

BASISBANK

2022 Overview

IFRS Consolidated Figures (Audited)

MARCH 2023

www.bb.ge

Contents

- **BASISBANK AT A GLANCE**
- 2022 RESULTS
- MACROECONOMIC HIGHLIGHTS
- APPENDICES

Who we are

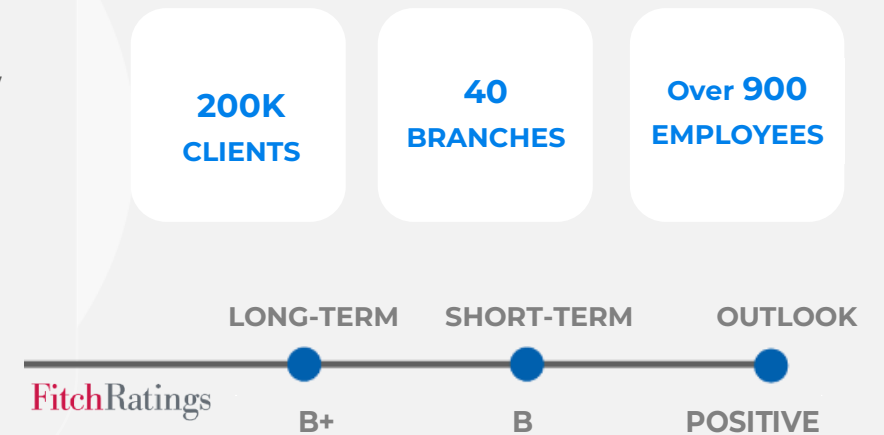


Who we are

- **4th largest** financial group in Georgia with a market presence of **30 years**
- **Majority Shareholder** – HG (Hualing Group), a Chinese conglomerate with diversified businesses in China and overseas markets, #1 Private Investment Group in Georgia (total investment USD 600mln)
- Serving over **200 thousand Business and Retail Clients** through **40 branch** network, (covering all major regions) and over **900 employees**
- Backed with **solid capital base** and strong financial support from **Shareholders** and **IFIs**

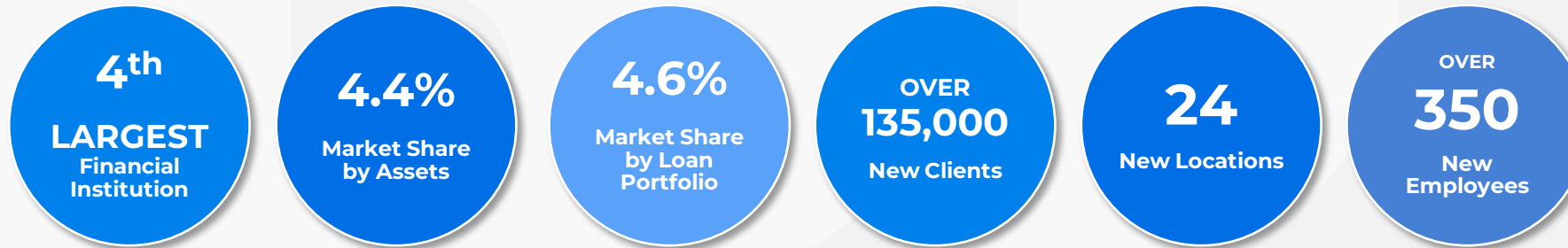
Business Model

- Steady **organic growth** boosted with **successful acquisition** of retail and corporate businesses in 2022, leading to **dynamic transformation** and mapping **new strategic objectives of the Group**
- **Key strategic business lines** - Commercial Banking, Leasing and Insurance services provided through **multi-channel distribution platform**, with strategic focus on digital channels
- Coordinated functioning of business lines producing **synergies** to offer broad scale financial services to all client segments



2022 Highlights

Results Delivered



From 5th largest

From 3.08%

From 2.9%



Key Drivers

Implementing Strategy

- Increased Client coverage
- Business diversification

Capital Instruments

- GEL 27mIn injected by shareholder
- EFSE Sub loan drawn amounting to €15mIn
- \$10mIn Sub Bond issued

Acquisition Portfolio of VTB Bank Georgia

- Loan Portfolio 787mIn
- Deposit Portfolio 665mIn

Our Strategy

Strategic Priorities reaffirmed

GROWTH

- Grow market share in core businesses;
- Become #3 Bank by Assets

DIGITALIZATION

- Excel digital solutions

EFFICIENCY

- Integrated Core Banking System
- Profound data analytics

CUSTOMER EXPERIENCE

- Take customer experience to next level, increase NPS
- Become top of mind bank, increase Brand Awareness

Core Competences to enable Strategy

Human Capital

- Top performing management
- Highly qualified team with deep Industry/sector knowledge

Business Model

- Client centric business model
- Long-term operating focus
- Profound data analytics
- Holistic risk management approach
- Multi-channel distribution platform
- Focus on Green and Sustainable Incentives
- Investing in Team Professional Development

BB in 3 Years

- ✓ **#3 Bank by Assets, #3 Bank by Profitability**
- ✓ **#1 Non-systemic Bank**
- ✓ **Financial Supermarket - Single window concept for Banking, Insurance and Leasing online services**
- ✓ **Top of mind Bank, among top 3 Banks by Customer Experience**
- ✓ **Data Driven Digitalized Financial Services Provider**
- ✓ **ROE over 15%**
- ✓ **Market Share 10%**
- ✓ **Strong focus on ESG**

Services and Clients



Providing broad range of **CORPORATE** Products and Services to our **SME and Corporate** Clients through **multi-channel distribution platform**

- SME and Corporate Lending
- Current and Term deposits, CDs
- Industry and Sector Expertise
- Trade Finance and Factoring
- Brokerage and Treasury Services
- Leasing
- Insurance



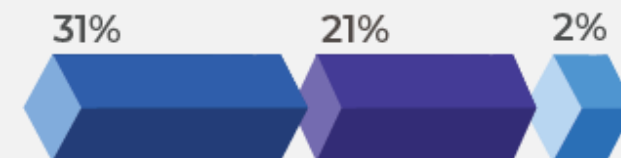
Providing broad range of **RETAIL** Products and Services to our **Private Individuals** through **multi-channel distribution platform**

- Retail Lending
- Term and Current Deposits
- Premium Banking
- Brokerage and Treasury Services
- Leasing
- Insurance

Diversified Client Base

BUSINESS CLIENTS

- SME and Corporate Clients
- State Owned Companies
- Financial Institutions



INDIVIDUAL CLIENTS

- Premium Clients
- Retail Clients

Strong Focus on ESG

ENVIROMENTAL

Reliable Partner for Agribusiness

- Designated Desk and expertise for Agribusiness
- More than GEL 135mln placed in Agribusiness development
- GEL 80mln subsidized funding in cooperation with Rural Development Agency (RDA)

Contribution to Green Economy

- Over GEL 200M raised from Largest Green Funds (EBRD, GCPF, GGF) to support Green Economy
- Over 100 Sustainable Loans to launch and develop Green Businesses

Sustainable Incentives

- DCFTA and CEEEP Projects to boost Green Economy
- EBRD Green Lending Facility Projects
- Green Lending Project with GGF

Green Processes

- Strong focus and shift to paperless services
- Green concept for new office

Green Bonds
on the agenda

SOCIAL

Safety and Working Conditions

- Green approach to operations, utilization and infrastructure
- Responsible employment practices, high work safety standards, profound working conditions
- Whistleblowing channel on ESG matters

Diversity, Human Rights

- Women share in employees 70%
- Employee trainings
- The Bank is committed to an environment free from harassment, discrimination, where all individuals are treated with respect and dignity

E&S Framework

- E&S Risk Management System since 2018
- E&S Risk implementation in loan disbursement procedures, 95% of portfolio covered
- E&S Reporting to partner IFIs
- ESG Disclosure on website

Client inclusion

- Education financing – CSR strategy and priority
- Raising Customer awareness on ESG matters
- Client Satisfaction Score 84%
- Participation in Socially Responsible Financing Project – Women Empowerment in Business

GOVERNANCE

Corporate Governance Code

- Compliant to Basel III Corporate Governance guidelines

Pay for Performance

- Management Remuneration linked to performance over 3-year-period of time
- Share based payment scheme applied in management remuneration scheme

Board Diversity and Ethics

- Broadly diversified Board by age, sex, education and experience
- Women share in Top management 25%
- Women share in Middle management 47%

Shareholder Rights

- Minority Shareholder rights secured by Article of Incorporation

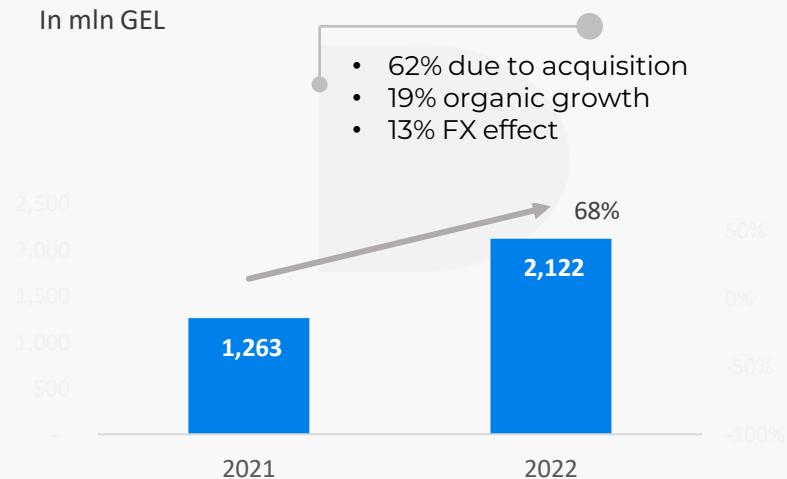
Contents

- BASISBANK AT A GLANCE
- **2022 RESULTS**
- MACROECONOMIC HIGHLIGHTS
- APPENDICES

2022 Results

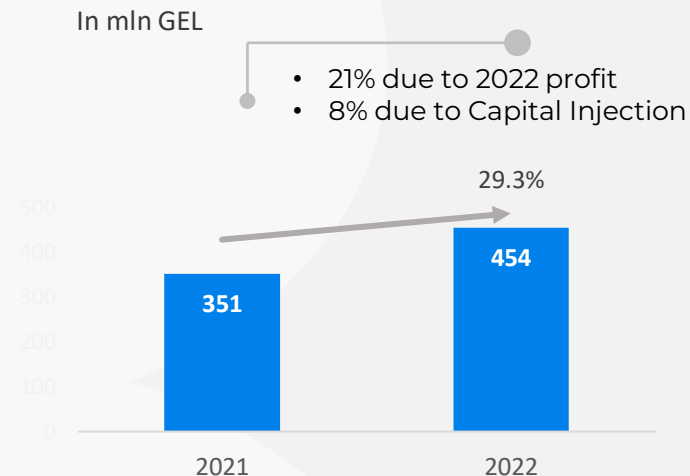
Gross Loan Portfolio Growth

In mln GEL



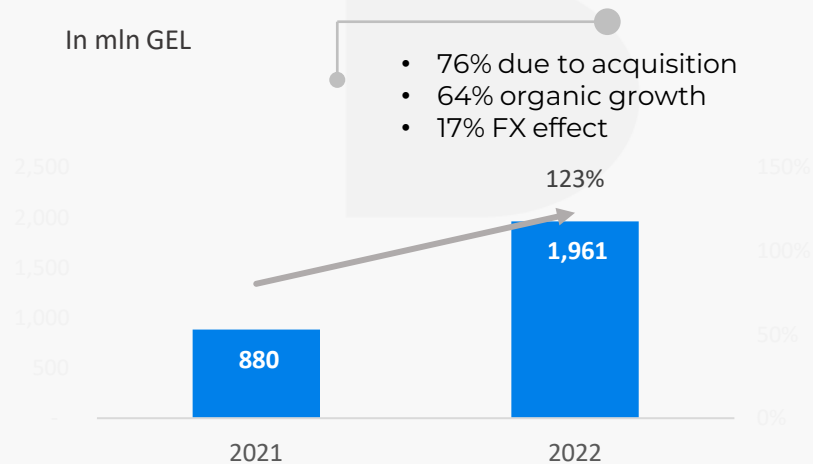
Capital Growth

In mln GEL



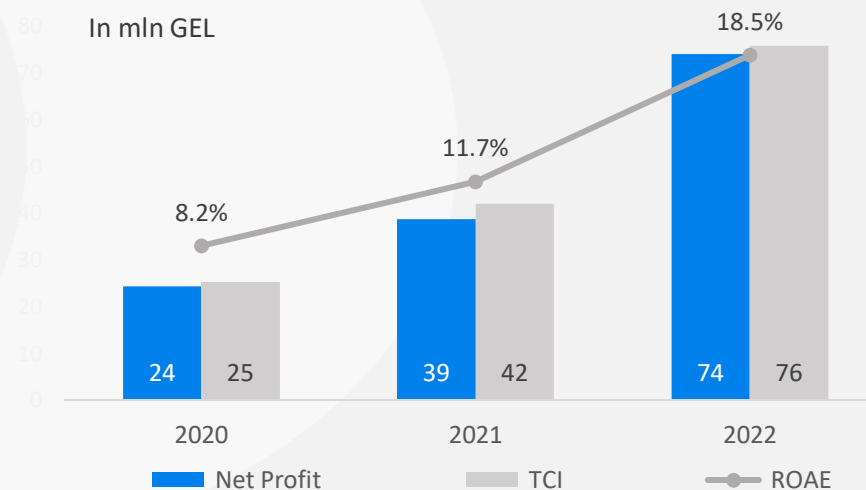
Deposit Portfolio Growth

In mln GEL



Net Profit, TCI and ROAE

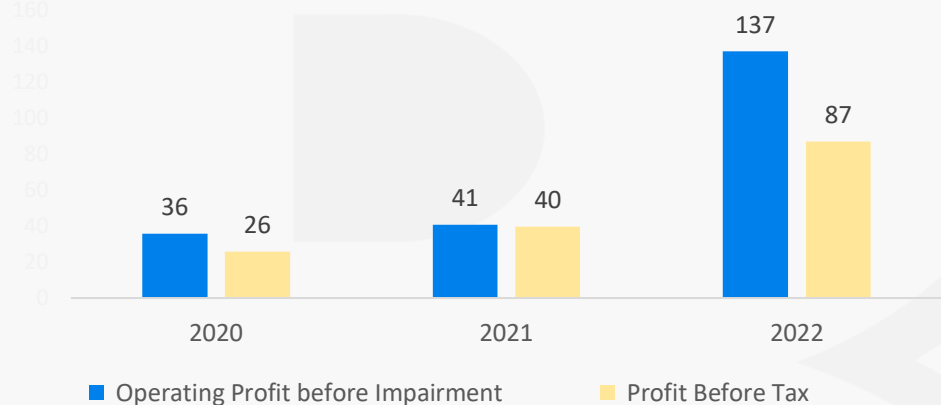
In mln GEL



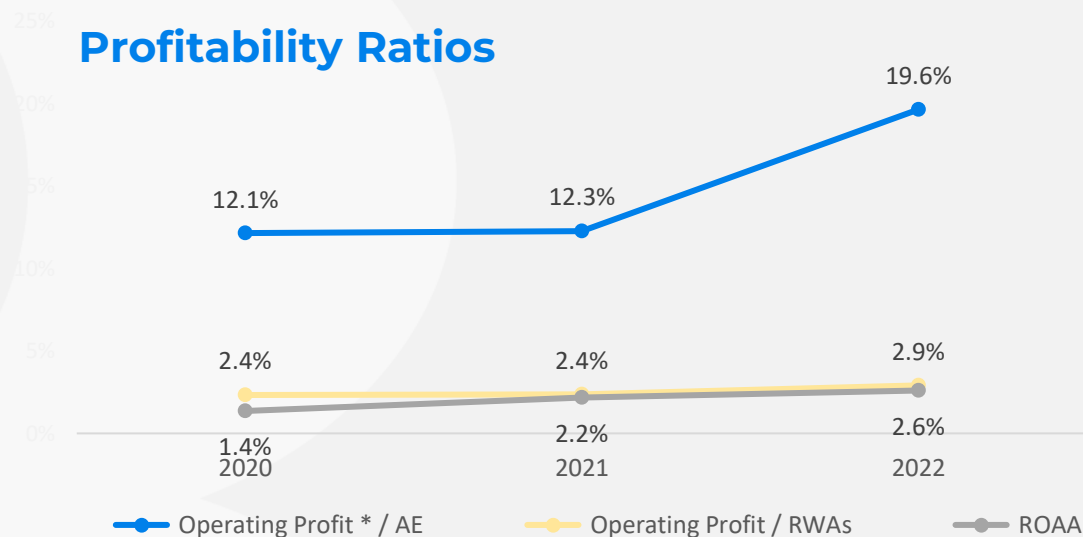
Operating Profit

Operating Profit and PBT

In mln GEL



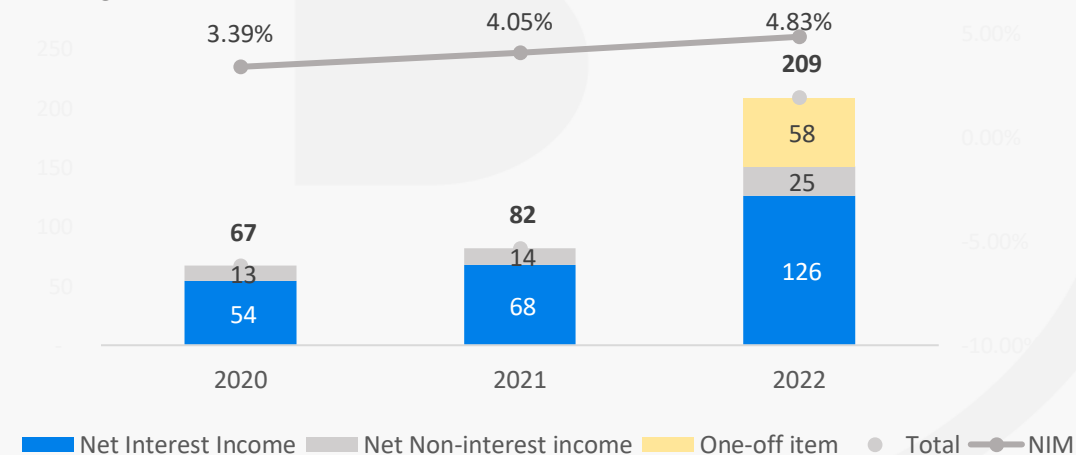
Profitability Ratios



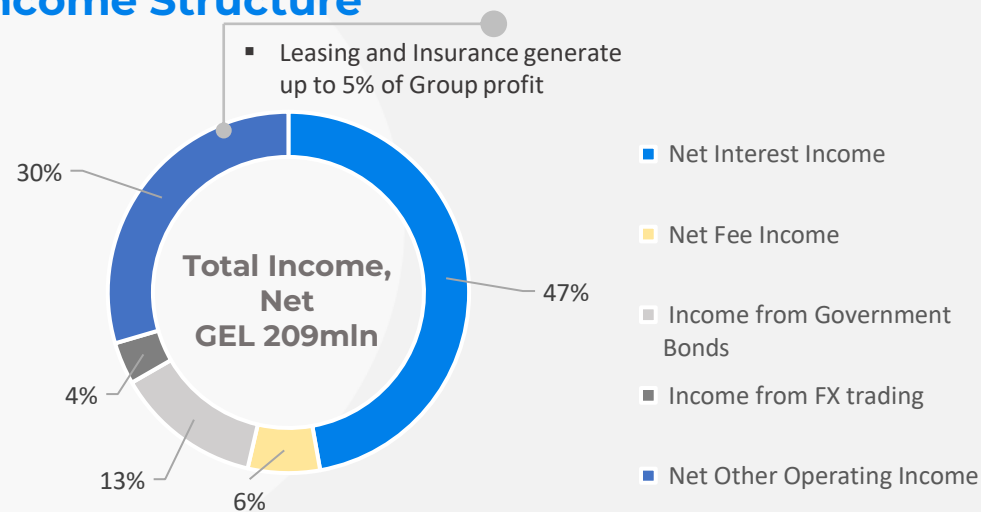
* Operating Profit before Impairment, for 2022 Normalized, excluding acquisition effect

Net Interest and Non-interest Income, NIM

In mln GEL

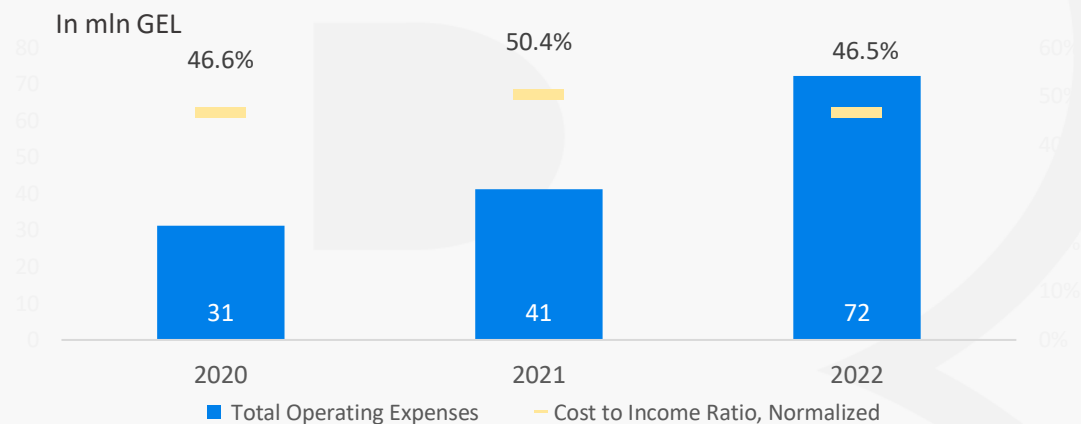


Income Structure



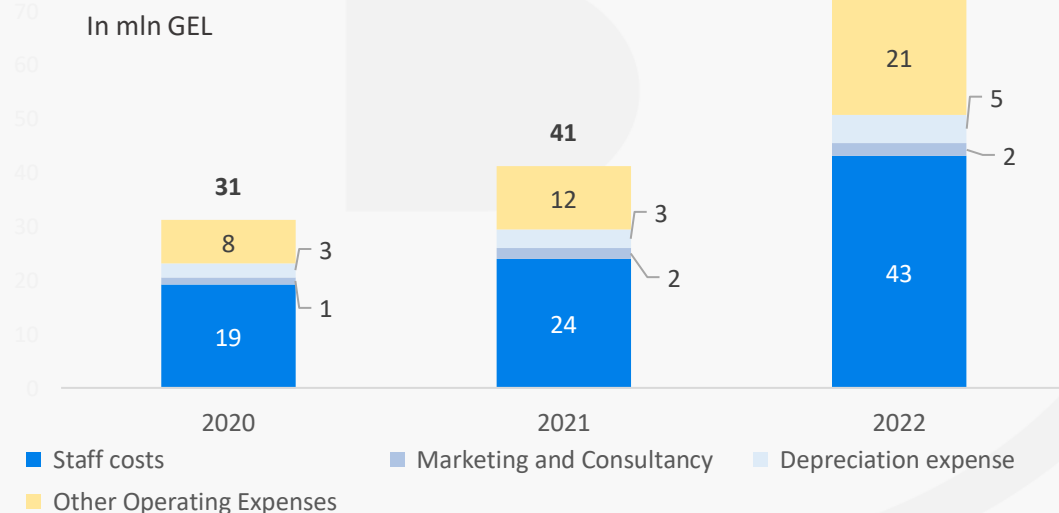
Operating Expenses and Cost to Income

Operating Expenses and Cost to Income Ratio *

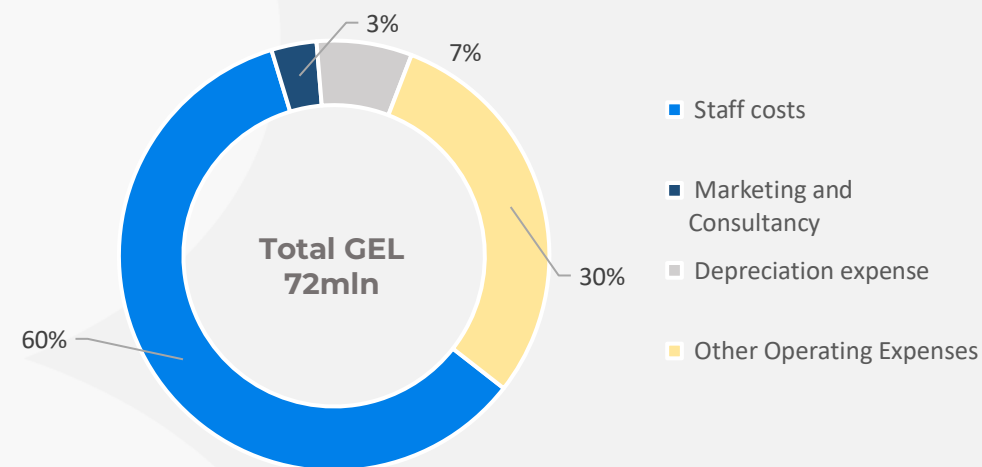


* 2022 Cost to Income Ratio Normalized, excluding acquisition effect

Operating Expenses Dynamics



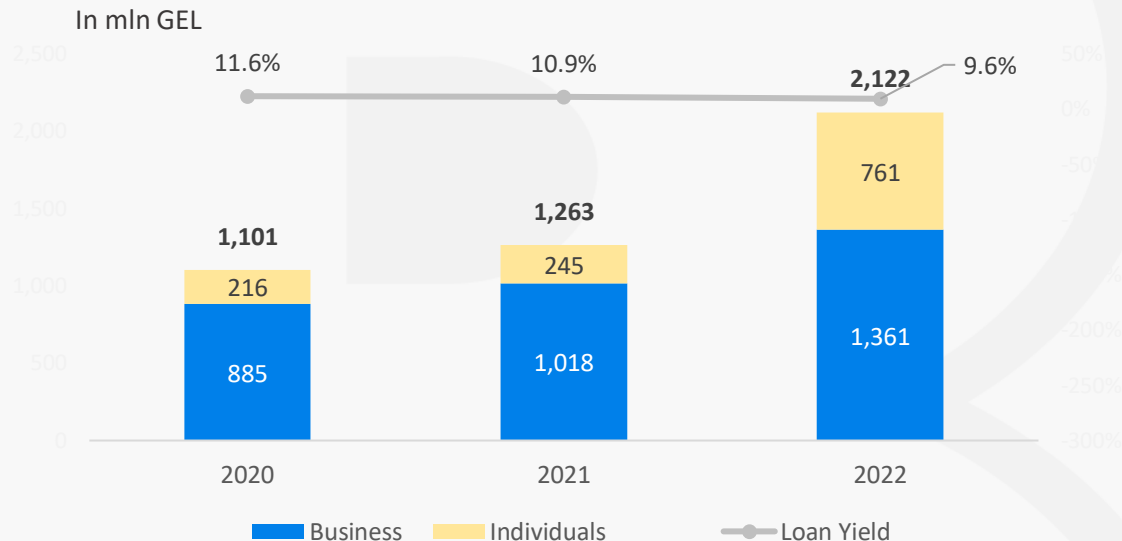
Operating Cost Structure



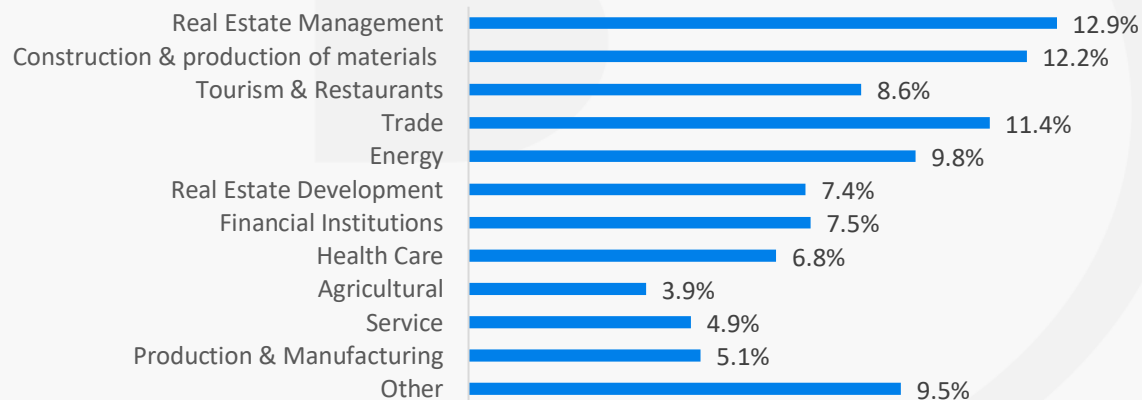
- Total GEL 31mln increase in OpEx, out of which 19mln increase in Staff costs, 10mln increase in Other Operating Expenses, 2mln increase in Depreciation expense
- One off costs from VTB Georgia portfolio acquisition amount to GEL 26mln (including impairment)
- BB maintains tight cost control policy

Gross Loan Portfolio Analysis

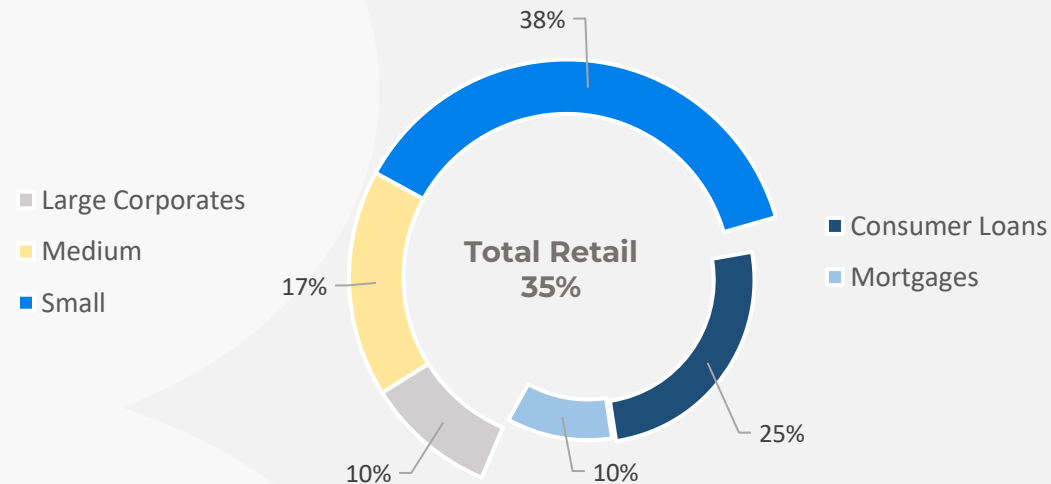
Loan Portfolio Dynamics



Business GLP by sectors



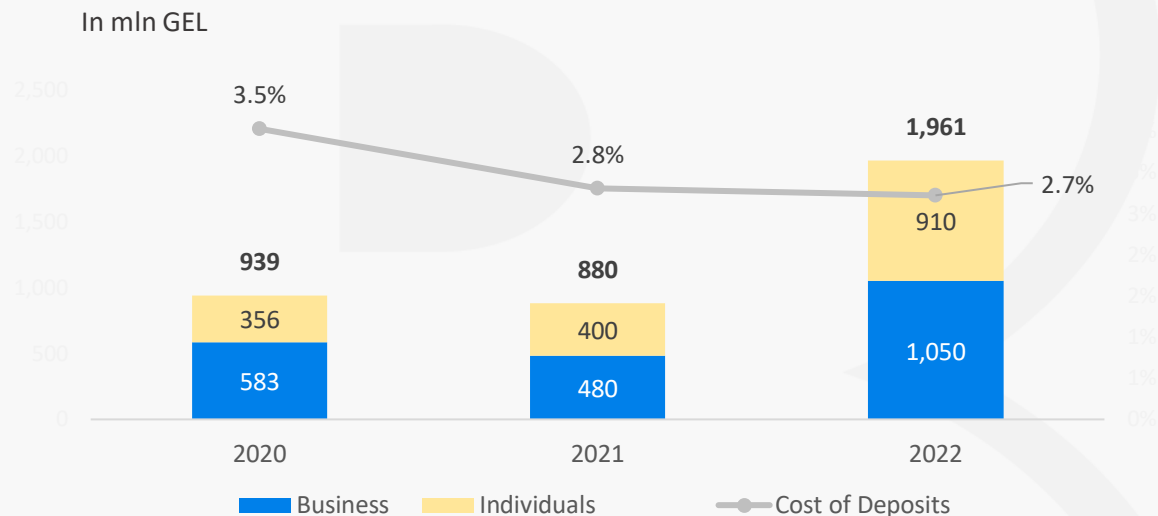
Loan Portfolio Structure



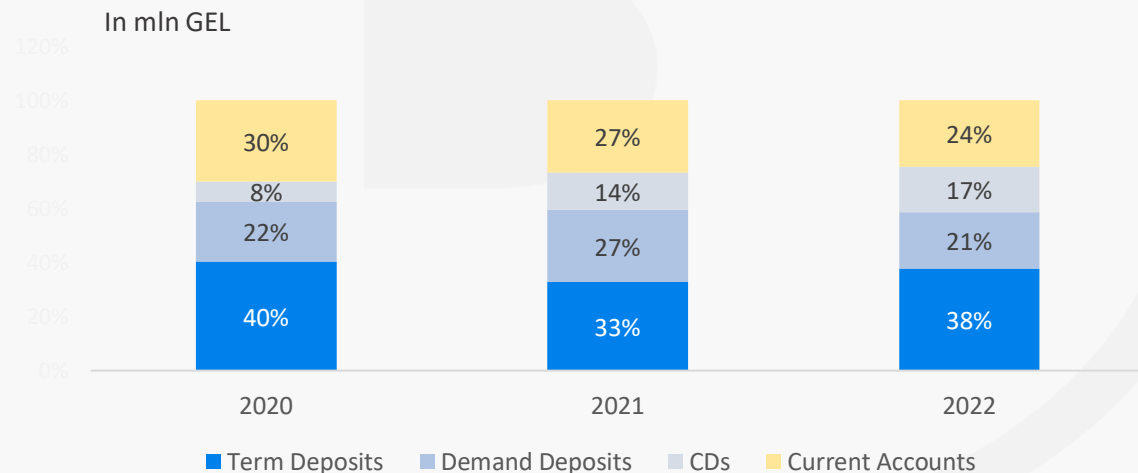
- GLP YTD Growth +68% driven by
 - Retail portfolio acquisition over +200%
 - Corporate portfolio growth +30%
- Loan Portfolio FX Concentration amounts to 46%

Customer Deposit Portfolio Analysis

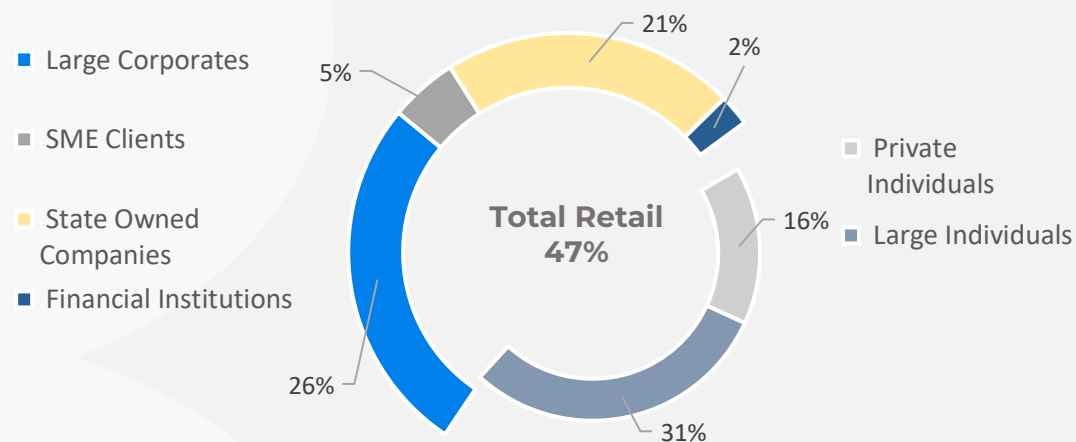
Deposits Dynamics



Deposits by Products



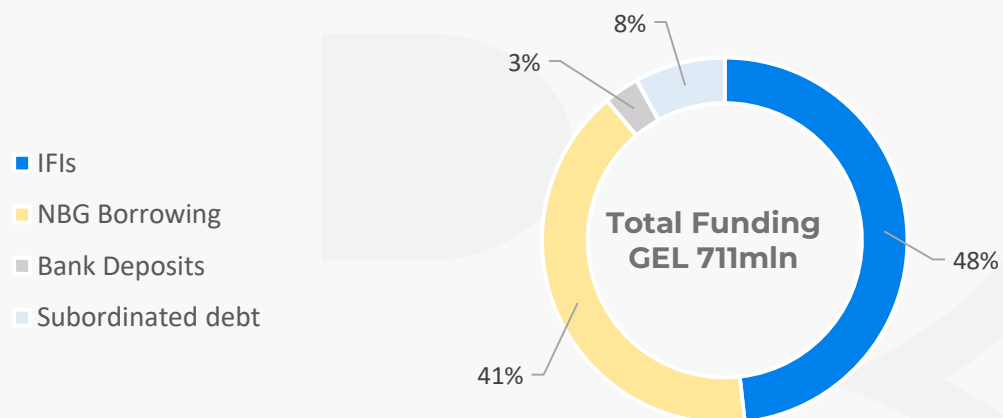
Customers' Structure



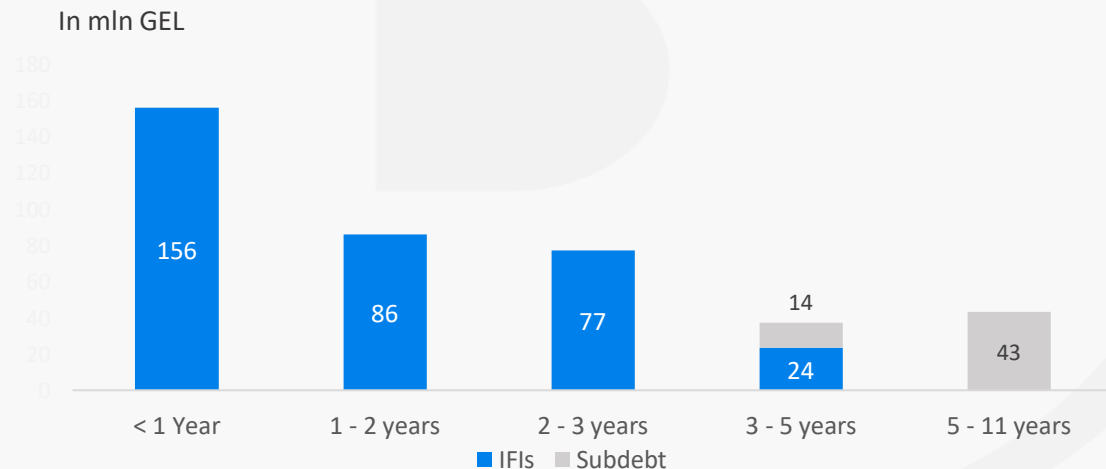
- Balances of Retail Clients increased by more than +120%;
- Balances of Business Clients increased by more than +50%;
- Customer Deposit Portfolio FX Concentration USD 55%
- Client Residency: Resident-93%, non-resident -7% (out of which 6% Chinese)
- Related Party Deposits are 3.4% of total deposits

Funding Portfolio

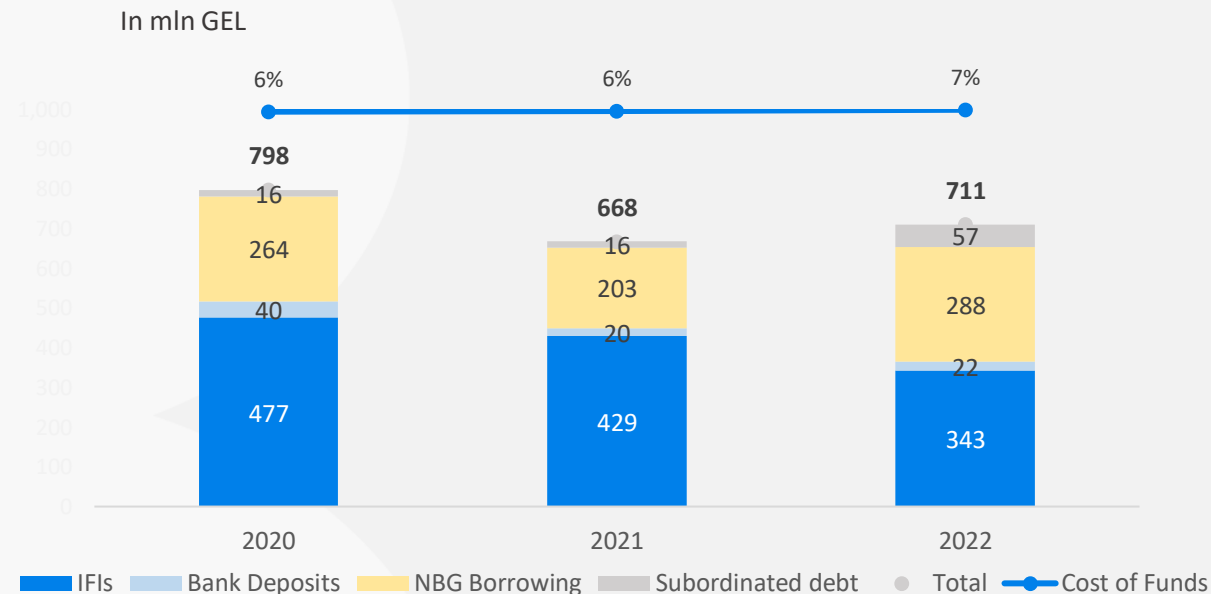
Funding Structure



IFI and Subdebt Maturities



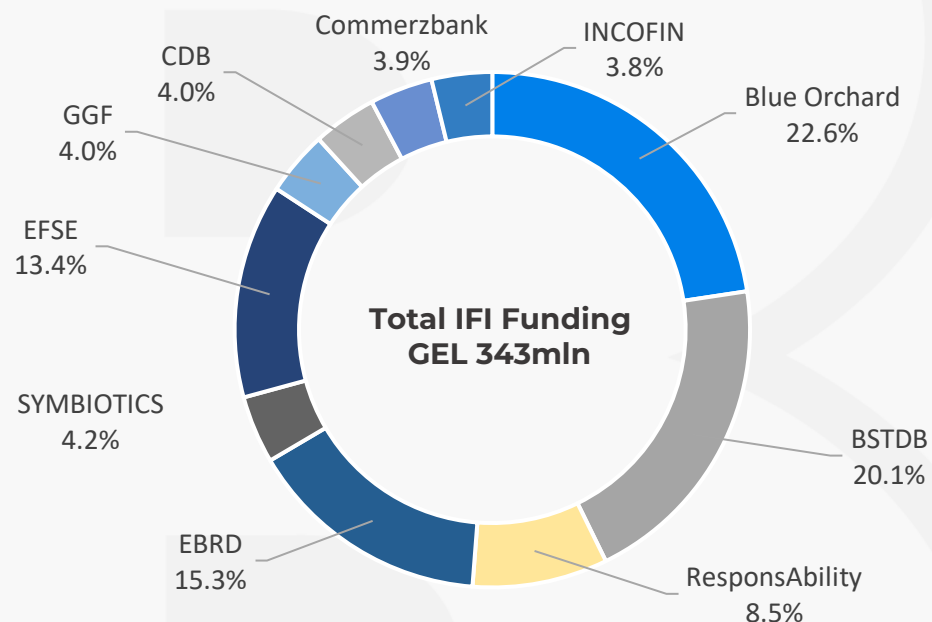
Funding Dynamics



- Funding remains stable, well supported by strong inflow of clients' deposits and increased funding from IFIs
- 7 year Subordinated debt attracted from EFSE for EUR 15mln, as Tier II capital Instrument

International Partners

Key Lenders



Key International Partners



IFI funding breakdown by projects

Trade Finance
18%

Green Lending
13%

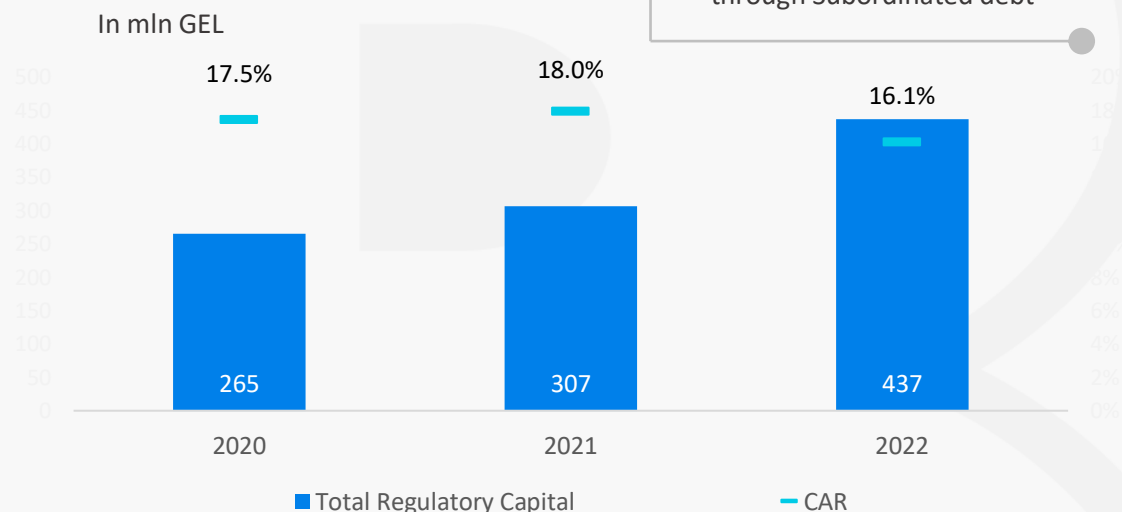
SME
68%

Other
11%

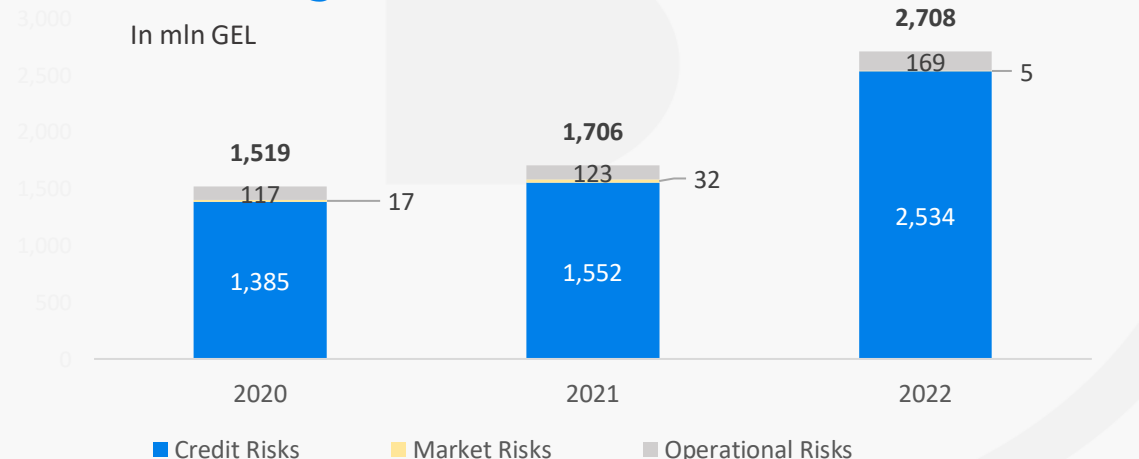
- Expanding International Partners to ODDO BHF, Symbiotics, Incofin, Raiffaisen Bank
- Initiated Institutional Greening Project "Mainstreaming Green Lending at Basisbank" in cooperation with Green for Growth Fund
- Engaged in Concessional Projects "DCFTA" and "CEEEP" in cooperation with EBRD to boost transition to Green Economy

Stable Capital Growth

Regulatory Capital



Risk-weighted Assets



Capital Adequacy Ratios and Regulatory Thresholds

	2020	2021	2022
Regulatory Tier 1 CAR	7%	11%	11%
Buffer	8%	5%	2%
BB Tier 1 CAR	15%	16%	13%
Regulatory Total CAR	12%	16%	15%
Buffer	5%	2%	1%
BB Total CAR	17%	18%	16%

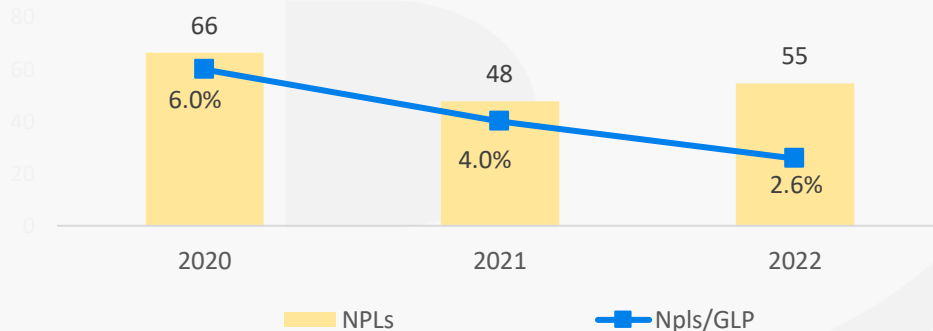
Fully Loaded Minimum Capital Requirements

- The NBS initiated the transition to IFRS standards. A credit risk adjustment (CRA) buffer and an updated procedure for its calculation were introduced, to reduce the credit risk caused by insufficient ECL and determine an adequate capital buffer. Changes were made to the relevant decrees, to come into force on January 1, 2023.
- BB is fully compliant to the new standards.
- BB issued Tier 2 Subordinated Bond - On January 30, 2023, the Bank issued US\$10mln as a subordinated capital instrument qualified as Tier 2 Capital.

Strong Asset Quality and Provisioning

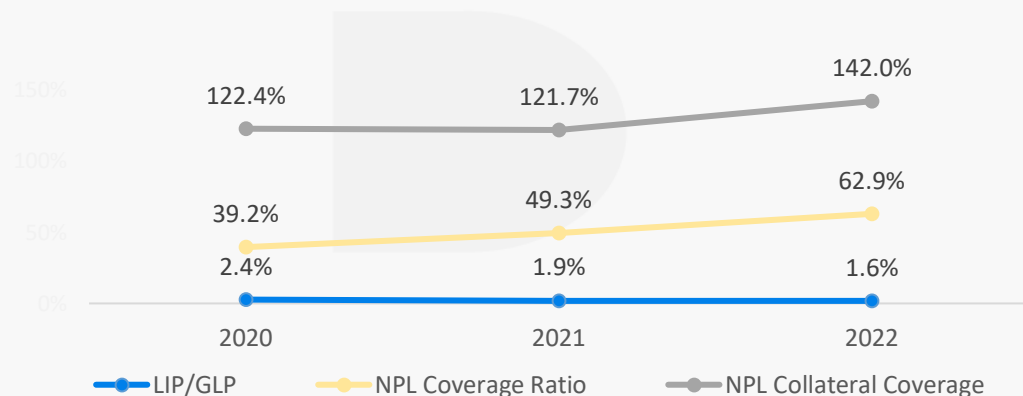
Loan Portfolio Quality

In mln GEL



NPLs - loans with 90 days past due on principal or interest payments, or loan regarded as unlikely to be repaid by the decision of management

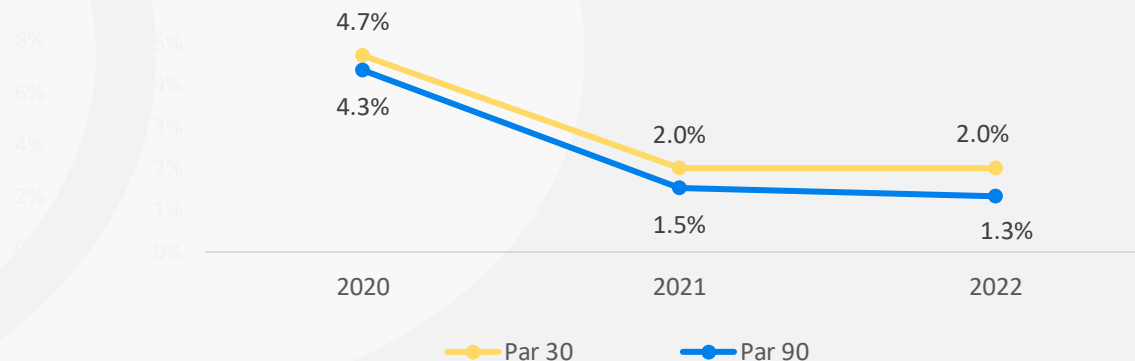
GLP Provisioning and NPL Coverage



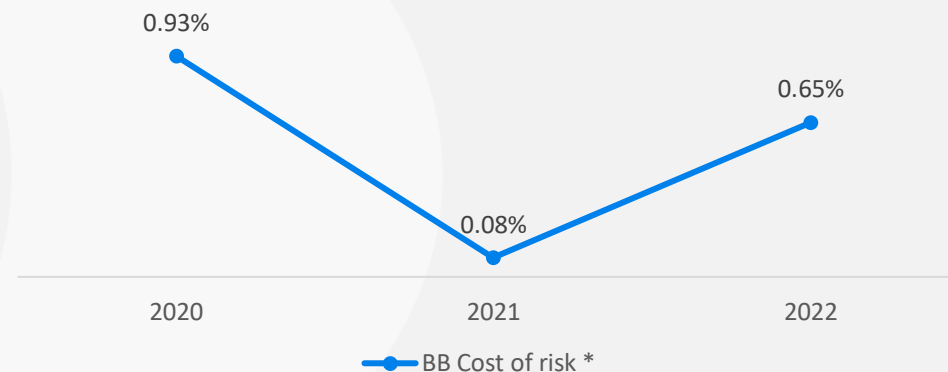
NPL coverage ratio equals total Loan Impairment Provision divided by the NPL loans.

NPL Collateral Coverage ratio equals sum of Loan Impairment Provision and fair value of real estate collaterals of NPLs divided by the NPL loans.

Portfolio PAR



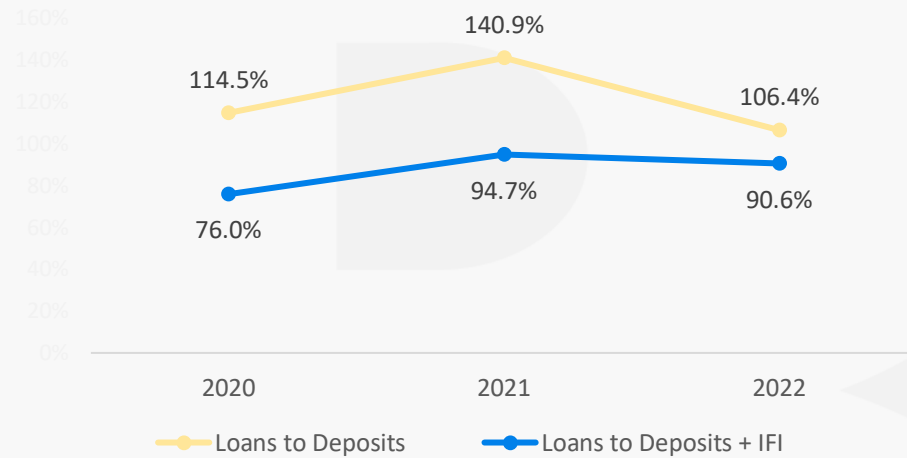
Cost of Risk on Portfolio



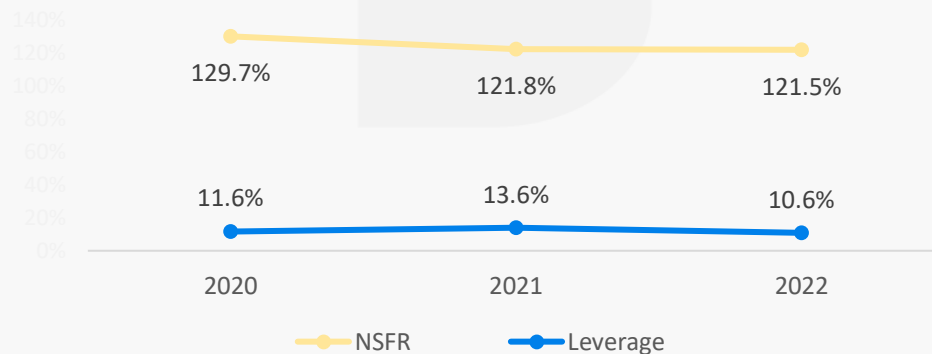
* 2022 figure Excluding one-time LIC on recognition on acquired portfolio

Solid Liquidity

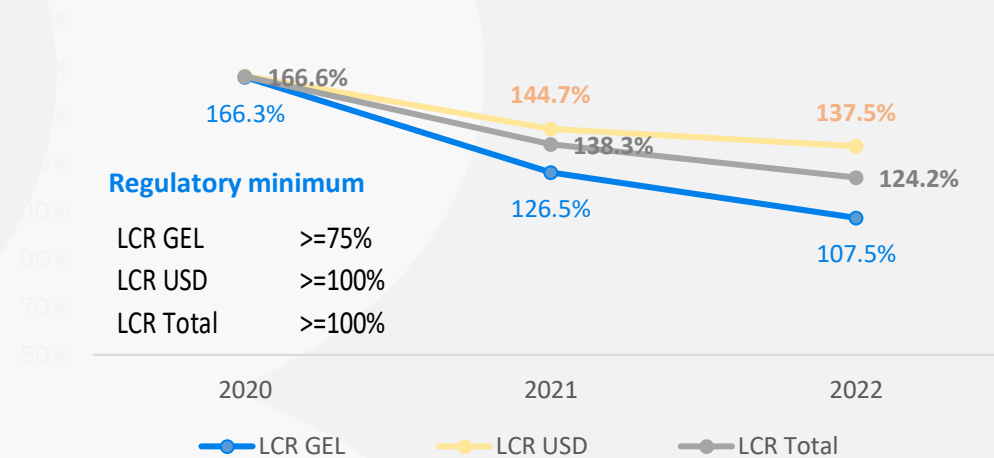
Liquidity Ratios



Regulator NSFR and Leverage Ratios



Strong Liquidity Coverage



- During these years BB has always remained compliant with NBG requirements for LCR and NSFR

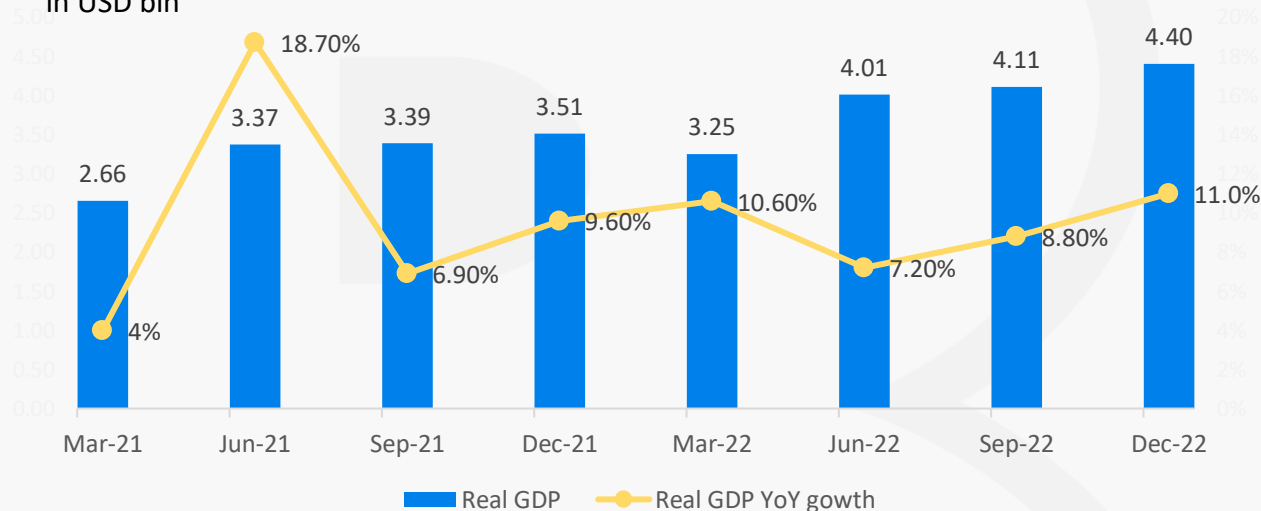
Contents

- BASISBANK AT A GLANCE
- 2022 RESULTS
- **MACROECONOMIC HIGHLIGHTS**
- APPENDICES

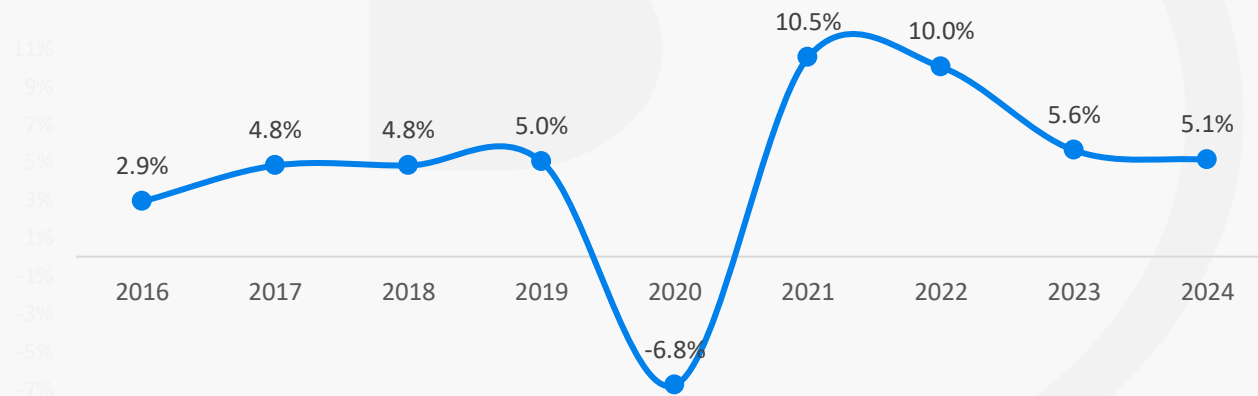
Macroeconomic Highlights

Real GDP Growth *

in USD bln



Georgia Economic Growth Forecast



Key Drivers of GDP growth

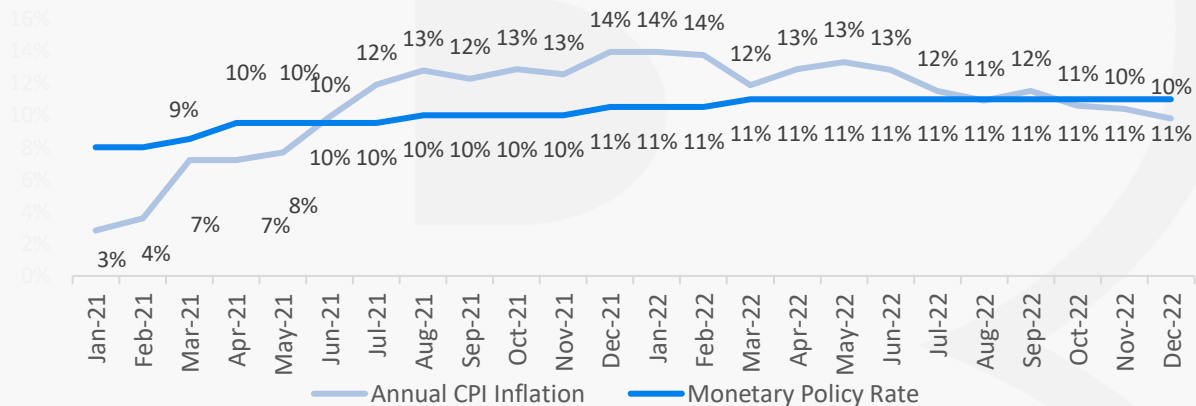
- Georgia performed strongly - the growth achieved in 2021 was maintained in 2022 reaching 11% YOY in real GDP.
- Contrary to the expectations the Russia-Ukraine war had the opposite effect - massive migration accompanied with the flow of free cash increased consumption and reflected positively on growth, while increasing pressure on inflation due to promoted excess demand for goods and services.
- This temporal influence should gradually fade.

Key Drivers of Growth Forecast

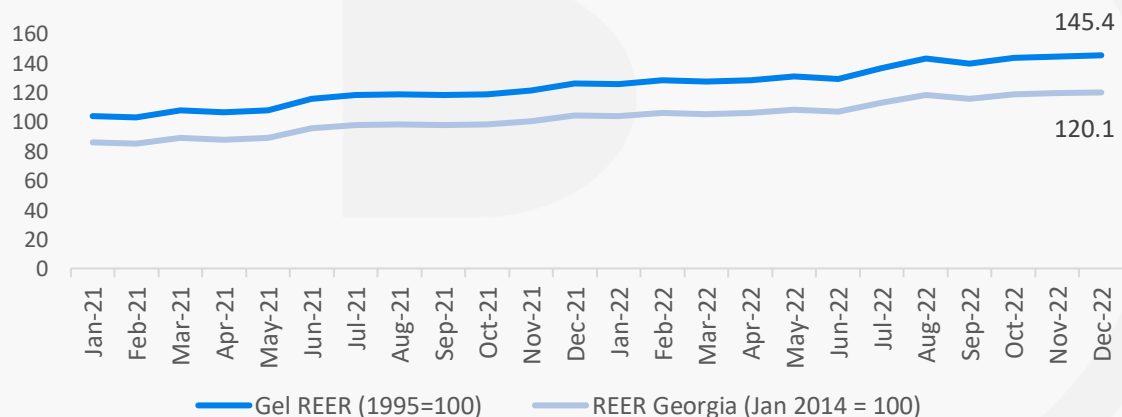
- In 2023, real GDP growth is expected at 5.6% considering robust consumption as well as lasting recovery in tourism and investment spending
- Ongoing war in Ukraine, global recession fears and high inflation are downside risks
- The central bank forecasts the growth to stabilize at around 4-5.5% over the next few years though
- IMF Forecast is 4% growth in 2023

Macroeconomic Highlights

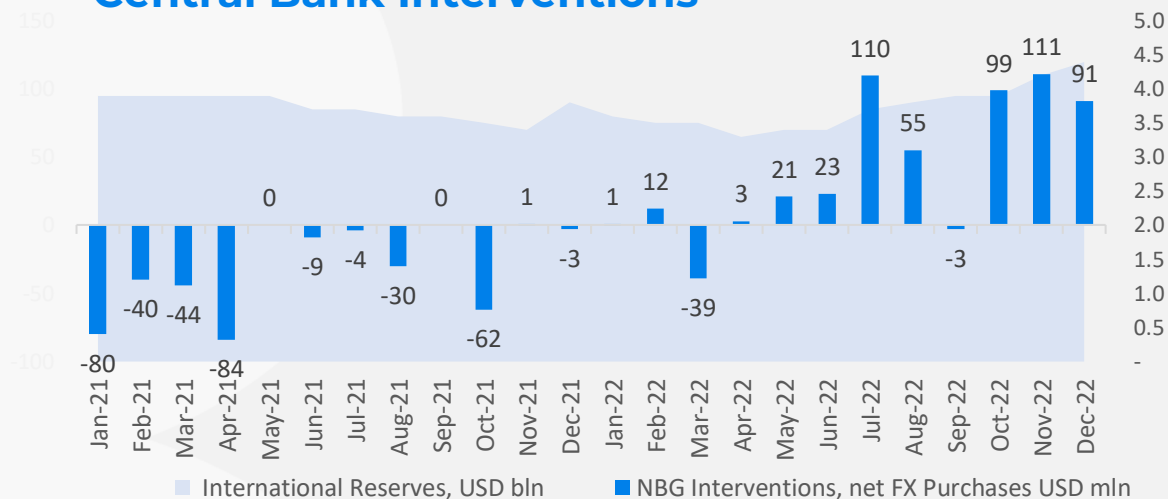
Inflation is Corrected by Monetary Policy Rate



GEL Real Effective Exchange Rate



Central Bank Interventions



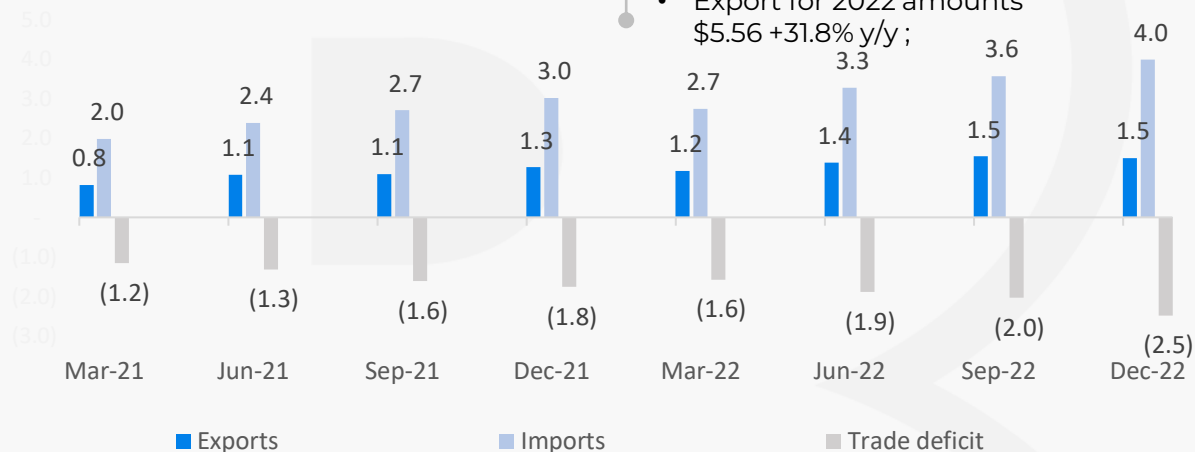
Key Drivers

- Inflation mainly driven by globally elevated food prices and demand-side price pressures
- PPI inflation on a downward trend indicating that consumer prices should also slow;
- NBG has addressed the increased inflation by policy tightening by 300bps since start-of 2021.
- Inflation is expected to moderate during the first half of 2023
- GEL continues to appreciate on the back of strong external inflows, tight monetary policy and improved expectations
- GEL gained 12.5% against the USD during 2022
- GEL is expected to remain stable in the medium term, supported by robust external inflows and positive growth outlook

Macroeconomic Highlights

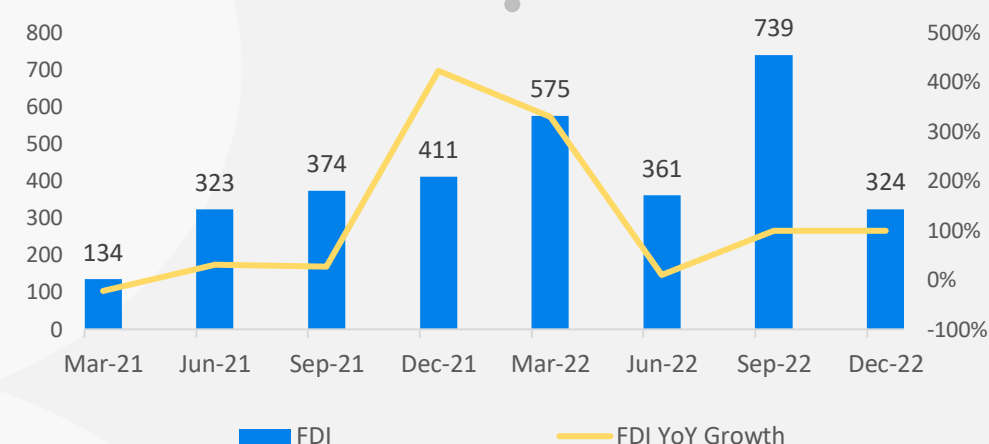
International Trade

in USD mln



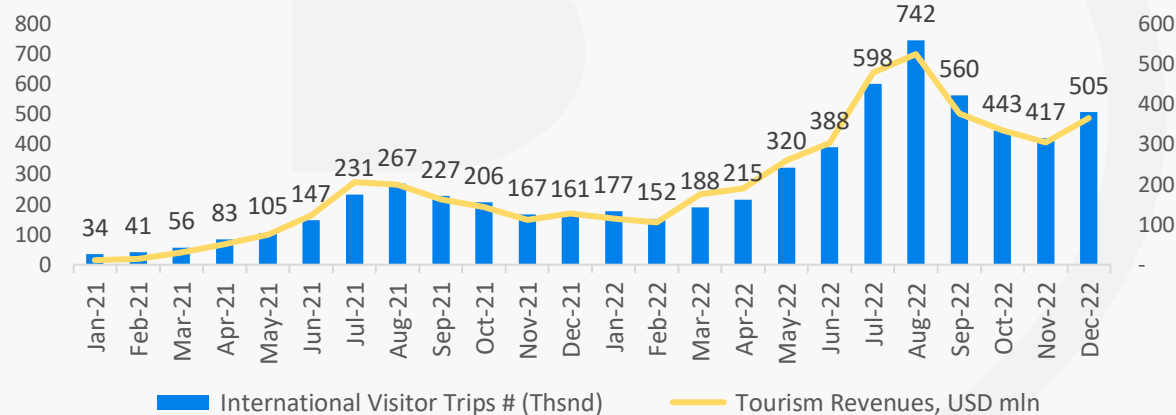
FDI

in USD mln



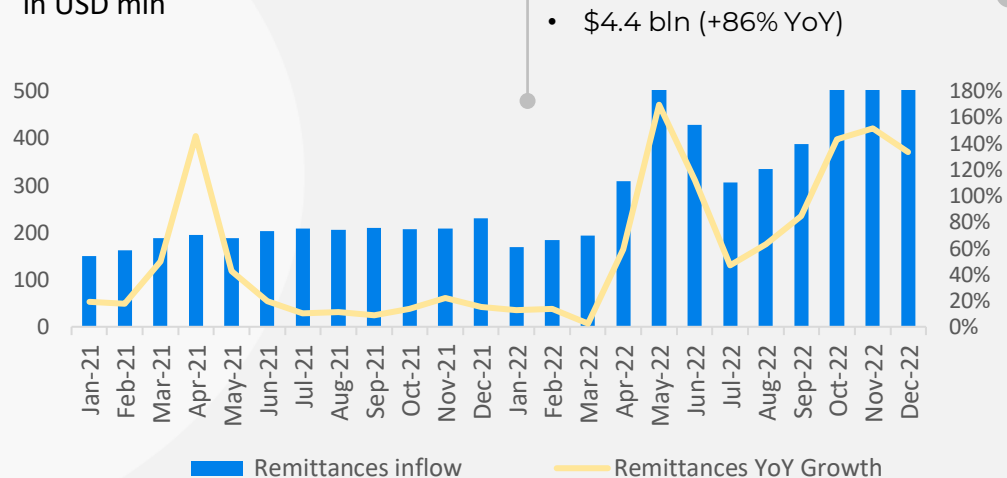
Recovery of Income from Tourism

- Number of international visits - 4.7 million (+173.3% YoY)
- Tourism Revenue 3.52bln (+184% YoY)



Remittance Statistics Improved

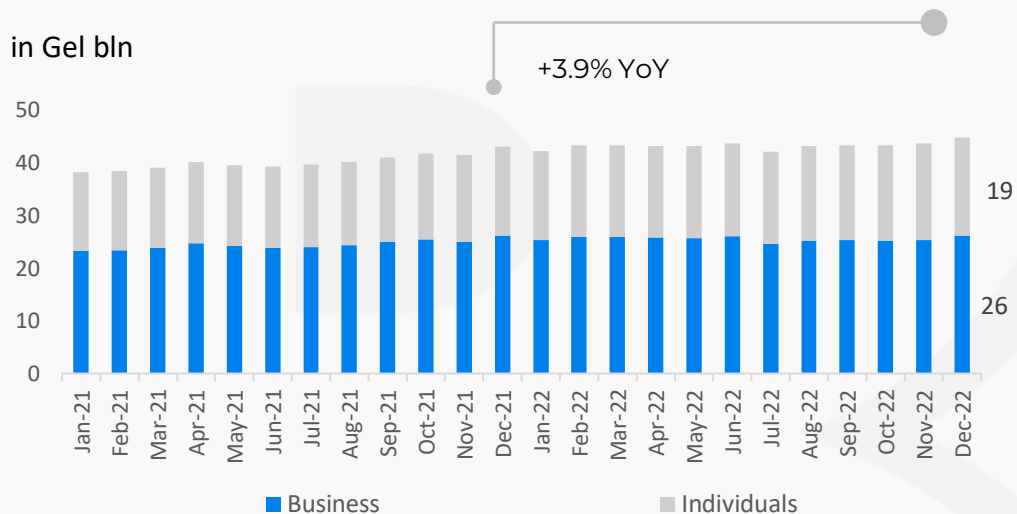
in USD mln



Banking Sector Overview

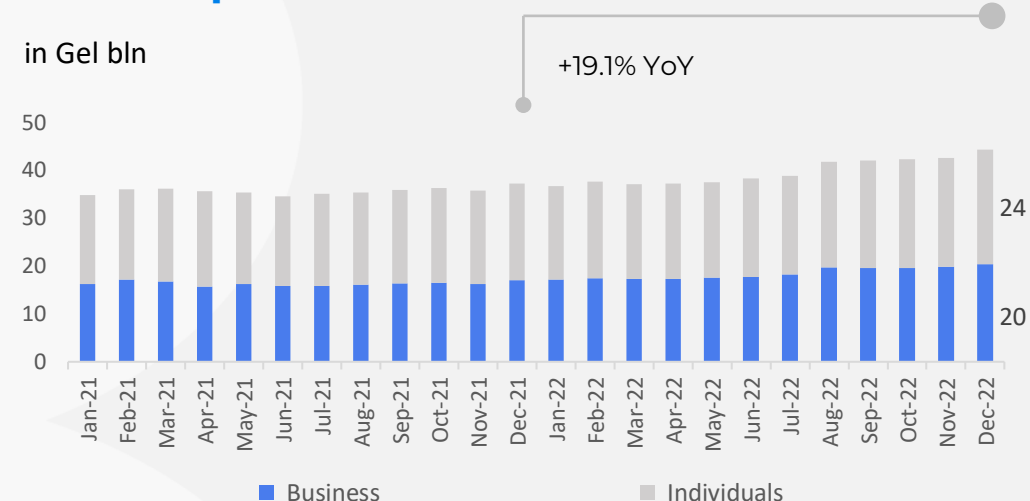
Total Loan Portfolio Growth

in Gel bln

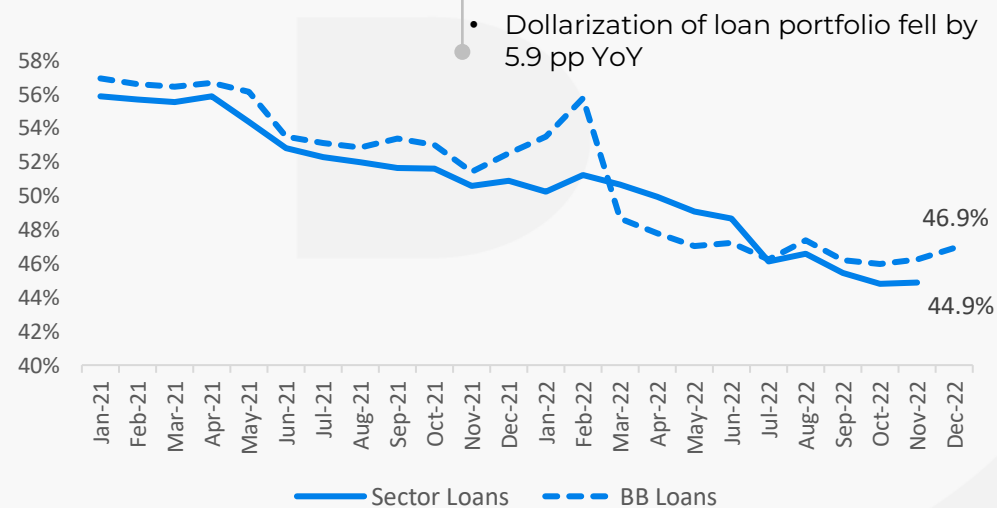


Total Deposit Portfolio Growth

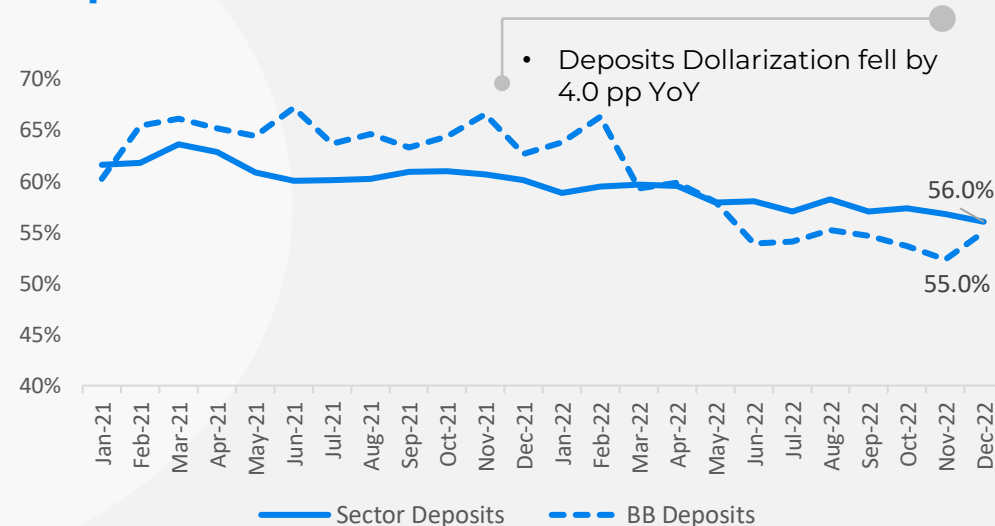
in Gel bln



Loan Dollarization



Deposit Dollarization



Contents

- BASISBANK AT A GLANCE
- 2022 RESULTS
- MACROECONOMIC HIGHLIGHTS
- **APPENDICES**

Our Story in a Nutshell

FOUNDATION OF THE BANK

- Founded by mathematician friends with \$5mln capital in a very challenging environment - post soviet newly emerging market.
- Core Strategy was formed and executed.

1993

EBRD BECOMES 15% SHAREHOLDER

- EBRD acquired 15% of Basisbank's shares.
- Corporate Governance system was re-modeled and enhanced through EBRD 2-year Institutional Building Plan, targeting more agile and efficient structure.
- Bank's First International Credit Rating issued by Fitch.
- As a result, bank managed to secure 11th position on the financial market (by assets).

2008

HUALING GROUP BECOMES 90% SHAREHOLDER

- Hualing Group, acquired 90% of BB shares. Capital injection of US\$45 million provided solid capacity to sustain substantial growth.
- BB's progress on the market since the entrance of Hualing Group was considerable - speedy growth in all parameters followed, whilst sophisticated risk management practices were maintained to retain sustainability of the long-term development.
- Basisbank upgraded its position from 11th to the 5th.

2012

SUBSIDIARIES

- Bank founded two new subsidiaries, BB Insurance and BB Leasing, forming a holding – BB Group.
- This milestone enabled Basisbank to become a robust holding with broad range of financial services – banking, insurance and leasing, which made possible to synergize the resources and provide all type of financial services to its clients through a single- window concept.

2017

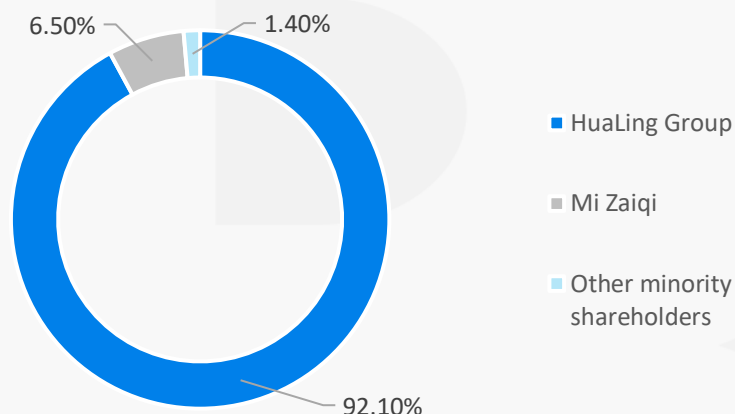
ACQUISITION

- BB acquired VTB Bank total Retail and part of Corporate Portfolios.
- After the acquisition BB became 4th largest financial institution on the market.

2022

Shareholders

Shareholding Structure



Dividend Policy

- Before 2020 under Shareholders' decision 10% of IFRS net profit was distributed as dividends.
- In 2020 and 2021 dividend distribution was suspended due to heightened capital charges and increased risks on the market. By the decision of the regulator capital buffers were released from capital requirements to ensure solvency of banking sector during the crisis. Dividend distribution was not allowed while the bank was using the buffers.
- In 2022 BB fully rebuilt the released capital buffers and no restrictions apply on dividend distribution

Hualing Group

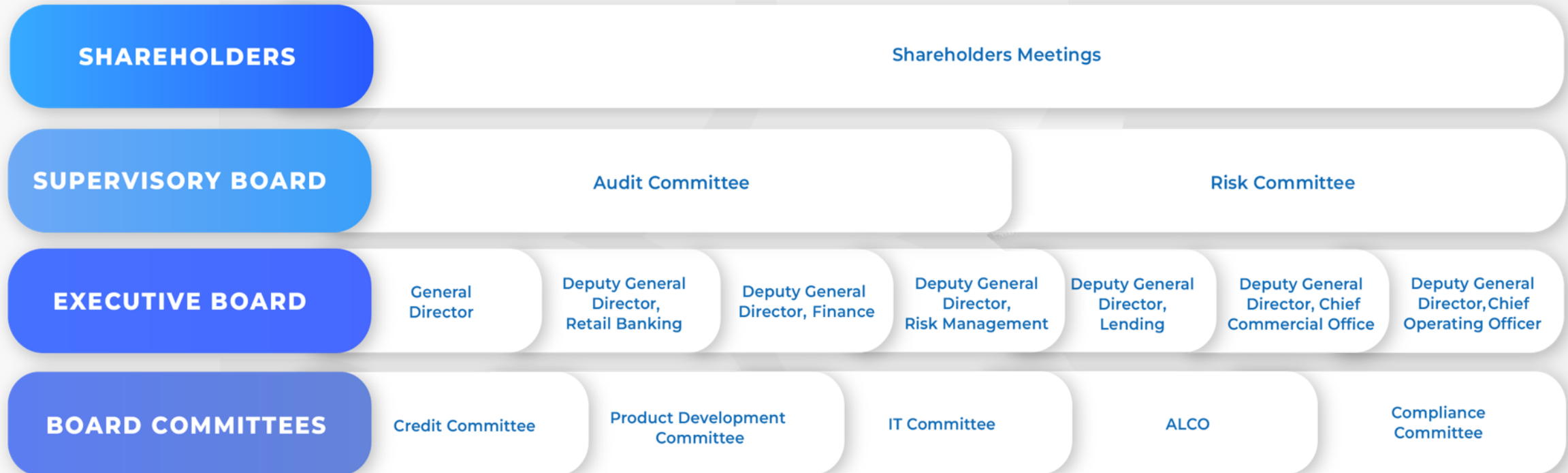
- Presented on Georgian market since 2006
- More than 20 subsidiaries
- Main Business sectors:
 - Market rental & management
 - Property management
 - Beef Cattle Breeding
 - Logistics and transportation
 - Financial Services
 - Construction of infrastructure facilities etc.
- Total investment in Georgia since 2007 over USD 600 million
- Continues to support BB with capital

Beneficiary Owner

- Mi Enhua, The founder, owner and president of the Hualing Group, 99.89% shareholder
- Prominent Chinese businessperson awarded multiple times for his significant contribution to China's economic development

Corporate Governance

Organizational Chart



The Supervisory Board approves and oversees the **execution of the Group's Strategy** via its committees



- Compliant to Corporate Governance Code adopted by NBG

NBG CG code is based on international standards and best practices:

- Basel Committee on Banking Supervision guidelines on CG
- EU Directive 2000/36/
- OECD Principles of Corporate Governance,
- UK Stock Exchange CG code etc.

Supervisory Board Members



Zhang Jun
Chairman of Supervisory Board

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

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



Zhou Ning
Vice Chairman of Supervisory Board
Member of Audit and Risk Committee

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

He was invited as an advisory during Basisbank acquisition by Hualing Group and in 2015 he was invited as a Chairment of the Supervisory Board.



Mi Zaiqi
Vice Chairman of Supervisory Board
Member of Audit Committee

Bachelor of Business Administration from University of California had different Executive positions in Hualing Group and its subsidiaries since 2005. He has been Director of the group since 2010.

He was invited to Basisbank SB in 2012 and was soon ascended as Executive Chairman of SB, as well as positions of SB Chairman of Both Basisbank JSC subsidiaries - BB Leasing and BB Insurance.



Mia Mi
Member of Supervisory Board
Member of Risk Committee

Holds a Bachelor's Degree in Business Administration from University of Southern California, Los Angeles. Director of International Development at Hualing Group International Special Economic Zone in Georgia. 2015-2017, Mia Mi held various positions in key departments at Basisbank.



Zaza Robakidze
Independent Member of Supervisory Board
Chairman of Audit Committee
Member of Risk Committee

An expert in banking, Zaza Robakidze, who has over 24 years of experience in the sector, took the position of a member of the Supervisory Board in 2018.

He has a degree of Master in Economics. For many years he held various positions in the field of supervision of the Central Bank, from an Economist to the Head of Supervisory Department.



Nikoloz Enukidze
Independent Member of Supervisory Board

Nikoloz Enukidze has joined board from 2022.

With Master Degree in Business Administration, University of Maryland Nikoloz Enukidze served as the Deputy Chairman of the Supervisory Board at Bank of Georgia in 2006-2008, and Chairman of the Supervisory Board in 2008-2010. Nikoloz Enukidze held various leading positions at TBC Bank in 2013-2021, including those of the Chairman of the Risk Committee and Chairman of the Supervisory Board.

Board of Directors



David Tsaava
General Director

Mr. Tsaava with PhD degree in Business Administration started career with Basisbank in 2004, on a position of a Lending Expert, and produced gradual career ladder climb by achieving promotion to Corporate Lending Officer in 2008 and to the General Director in 2010.

Mr. Tsaava held a membership of Bank's Supervisory Board in 2015-2018. Currently he is a member of Supervisory Boards of both subsidiaries - BB Leasing and BB Insurance.



Levan Gardapkhadze
Deputy General Director, Retail Business

With a Master's degree in Business Management and in Law, Levan Gardapkhadze started at Basisbank as a manager of International Operations Department in 2002. He was promoted to the head of Plastic Cards Department in 3 years. In 2008, he started as a head of Retail direction of the bank and started has become a member of Management Board.



Lia Aslanikashvili
Deputy General Director, Finances

With Master's Degree in International Economic Relations, Lia Aslanikashvili started her career as a senior specialist of relationships department at a trade organization. She has occupied various positions in Basisbank. First, she headed the Settlement Department, then the Treasury Department, in 2008 she was promoted to the position of the Chief Financial Officer and became a member of the Management Board as well. She is also a member of the Management Board of BB Leasing and BB Insurance.



Li Hui
Deputy General Director, Lending

Li Hui was appointed as Lending Director of Basisbank in 2012. She holds a degree in accounting from Financial University of China. She has followed a diverse career path in Banking, occupying various positions at Credit Cooperatives and various branches of Urumqi City Commercial Bank: an accountant, a deputy director, Deputy Manager of Credit Department and Manager of Credit Department.

Li Hui was a member of the Supervisory Board of Basis Bank in 2015 -2018. Currently, she is a member of the Supervisory Board of the subsidiaries.



David Kakabadze
Deputy General Director, Risk Management

Davit Kakabadze was appointed as Director of IT and Risk Management in 2012. Having a Master's degree in Business Administration from Caucasus Business School, he started work in Basisbank in the position of an IT specialist/programmer. In two years, he was promoted to the Head of IT Department.

In 2008, he was appointed to the position of Risk Management Director and he became a member of the Management Board.



Rati Dvaladze
Deputy General Director, Chief Operating Officer

In 2008, he started work for the Bank of Georgia as a project manager. Afterwards, he worked as a credit risk system manager, then as a Head of Credit Risk Analysis and System Management Department.

Rati Dvaladze started work for Basisbank in 2014. He worked as the head of Basisbank's Project Management and Business Analysis Division for 5 years. He is COO from 2019.



George Gabunia
Deputy General Director, Chief Commercial Officer

George Gabunia has been Basisbank's CCO and a member of the Management Board since 2019. He has 15 years of experience in the banking industry. In 2012-2019 George Gabunia headed Basisbank's commercial department.

In 2010-2012 he led the corporate department in Procreditbank, In 2008-2010 he managed corporate regional group and in 2006-2008 he was a corporate banker.

George Gabunia holds a Master's Degree in Banking.



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BASISBANK

Hualing Group Member

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