The fair value of the shares was determined by reference to the price per share established for the share purchase transaction between the former owners of the Bank and the Bank's current major shareholder. Based on management's assessment, the share purchase transaction can be considered as an orderly transaction between willing and unrelated market participants. All staff costs related to this Senior Management Bonus scheme is recognized during the vesting period.

In April 2015, the Supervisory Board of the Bank approved a Senior Management Bonus new scheme for the years 2015 – 2016 and granted 71,000 new shares to the members of senior management of the Bank subject to service conditions.

These shares are eligible to dividends but do not have voting rights and cannot be sold or transferred to third parties before the service conditions are met

Shares 2015 vested in July 2016 and these shares were removed of all post-vesting restrictions.

2016 tranche were issued on 27 July 2017. These shares are subject to post-vesting restrictions, July 2019 (the end of first lock-up period) will remove restrictions on 50% of vested shares and 1 July 2022 (the end of second lock-up period) is when the post-vesting restrictions expire entirely.

The Group considers 8 April 2015 as the grant date. The fair value per share at the grant date was estimated at GEL 11.34 per share. The fair value of the shares was determined by reference to the price per share established for the share purchase transaction between the owners of the Bank.

In March 2017, the Supervisory Board of the Bank approved a Senior Management Bonus new scheme for the years 2017 – 2021 and granted 169,000 new shares to the members of senior management of the Bank subject to service conditions

The Group considers 27 March 2017 as the grant date. The fair value per share at the grant date was estimated at GEL 12.55 per share.

The fair value of the shares was determined by reference to the price per share established for the share purchase transaction between the owners of the Bank.

According to the new share based scheme the Management Shares will be subject to the similar restrictions and cannot be sold by the Directors within 2 (two) years after the acquisition (“the Lock-up Period”). After the Lock-up Period, half of the Management Shares owned by the Directors can be sold. All of the Management Shares owned by the Directors can be transferred only after the Directors’ resignation.

Remuneration of Executive Board members based on equity shares in terms of payment differs from the local NBG and IFRS standards. In Table 24 (see annex 2) in quarterly report of Pillar-3. The schema of considered remuneration is based on local accounting standards.

Bank: JSC "Basisbank"
Date:

31-Dec-17

Table 1 Key metrics

N		T	T-1	T-2	T-3	T-4
	Regulatory capital (amounts, GEL)					
	Based on Basel III framework					
1	Common Equity Tier 1 (CET1)	175,637,524	169,458,840	166,052,814	160,086,841	154,546,328
2	Tier 1	175,637,524	169,458,840	166,052,814	160,086,841	154,546,328
3	Total regulatory capital	187,027,072	179,135,509	176,539,448	170,292,977	163,769,921
	Risk-weighted assets (amounts, GEL)					
4	Risk-weighted assets (RWA) (Based on Basel III framework)	980272025 *	1,106,457,925	1,051,305,468	1,028,969,023	1,026,124,034
5	Risk-weighted assets (RWA) (Based on Basel I frameworks)	1,127,425,687	994,813,623	935,357,031	909,302,014	896,316,417
	Capital ratios as a percentage of RWA					
	Based on Basel III framework					
6	Common equity Tier 1 ratio (≥ 7.0 %)	17.92% *	15.32%	15.79%	15.56%	15.06%
7	Tier 1 ratio (≥ 8.5 %)	17.92% *	15.32%	15.79%	15.56%	15.06%
8	Total regulatory capital ratio (≥ 10.5 %)	19.08% *	16.19%	16.79%	16.55%	15.96%
	Based on Basel I framework					
9	Common equity Tier 1 ratio (≥ 6.4 %)	13.84%	15.69%	16.63%	17.14%	15.35%
10	Total regulatory capital ratio (≥ 9.6 %)	16.21%	18.01%	18.87%	18.73%	18.27%
	Income					
11	Total Interest Income /Average Annual Assets	7.49%	7.53%	7.81%	7.82%	8.31%
12	Total Interest Expense / Average Annual Assets	3.20%	3.11%	3.09%	3.07%	3.42%
13	Earnings from Operations / Average Annual Assets	3.33%	3.31%	3.79%	3.90%	4.11%
14	Net Interest Margin	4.29%	4.41%	4.72%	4.75%	4.88%
15	Return on Average Assets (ROAA)	1.91%	2.37%	3.14%	3.51%	2.67%
16	Return on Average Equity (ROAE)	11.04%	13.06%	16.45%	18.74%	13.16%
	Asset Quality					
17	Non Performed Loans / Total Loans	4.02%	4.46%	3.95%	3.75%	4.13%
18	LLR/Total Loans	4.26%	4.39%	4.48%	4.43%	4.60%
19	FX Loans/Total Loans	70.24%	68.31%	69.14%	70.24%	71.32%
20	FX Assets/Total Assets	63.64%	63.26%	59.09%	62.04%	60.80%
21	Loan Growth-YTD	42.20%	27.05%	10.40%	7.18%	19.80%
	Liquidity					
22	Liquid Assets/Total Assets	33.06%	36.56%	28.97%	30.47%	27.80%
23	FX Liabilities/Total Liabilities	77.70%	77.10%	76.93%	79.57%	76.63%
24	Current & Demand Deposits/Total Assets	31.95%	22.83%	24.45%	27.46%	25.60%
	Liquidity Coverage Ratio**					
25	Total HQLA	364,002,821	X	X	X	X
26	Net cash outflow	256,930,199	X	X	X	X
27	LCR ratio (%)	141.67%	X	X	X	X

* Significant changes between these two reporting periods is due to changes in NBG's methodology of calculating Risk Weighted Risk Exposures, in particular excluding Currency induced credit risk (CICR) from RWRA, which will be reflected in Pillar 2 capital buffer requirements. For the further details see the link of NBG's official press-release:

<https://www.nbg.gov.ge/index.php?m=340&newsid=3248&lng=eng>

** 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-17

Table 2

Balance Sheet

in Lari

N		Reporting Period			Respective period of the previous year		
		GEL	FX	Total	GEL	FX	Total
	Assets						
1	Cash	13,466,564	17,981,244	31,447,808	9,927,208	14,109,851	24,037,059
2	Due from NBG	15,049,682	143,643,443	158,693,125	9,136,366	105,421,393	114,557,758
3	Due from Banks	404,977	81,304,581	81,709,557	27,730,306	10,465,059	38,195,364
4	Dealing Securities	0	0	0	0	0	0
5	Investment Securities	141,586,514	0	141,586,514	125,909,921	0	125,909,921
6.1	Loans	234,050,730	552,533,534	786,584,264	158,642,811	394,515,809	553,158,620
6.2	Less: Loan Loss Reserves	-6,292,262	-27,194,909	-33,487,171	-4,849,719	-20,597,551	-25,447,270
6	Net Loans	227,758,468	525,338,625	753,097,093	153,793,092	373,918,258	527,711,350
7	Accrued Interest and Dividends Receivable	3,884,787	2,651,704	6,536,491	3,281,996	2,097,699	5,379,695
8	Other Real Estate Owned & Repossessed Assets	5,440,010	0	5,440,010	4,448,487	0	4,448,487
9	Equity Investments	4,362,705	0	4,362,705	3,859,355	0	3,859,355
10	Fixed Assets and Intangible Assets	23,148,756	0	23,148,756	22,171,027	0	22,171,027
11	Other Assets	5,598,429	428,193	6,026,622	2,492,715	56,615,061	59,107,777
12	Total assets	440,700,891	771,347,789	1,212,048,680	362,750,473	562,627,321	925,377,793
	Liabilities						
13	Due to Banks	14,001,144	15,954,620	29,955,765	12,501,144	10,587,200	23,088,344
14	Current (Accounts) Deposits	79,713,776	112,187,911	191,901,688	58,412,276	82,074,968	140,487,244
15	Demand Deposits	51,426,159	143,933,723	195,359,883	29,801,747	66,565,833	96,367,580
16	Time Deposits	41,506,104	251,124,480	292,630,584	26,923,002	294,742,116	321,665,118
17	Own Debt Securities			0			0
18	Borrowings	30,009,415	267,537,009	297,546,424	41,020,092	119,549,868	160,569,960
19	Accrued Interest and Dividends Payable	680,361	6,845,784	7,526,145	1,090,172	5,838,931	6,929,104
20	Other Liabilities	11,648,164	379,781	12,027,945	7,401,711	1,391,870	8,793,581
21	Subordinated Debentures	0	0	0	0	0	0
22	Total liabilities	228,985,125	797,963,309	1,026,948,433	177,150,145	580,750,787	757,900,932
	Equity Capital						
23	Common Stock	16,096,897	0	16,096,897	16,057,277	0	16,057,277
24	Preferred Stock	0	0	0	0	0	0
25	Less: Repurchased Shares	0	0	0	0	0	0
26	Share Premium	75,284,048	0	75,284,048	74,865,296	0	74,865,296
27	General Reserves	65,529,805	0	65,529,805	47,179,134	0	47,179,134
28	Retained Earnings	19,587,842	0	19,587,842	20,773,499	0	20,773,499
29	Asset Revaluation Reserves	8,601,655	0	8,601,655	8,601,655	0	8,601,655
30	Total Equity Capital	185,100,247	0	185,100,247	167,476,861	0	167,476,861
31	Total liabilities and Equity Capital	414,085,371	797,963,309	1,212,048,680	344,627,006	580,750,787	925,377,793

Bank:
Date:

JSC "Basisbank"
31-Dec-17

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	580,254	685,713	1,265,966	761,948	564,775	1,326,722
2	Interest Income from Loans	20,886,423	41,439,505	62,325,928	18,623,280	31,077,014	49,700,294
2.1	from the Interbank Loans	323,222		323,222	8,473		8,473
2.2	from the Retail or Service Sector Loans	4,129,872	16,936,433	21,066,305	3,756,493	9,388,714	13,145,208
2.3	from the Energy Sector Loans	747,826	188,837	936,662	256,723	5,855	262,577
2.4	from the Agriculture and Forestry Sector Loans	594,764	841,589	1,436,353	484,268	991,329	1,475,596
2.5	from the Construction Sector Loans	622,991	4,621,649	5,244,640	1,124,727	3,820,250	4,944,977
2.6	from the Mining and Mineral Processing Sector Loans	959,151	941,769	1,900,920	908,567	1,111,574	2,020,141
2.7	from the Transportation or Communications Sector Loans	7,543	64,006	71,549	551	55,569	56,120
2.8	from Individuals Loans	9,428,475	12,823,908	22,252,383	7,633,241	14,599,216	22,232,457
2.9	from Other Sectors Loans	4,072,580	5,021,314	9,093,894	4,450,237	1,104,507	5,554,744
3	Fees/penalties income from loans to customers	453,061	1,313,569	1,766,630	625,007	1,314,492	1,939,500
4	Interest and Discount Income from Securities	10,534,509		10,534,509	9,849,819		9,849,819
5	Other Interest Income	917,375	192,595	1,109,970	707,781	1,138,519	1,846,300
6	Total Interest Income	33,371,622	43,631,381	77,003,003	30,567,835	34,094,800	64,662,634
	Interest Expense						
7	Interest Paid on Demand Deposits	4,864,680	2,103,969	6,968,649	3,954,561	1,586,768	5,541,329
8	Interest Paid on Time Deposits	2,193,981	10,947,471	13,141,452	3,508,711	10,072,052	13,580,763
9	Interest Paid on Banks Deposits	609,086	293,218	902,304	1,209,950	38,634	1,248,583
10	Interest Paid on Own Debt Securities	157,880		157,880	106,600		106,600
11	Interest Paid on Other Borrowings	2,800,282	8,923,316	11,723,598	1,278,593	4,883,802	6,162,394
12	Other Interest Expenses			-			-
13	Total Interest Expense	10,625,909	22,267,974	32,893,884	10,058,414	16,581,255	26,639,669
14	Net Interest Income	22,745,712	21,363,407	44,109,119	20,509,421	17,513,545	38,022,966
	Non-Interest Income						
15	Net Fee and Commission Income	2,384,052	161,329	2,545,381	1,425,806	570,265	1,996,071
15.1	Fee and Commission Income	3,792,070	3,029,724	6,821,794	2,764,695	2,513,536	5,278,231
15.2	Fee and Commission Expense	1,408,019	2,868,394	4,276,413	1,338,889	1,943,271	3,282,160
16	Dividend Income			-		600,000	600,000
17	Gain (Loss) from Dealing Securities			-			-
18	Gain (Loss) from Investment Securities			-			-
19	Gain (Loss) from Foreign Exchange Trading	4,114,317		4,114,317	4,078,332		4,078,332
20	Gain (Loss) from Foreign Exchange Translation	(400,581)		(400,581)	(371,763)		(371,763)
21	Gain (Loss) on Sales of Fixed Assets	517,440		517,440	57,913		57,913
22	Non-Interest Income from other Banking Operations	182,113	6,240	188,352	196,164	5,979	202,142
23	Other Non-Interest Income	476,315	698,288	1,174,603	694,271	1,770,059	2,464,330
24	Total Non-Interest Income	7,273,656	865,857	8,139,513	6,080,722	2,946,302	9,027,024
	Non-Interest Expenses						
25	Non-Interest Expenses from other Banking Operations	1,113,472	14,611	1,128,083	883,074	51,424	934,498
26	Bank Development, Consultation and Marketing Expenses	1,908,141	136,079	2,044,220	1,478,095	137,532	1,615,626
27	Personnel Expenses	11,075,635		11,075,635	9,396,560		9,396,560
28	Operating Costs of Fixed Assets	89,164		89,164	85,516		85,516
29	Depreciation Expense	1,353,756		1,353,756	1,254,222		1,254,222
30	Other Non-Interest Expenses	2,277,752	22,511	2,300,263	2,040,864	37,694	2,078,558
31	Total Non-Interest Expenses	17,817,920	173,201	17,991,121	15,138,331	226,650	15,364,982
32	Net Non-Interest Income	(10,544,264)	692,656	(9,851,608)	(9,057,609)	2,719,652	(6,337,958)
33	Net Income before Provisions	12,201,448	22,056,063	34,257,511	11,451,811	20,233,196	31,685,008
34	Loan Loss Reserve	7,386,306		7,386,306	5,364,947		5,364,947
35	Provision for Possible Losses on Investments and Securities			-			-
36	Provision for Possible Losses on Other Assets	5,589,104		5,589,104	2,874,835		2,874,835
37	Total Provisions for Possible Losses	12,975,409	-	12,975,409	8,239,782	-	8,239,782
38	Net Income before Taxes and Extraordinary Items	(773,961)	22,056,063	21,282,102	3,212,029	20,233,196	23,445,226
39	Taxation	1,693,489		1,693,489	2,663,055		2,663,055
40	Net Income after Taxation	(2,467,451)	22,056,063	19,588,612	548,974	20,233,196	20,782,171
41	Extraordinary Items	(770)		(770)	(8,672)		(8,672)
42	Net Income	(2,468,221)	22,056,063	19,587,842	540,302	20,233,196	20,773,499

Bank: JSC "Basisbank"
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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	63,397,564	44,752,076	108,149,640	36,513,492	26,672,298	63,185,790
1.1	Guarantees Issued	42,695,262	14,904,401	57,599,662	23,441,424	4,667,113	28,108,537
1.2	Letters of credit Issued			-			-
1.3	Undrawn loan commitments	20,679,607	29,797,316	50,476,923	13,049,372	21,958,426	35,007,799
1.4	Other Contingent Liabilities	22,695	50,360	73,055	22,695	46,759	69,455
2	Guarantees received as security for liabilities of the bank	29,677,600	31,547,074	61,224,674	6,247,200	879,532	7,126,732
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	Guaratees received as security for receivables of the bank	150,175,514	3,312,256,283	3,462,431,797	117,559,229	2,532,475,903	2,650,035,132
4.1	Surety, joint liability	148,676,514	3,308,014,718	3,456,691,232	116,326,129	2,527,986,190	2,644,312,318
4.2	Guarantees	1,499,000	4,241,565	5,740,565	1,233,100	4,489,714	5,722,814
5	Assets pledged as security for receivables of the bank	83,154,537	1,946,956,891	2,030,111,429	59,874,832	1,353,806,623	1,413,681,455
5.1	Cash	9,147,692	153,675,711	162,823,403	8,148,175	91,332,492	99,480,668
5.2	Precious metals and stones	-	11,211,265	11,211,265	-	25,660,726	25,660,726
5.3	Real Estate:	24,302,957	1,311,809,579	1,336,112,536	25,898,488	1,043,837,750	1,069,736,238
5.3.1	Residential Property	23,841,350	587,972,972	611,814,322	25,745,669	487,969,968	513,715,637
5.3.2	Commercial Property	251,925	501,399,969	501,651,894	-	371,581,350	371,581,350
5.3.3	Complex Real Estate	-	20,323,247	20,323,247	24,150	14,712,635	14,736,785
5.3.4	Land Parcel	122,232	138,759,720	138,881,952	96,469	117,455,233	117,551,702
5.3.5	Other	87,450	63,353,670	63,441,120	32,200	52,118,565	52,150,765
5.4	Movable Property	28,615,112	155,940,670	184,555,782	20,442,468	137,766,111	158,208,579
5.5	Shares Pledged	-	19,068,936	19,068,936	-	16,363,245	16,363,245
5.6	Securities	12,970,000	275,499	13,245,499	-	10,770,357	10,770,357
5.7	Other	8,118,777	294,975,231	303,094,008	5,385,701	28,075,942	33,461,642
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	141,192	34,979	176,171	211,648	19,908	231,556
7.2	Interest and penalty receivable not recognized on-balance or derecognized during last 3 month	167,480	249,779	417,259	174,435	219,561	393,996
7.3	Principal of receivables derecognized during 5 years month (including last 3 month)	2,524,455	1,648,985	4,173,440	1,984,168	1,930,618	3,914,786
7.4	Interest and penalty receivable not recognized on-balance or derecognized during last 5 years (including last 3 month)	690,083	1,602,992	2,293,075	403,264	1,137,226	1,540,490
8	Non-cancelable operating lease			0			0
8.1	Through indefinit term agreement			0			0
8.2	Within one year			0			0
8.3	From 1 to 2 years			0			0
8.4	From 2 to 3 years			0			0
8.5	From 3 to 4 years			0			0
8.6	From 4 to 5 years			0			0
8.7	More than 5 years			0			0
9	Capital expenditure commitment			0			0

Bank: JSC "Basisbank"
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Table 5		Risk Weighted Assets		in Lari	
N		T	T-1		
1	Risk Weighted Assets for Credit Risk	903,928,850	812,065,321		
1.1	Balance sheet items	849,789,991	766,098,982		
1.1.1	Including: amounts below the thresholds for deduction (subject to 250% risk weight)	4,300,000	0		
1.2	Off-balance sheet items	54,138,859	45,966,339		
1.3	Counterparty credit risk	0	0		
2	Risk Weighted Assets for Market Risk	748,685	1,059,137		
3	Risk Weighted Assets for Operational Risk	75,594,490	57,595,802		
4	Total Risk Weighted Assets	980,272,025	870,720,260		

Bank: JSC "Basisbank"
Date:

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

	Members of Supervisory Board	
1	Zhang Jun	
2	Zhou Ning	
3	Zaiqi Mi	
4	David Tsaava	
5	Li Hui	
6		
7		
8		
9		
10		
	Members of Board of Directors	
1	David Tsaava	
2	Lia Aslanikashvili	
3	David Kakabadze	
4	Levan Gardaphkhadze	
5	Li Hui	
6		
7		
8		
9		
10		
	List of Shareholders owning 1% and more of issued capital, indicating Shares	
1	Xinjiang HuaLing Industry & Trade (Group) Co LTD	92.08%
2	Zaiqi Mi	6.95%
	List of bank beneficiaries indicating names of direct or indirect holders of 5% or more of shares	
1	Enhua Mi	91.99%
2	Zaiqi Mi	6.95%

Bank: JSC "Basisbank"
Date:

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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	31,447,808		31,447,808
2	Due from NBG	158,693,125		158,693,125
3	Due from Banks	81,709,557		81,709,557
4	Dealing Securities	-		-
5	Investment Securities	141,586,514		141,586,514
6.1	Loans	786,584,264		786,584,264
6.2	Less: Loan Loss Reserves	(33,487,171)		(33,487,171)
6	Net Loans	753,097,093		753,097,093
7	Accrued Interest and Dividends Receivable	6,536,491		6,536,491
8	Other Real Estate Owned & Repossessed Assets	5,440,010		5,440,010
9	Equity Investments	4,362,705		4,362,705
10	Fixed Assets and Intangible Assets	23,148,756	861,076	22,287,680
11	Other Assets	6,026,622		6,026,622
	Total exposures subject to credit risk weighting before adjustments	1,212,048,680	861,076	1,211,187,604

Bank: JSC "Basisbank"
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Table 8 Differences between carrying values per standardized balance sheet used for regulatory reporting p *in Lari*

1	Total carrying value of balance sheet items subject to credit risk weighting before adjustments	1,211,187,604
2.1	Nominal values of off-balance sheet items subject to credit risk weighting	108,132,580
2.2	Nominal values of off-balance sheet items subject to counterparty credit risk weighting	
3	Total nominal values of on-balance and off-balance sheet items before any adjustments used for credit risk weighting purposes	1,319,320,184
4	Effect of provisioning rules used for capital adequacy purposes	11,389,547
5.1	Effect of credit conversion factor of off-balance sheet items related to credit risk framework	-20,002,024
5.2	Effect of credit conversion factor of off-balance sheet items related to counterparty credit risk framework (table CCR)	
6	Effect of other adjustments	
7	Total exposures subject to credit risk weighting	1,310,707,707

Bank: JSC "Basisbank"
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Table 9 Regulatory capital

N		in Lari
1	Common Equity Tier 1 capital before regulatory adjustments	185,100,255
2	Common shares that comply with the criteria for Common Equity Tier 1	16,096,897
3	Stock surplus (share premium) of common share that meets the criteria of Common Equity Tier 1	75,284,048
4	Accumulated other comprehensive income	0
5	Other disclosed reserves	74,131,460
6	Retained earnings (loss)	19,587,851
7	Regulatory Adjustments of Common Equity Tier 1 capital	9,462,731
8	Revaluation reserves on assets	8,601,655
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	861,076
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	175,637,524
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	11,389,547
37	Instruments that comply with the criteria for Tier 2 capital	0
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	11,389,547
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	11,389,547

Date:

31-Dec-17

Table 10

Reconciliation of balance sheet to regulatory capital

in Lari

Table 10	Reconciliation of balance sheet to regulatory capital		in Lakh
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	31,447,808	
2	Due from NBG	158,693,125	
3	Due from Banks	81,709,557	
4	Dealing Securities	0	
5	Investment Securities	141,586,514	
6.1	Loans	786,584,264	
6.2	Less: Loan Loss Reserves	-33,487,171	
6.2.1	General Reserves	11,389,547	table 9 (Capital), N39
6	Net Loans	753,097,093	
7	Accrued Interest and Dividends Receivable	6,536,491	
8	Other Real Estate Owned & Repossessed Assets	5,440,010	
9	Equity Investments	4,362,705	
9.1	Of which above 10% equity holdings in financial institutions	0	
9.2	Of which significant investments subject to limited recognition	0	
9.3	Of which below 10% equity holdings subject to limited recognition	0	
10	Fixed Assets and Intangible Assets	23,148,756	
10.1	Of which intangible assets	861,076	table 9 (Capital),, N10
11	Other Assets	6,026,622	
12	Total assets	1,212,048,680	
13	Due to Banks	29,955,765	
14	Current (Accounts) Deposits	191,901,688	
15	Demand Deposits	195,359,883	
16	Time Deposits	292,630,584	
17	Own Debt Securities	0	
18	Borrowings	297,546,424	
19	Accrued Interest and Dividends Payable	7,526,145	
20	Other Liabilities	12,027,945	
21	Subordinated Debentures		
21.1	Of which tier II capital qualifying instruments	0	
22	Total liabilities	1,026,948,433	
23	Common Stock	16,096,897	table 9 (Capital), N2
24	Preferred Stock	0	
25	Less: Repurchased Shares	0	
26	Share Premium	75,284,048	table 9 (Capital), N3
27	General Reserves	65,529,805	table 9 (Capital), N5
28	Retained Earnings	19,587,842	table 9 (Capital), N6
29	Asset Revaluation Reserves	8,601,655	table 9 (Capital), N5, N8
30	Total Equity Capital	185,100,247	

Bank:
Date:

JSC "Basisbank"
31-Dec-17

Table 11

Credit Risk Weighted Exposures
(On-balance items and off-balance items after credit conversion factor)

Risk weights 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	
1	Claims or contingent claims on central governments or central banks	158,706,120	-	-	-	-	-	-	-	-	-	143,665,763	-	-	-	-	-	143,665,763
2	Claims or contingent claims on regional governments or local authorities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3	Claims or contingent claims on public sector entities	-	-	-	-	-	-	-	-	-	-	29,288	-	-	-	-	-	29,288
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	-	-	78,800,195	-	-	-	2,778,599	-	-	-	15,224,179	-	-	-	-	-	32,373,517
7	Claims or contingent claims on corporates	-	-	-	-	-	-	-	-	-	-	434,624,500	49,079,899	-	-	-	-	483,704,398
8	Retail claims or contingent retail claims	-	-	-	-	-	-	-	-	116,230,361	-	-	2,553,580	-	-	-	-	89,728,351
9	Claims or contingent claims secured by mortgages on residential property	-	-	-	-	18,564,954	-	280,852	-	-	-	185,698	-	-	-	-	-	6,821,899
10	Past due items	-	-	-	-	-	-	-	-	-	-	14,945,080	-	14,238,114	-	-	-	36,302,251
11	Items belonging to regulatory high-risk categories	-	-	-	-	-	-	-	-	-	-	11,034,256	-	3,671,909	-	-	-	16,392,119
12	Short-term claims on commercial banks and corporates	-	-	-	-	-	-	-	-	-	-	2,220,320	29,152,687	-	-	-	-	31,373,007
13	Claims in the form of collective investment undertakings (CIU)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
14	Other items	31,447,808	-	-	-	-	-	-	-	-	-	171,741,155	7,344,390	-	-	4,300,000	-	189,835,545
Total		190,153,929	-	78,800,195	-	18,564,954	-	3,039,451	-	116,230,361	-	763,676,239	86,130,556	17,810,023	-	4,300,000	-	1,030,224,088

Table 12		Credit Risk Mitigation										in Lari									
		Funded Credit Protection										Unfunded Credit Protection									
		On-balance sheet netting	Cash on deposit with, or cash assimilated 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	Debt securities issued by regional governments or local authorities, public sector entities, multilateral development banks and international organizations/institutions	Debt securities issued by other entities, which securities have a credit assessment, which has been determined by NBG to be associated with credit quality 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 NBG to be associated with credit quality step 3 or above under the rules for the risk weighting of short term exposures	Equities or convertible bonds that are included in a main index	Standard gold bullion or equivalent	Debt securities without credit rating issued by commercial banks	Units in collective investment undertakings	Central governments or central banks	Regional governments or local authorities	Multilateral development banks	International organizations / institutions	Public sector entities	Commercial banks	Other corporate entities that have a credit assessment, which has been determined by NBG to be associated with credit quality step 2 or above under the rules for the risk weighting of exposures to corporates	Total Credit Risk Mitigation - On-balance sheet	Total Credit Risk Mitigation - Off-balance sheet	Total Credit Risk Mitigation
1	Claims or contingent claims on central governments or central banks		-																-		-
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																				
7	Claims or contingent claims on corporates		95,776,295																84,133,037	11,643,258	95,776,295
8	Retail claims or contingent retail claims		574,327																574,327		574,327
9	Claims or contingent claims secured by mortgages on residential property		-																-		-
10	Past due items		1,060,674																1,060,674		1,060,674
11	Items belonging to regulatory high-risk categories		32,304																32,304		32,304
12	Short-term claims on commercial banks and corporates		23,979,898																1,795,132	22,184,766	23,979,898
13	Claims in the form of collective investment undertakings																				
14	Other items		4,871,750																4,708,077	163,673	4,871,750
Total		-	126,295,248	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	92,303,551	33,991,697	126,295,248

Bank:
Date:

JSC "Basisbank"
31-Dec-17

Table 13 **Standardized approach - Effect of credit risk mitigation**

		a	b	c	d	e	f
		On-balance sheet exposures	Off-balance sheet exposures		RWA before Credit Risk Mitigation	RWA post Credit Risk Mitigation	RWA Density f=e/(a+c)
	Asset Classes		Off-balance sheet exposures - Nominal value	Off-balance sheet exposures post CCF			
1	Claims or contingent claims on central governments or central banks	302,371,883			143,665,763	143,665,763	48%
2	Claims or contingent claims on regional governments or local authorities	-			-	-	#DIV/0!
3	Claims or contingent claims on public sector entities	29,288			29,288	29,288	100%
4	Claims or contingent claims on multilateral development banks	-			-	-	#DIV/0!
5	Claims or contingent claims on international organizations/institutions	-			-	-	#DIV/0!
6	Claims or contingent claims on commercial banks	96,802,973			32,373,517	32,373,517	33%
7	Claims or contingent claims on corporates	434,624,500	66,791,514	49,079,899	483,704,398	387,928,103	80%
8	Retail claims or contingent retail claims	116,230,361	2,648,445	2,553,580	89,726,351	89,152,024	75%
9	Claims or contingent claims secured by mortgages on residential property	19,019,504			6,821,858	6,821,858	36%
10	Past due items	29,183,194			36,302,251	35,241,577	121%
11	Items belonging to regulatory high-risk categories	14,606,165			16,392,119	16,359,815	112%
12	Short-term claims on commercial banks and corporates	2,220,320	29,629,880	29,152,687	31,373,007	7,393,109	24%
13	Claims in the form of collective investment undertakings ('CIU')	-			-	-	#DIV/0!
14	Other items	207,488,963	9,062,741	7,344,390	189,835,545	184,963,795	86%
	Total	1,222,577,151	108,132,580	88,130,556	1,030,224,098	903,928,850	69%

Bank: JSC "Basisbank"
Date: 31-Dec-17

Table 14 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				157,156,916	206,845,905	364,002,821	157,528,696	161,624,687	319,153,383
Cash outflows										
2	Retail deposits	34,772,994	169,424,616	204,197,610	6,361,588	36,240,814	42,602,402	1,429,274	5,607,867	7,037,141
3	Unsecured wholesale funding	151,883,606	619,465,944	771,349,549	75,337,522	125,539,450	200,876,972	59,555,720	81,729,504	141,285,223
4	Secured wholesale funding	30,000,000	-	30,000,000						
5	Outflows related to off-balance sheet obligations and net short position of derivative exposures	43,317,280	32,402,454	75,719,735	9,539,559	11,394,493	20,934,052	3,537,325	4,287,018	7,824,343
6	Other contractual funding obligations, related to drawdown of undrawn credit facilities within 30 days and not included in abovementioned categories									
7	Other funding obligations	1,526,922	6,955,984	8,482,906						
8	TOTAL CASH OUTFLOWS	261,500,802	828,248,997	1,089,749,800	91,238,669	173,174,757	264,413,426	64,522,319	91,624,388	156,146,707
Cash inflows										
9	Secured lending (eg reverse repos)									
10	Other inflows from counterparties	228,003,837	528,063,353	756,067,190	3,728,955	3,754,271	7,483,227	4,227,631	84,929,242	89,156,873
11	Other cash inflows	1,870,819	521,019	2,391,838						
12	TOTAL CASH INFLOWS	229,874,656	528,584,372	758,459,028	3,728,955	3,754,271	7,483,227	4,227,631	84,929,242	89,156,873
					Total value according to NBG's methodology (with limits)			Total value according to Basel methodology (with limits)		
13	Total HQLA				157,156,916	206,845,905	364,002,821	157,528,696	161,624,687	319,153,383
14	Net cash outflow				87,509,714	169,420,486	256,930,199	60,294,688	22,906,097	66,989,834
15	Liquidity coverage ratio (%)				179.6%	122.1%	141.67%	259.8%	691.7%	470.4%

Bank: JSC BasisBank
Date: 31.12.2017

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	
	1	Cash and cash equivalents		139,576,796	139,576,796	140,923,310		31,447,808	27,879,417	81,579,665					16,420						140,923,310
	2	Mandatory Cash balances with the NBG		130,823,564	130,823,564	130,823,564			130,813,708						9,856						130,823,564
	3	Due from Other Banks		15,093,699	15,093,699	15,093,699						15,000,000		15,000,000	93,699						15,093,699
	4	Loans to customers		757,873,894	757,873,894	742,239,032						771,584,264	-33,487,170	738,097,094	4,141,938						742,239,032
	5	Investment securities available for sale		62,705	62,705	62,705											62,705				62,705
	6	Repurchase receivables		0	8,096,650	4,300,000											4,300,000				4,300,000
	7	Bonds carried at amortized cost		143,903,758	143,903,758	143,652,483					141,586,514				2,065,969						143,652,483
	8	Investment property		1,078,042	399,822	0															0
	9	Current income tax prepayment		217,186	182,793	192,356													192,356		192,356
	10	Other financial assets		1,428,937	1,428,937	656,332													526,439		656,332
	11	Other assets		16,857,012	14,018,664	10,956,446				129,893									5,307,827		10,956,446
	12	Intangible assets		861,076	861,076	861,076													861,076		861,076
	13	Property and equipment		21,893,404	21,887,856	22,287,678													22,287,678		22,287,678
	14	Non-current assets held for sale (or disposal groups)		1,928,143	1,928,143	0															0
		Total assets		1,231,598,216	1,236,138,356	1,212,048,680	0	31,447,808	158,693,125	81,709,557	0	141,586,514	786,584,264	-33,487,170	753,097,094	6,536,491	5,440,010	4,362,705	23,148,754	6,026,622	1,212,048,680
		a	b	c	d	e	f														
	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	Reconciliation with standardized regulatory reporting format														
							13	14	15	16	17	18	19	20	21	22					
							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					
	1	Due to other banks		59,982,368	59,982,368	59,982,368		29,955,764					30,000,000	26,604							59,982,368
	2	Current accounts and deposits from customers		677,819,470	682,317,480	683,692,952			191,901,688	195,359,883	292,630,584			3,800,798							683,692,952
	3	Other borrowed funds		270,278,894	270,278,894	271,245,167							267,546,424	3,698,743							271,245,167
	4	Other financial liabilities		7,673,246	7,673,246	8,016,012									8,016,012						8,016,012
	5	Deferred tax liability		152,378	152,378	1,761,877									1,761,877						1,761,877
	6	Provisions for liabilities and charges		346,120	346,120	476,224									476,224						476,224
	7	Other liabilities		1,854,062	1,854,062	1,773,832									1,773,832						1,773,832
		Total liabilities		1,018,106,538	1,022,604,548	1,026,948,433	0	29,955,764	191,901,688	195,359,883	292,630,584	0	297,546,424	7,526,145	12,027,945	0					1,026,948,433
		a	b	c	d	e	f														
	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	Reconciliation with standardized regulatory reporting format														
							23	24	25	26	27	28	29	30							
							Common Stock	Preferred Stock	Less: Repurchased Shares	Share Premium	General Reserves	Retained Earnings	Asset Revaluation Reserves	Total Equity Capital							
	1	Share capital		16,057,277	16,057,277	16,096,897		16,096,897													16,096,897
	2	Share premium		74,923,497	74,923,497	75,284,048					75,284,048										75,284,048
	3	Retained earnings		113,274,148	113,316,278	85,117,647							65,529,805	19,587,842							85,117,647
	4	Share based payment reserve		850,626	850,626	0															0
	5	Revaluation reserve for premises		8,232,570	8,232,570	8,601,655									8,601,655						8,601,655
	6	Revaluation reserve available-for-sale securities		153,561	153,561	0															0
		Total equity		213,491,678	213,533,809	185,100,247	0	16,096,897	0	0	75,284,048	65,529,805	19,587,842		8,601,655						185,100,247

Bank: JSC BasisBank
Date: 31.12.2017

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: JSC BasisBank

Date:

31.12.2017

Table 22

Information about historical operational losses

		2017	2016	2015
1	Total amount of losses	15,504.00	50,200	53,769
2	Total amount of losses, exceeding GEL 10,000	-	37,712	38,693
3	Number of events with losses exceeding GEL 10,000	-	2	1
4	Total amount of 5 biggest losses	10,779.70	42,528	47,244

Bank: JSC BasisBank

Date: 31.12.2017

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

		a	b	c	d	e
		2016	2015	2014	Average of sums of net interest and net non-interest income during last three years	Risk Weighted asset (RWA)
1	Net interest income	38,022,966	34,868,822	25,186,668		
2	Total Non-Interest Income	9,027,024	7,550,871	6,439,932		
3	less: income (loss) from selling property	57,913	31,201	55,983		
4	Total income (1+2-3)	46,992,077	42,388,492	31,570,618	40,317,062	75,594,491

Bank: JSC BasisBank
Date: 31.12.2017

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

			Board of Directors	Supervisory Board	Other material risk takers
1	Fixed remuneration	Number of employees	5	3	
2		Total fixed remuneration (3+5+7)	783,843	172,500	0
3		Of which cash-based	783,843	172,500	
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	5		
10		Total variable remuneration (11+13+15)	1,478,917	0	0
11		Of which cash-based	828,917		
12		Of which: deferred	650,000		
13		Of which shares or other share-linked instruments	650,000		
14		Of which deferred	650,000		
15		Of which other forms			
16		Of which deferred			
17	Total remuneration		2,262,760	172,500	0

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: JSC BasisBank
Date: 31.12.2017

Table 26 Information 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	1,300,000	1,300,000	0	0	1,223,033
2	Cash	650,000	650,000			650,048
3	Shares	650,000	650,000			572,985
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

Date: 31.12.2017

Date: 31.12.2017

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	116,630	116,630	0	39,620	0	0	0	0	0	0	156,250	156,250
1.1	Tsaava David		23,326	23,326		7,924		0					31,250	31,250
1.2	Gardaphadze Levan		23,326	23,326		7,924							31,250	31,250
1.3	Kakabadze David		23,326	23,326		7,924							31,250	31,250
1.4	Aslanikashvili Lia		23,326	23,326		7,924							31,250	31,250
1.5	Li Hui Dian		23,326	23,326		7,924							31,250	31,250
1.6				0									0	0
.....				0									0	0
Other material risk takers														
2	Total amount:											0	0	0