

BASISBANK

Q1 2023 Results

IFRS Consolidated Figures (Unaudited)

MAY 2023

www.bb.ge

Contents

- **BASISBANK AT A GLANCE**
- Q1 2023 RESULTS
- MACROECONOMIC HIGHLIGHTS
- APPENDICES

Who we are



30 YEARS

OF MARKET
PRESENCE



MEMBER OF HUALING
GROUP

1ST LARGEST

PRIVATE INVESTMENT
GROUP IN GEORGIA

92% OF SHAREHOLDING



4TH LARGEST

FINANCIAL INSTITUTION

4.5% OF MARKET SHARE



3RD LARGEST

IN BUSINESS LOANS

5.7% OF MARKET SHARE



4TH LARGEST

IN RETAIL BANKING

3.6% OF MARKET SHARE

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

**250K
CLIENTS**

**40
BRANCHES**

**OVER
900
EMPLOYEES**



Our Story in a Nutshell

1993

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.

2008

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).

2012

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.

2017

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.

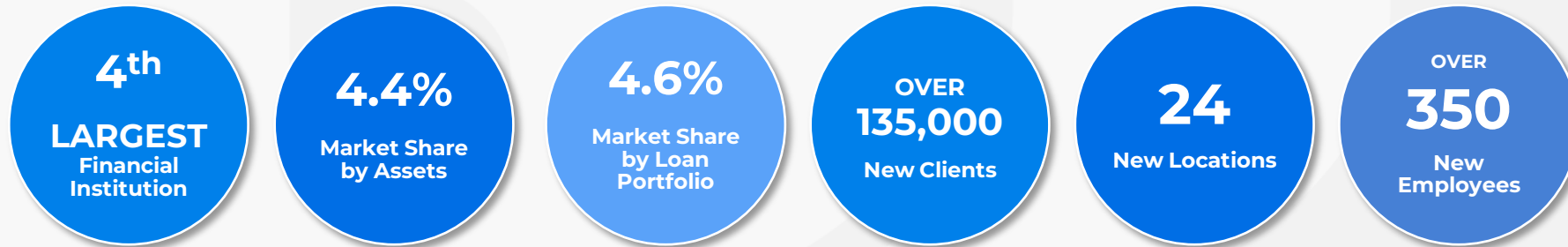
2022

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 Highlights

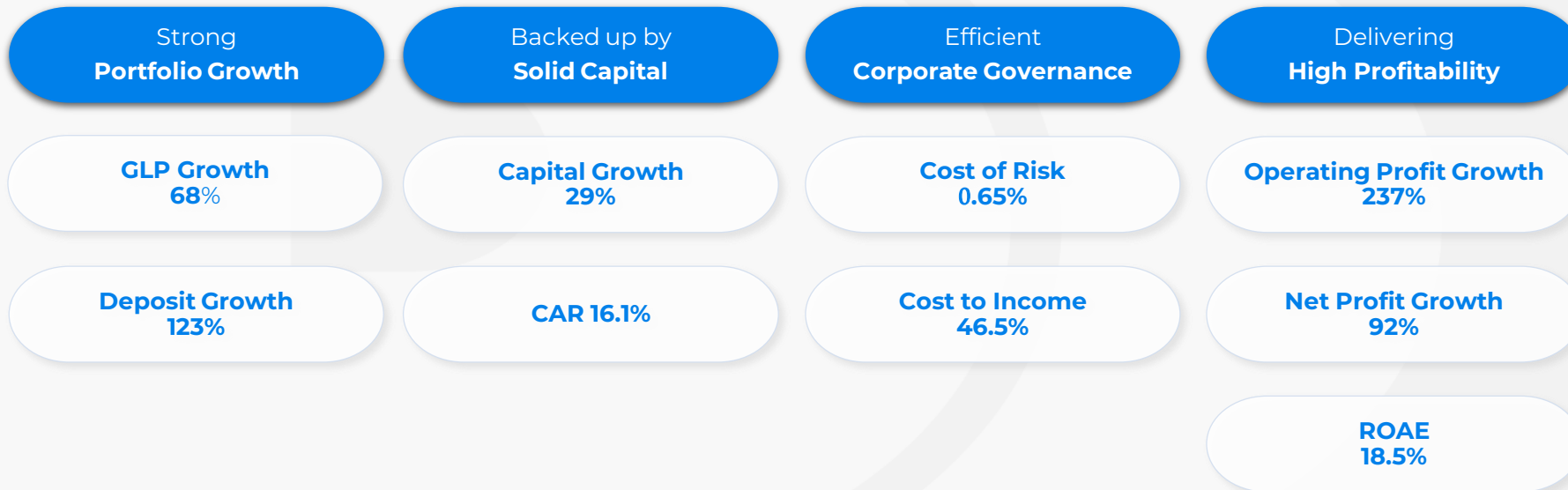
Results Delivered



From 5th largest

From 3.08%

From 2.9%



Key Drivers

Implementing Strategy

- Increased Client coverage
- Business diversification

Capital Instruments

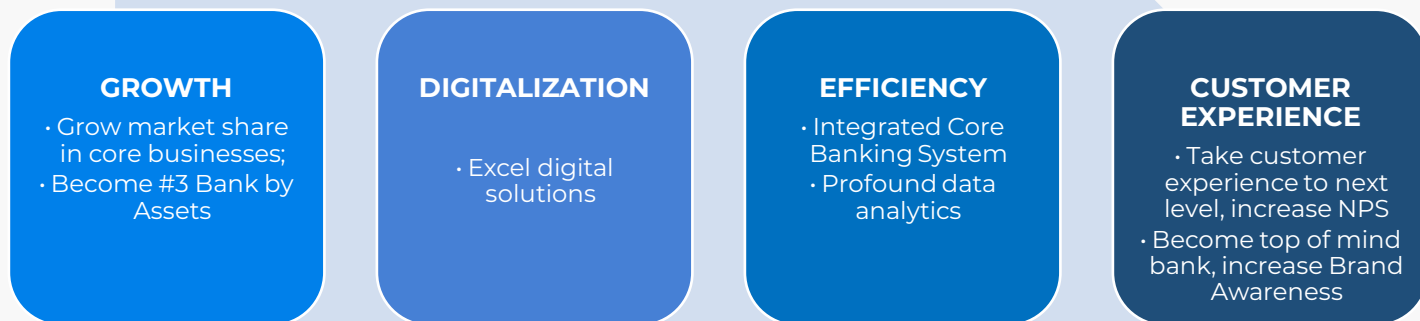
- GEL 27mIn injected by shareholder
- EFSE Sub loan drawn amounting to €15mIn

Acquisition Portfolio of VTB Bank Georgia

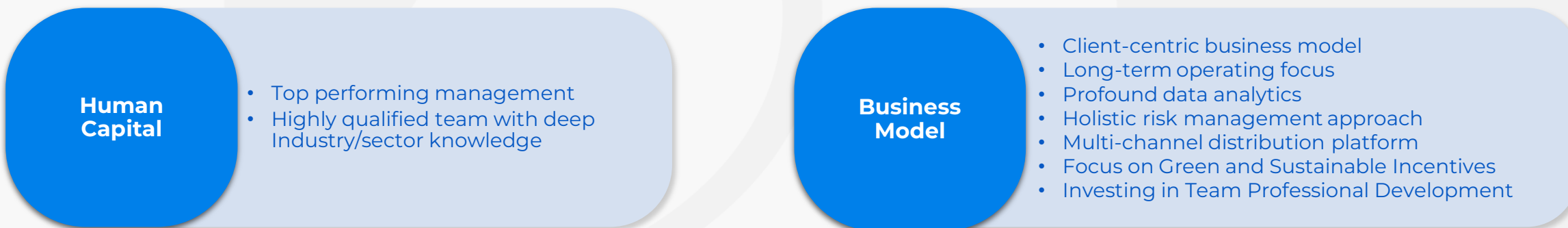
- Loan Portfolio GEL 787mIn
- Deposit Portfolio GEL 665mIn

Our Strategy

Strategic Priorities reaffirmed



Core Competences to enable Strategy



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



CORPORATE

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



RETAIL

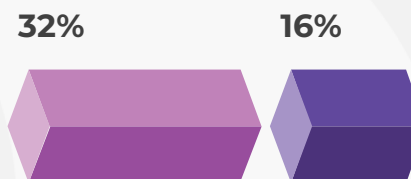
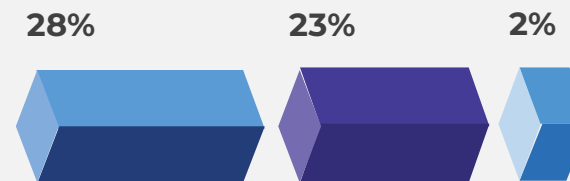
Providing broad range of **RETAIL** Products and Services to our **Individual Clients** through **Multi-channel Distribution Platform**

- Retail Lending
- Current and Term Deposits, CDs
- 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 140mln 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 140 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, place, 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 consciousness on ESG
- 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

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Q1 2023 Highlights

Growing Portfolios

GLP
GEL 2,069mln

+3% YoY

Deposits
GEL 1,892mln

+15% YoY

Strong Capital

Capital
GEL 471mln

+23% YoY

CAR
19.0%

Tight Cost Control

Cost of Risk
0.3%

Cost to Income
49.4%

High Performance

Operating Profit
GEL 20mln

-3% YoY

Net Profit
GEL 16mln

+27% YoY

ROAE
13.4%

Subordinated Bond Issued

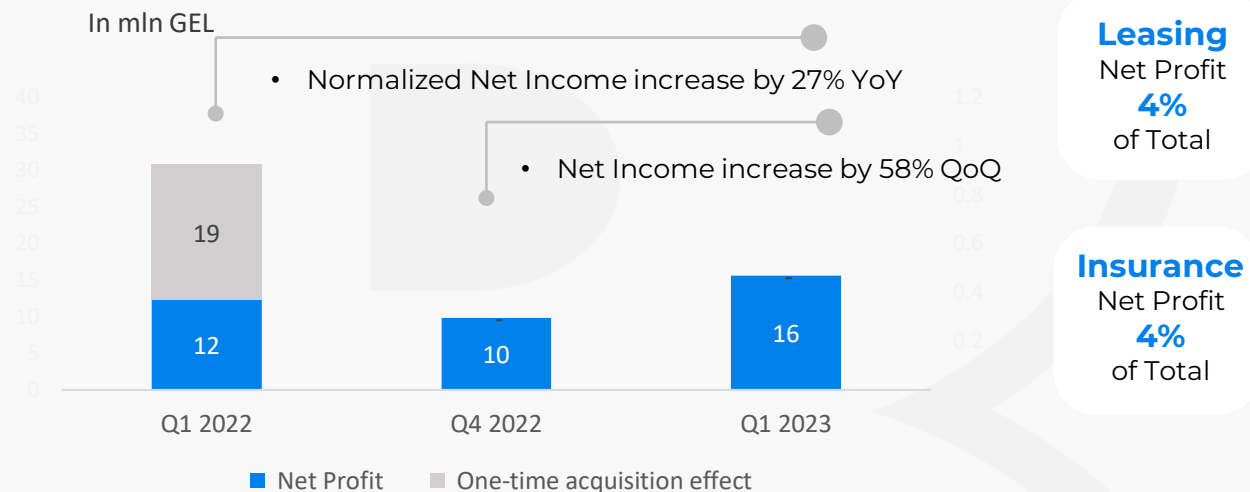
- Basisbank marks successful placement of 7-year Subordinated Corporate Bond amounting \$ 10MLN
- First issue of Subordinated Corporate Bond by Bank in Georgia
- Longest-term corporate debt securities issued to date.

Fitch Rating Update

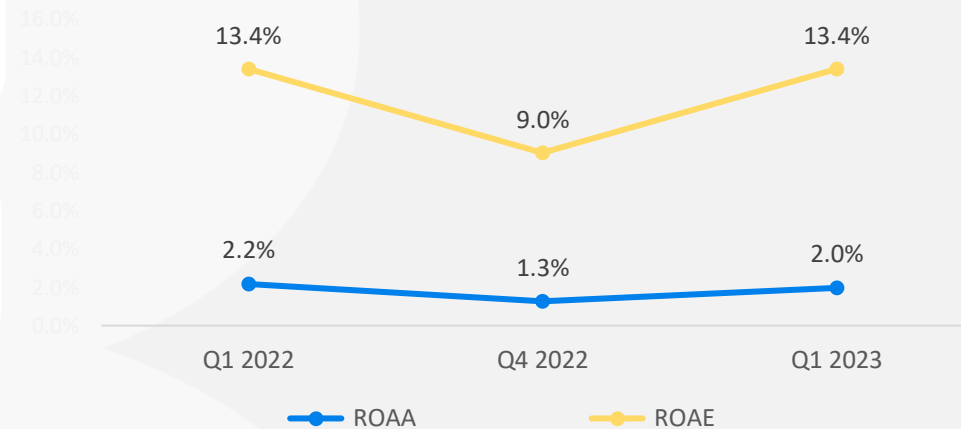
- Fitch Ratings affirms Basisbank's Long-Term IDR at 'B+' and upgrades the Outlook to Positive
- The upgrade reflects the stabilization of Basisbank's Profitability and strong capitalization as well as positive expectations regarding favorable economic conditions in Georgia, resulting in sustainable profit growth, strong asset quality, solid funding and capitalization for the bank.

Net Profit

Net Profit and Total Comprehensive Income

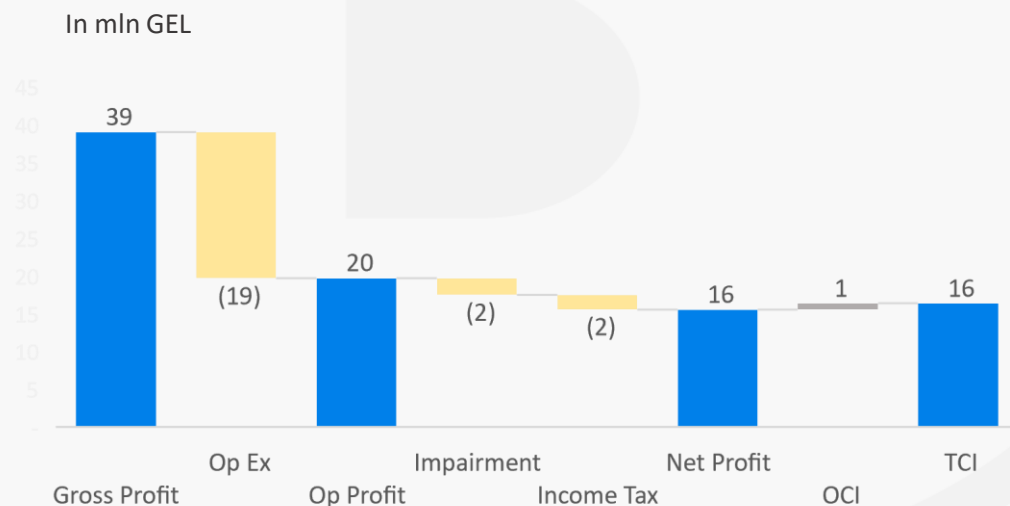


ROAE and ROAA *



* Q1 2022 Ratios are normalized, excluding one-time effect

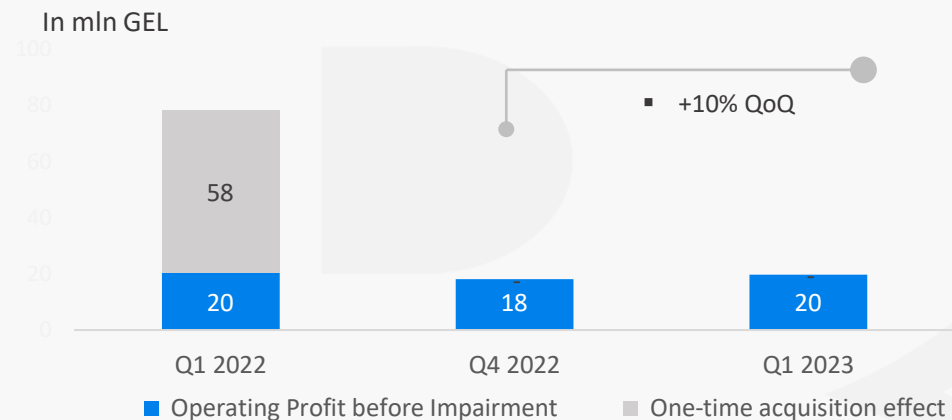
Net Profit Decomposed



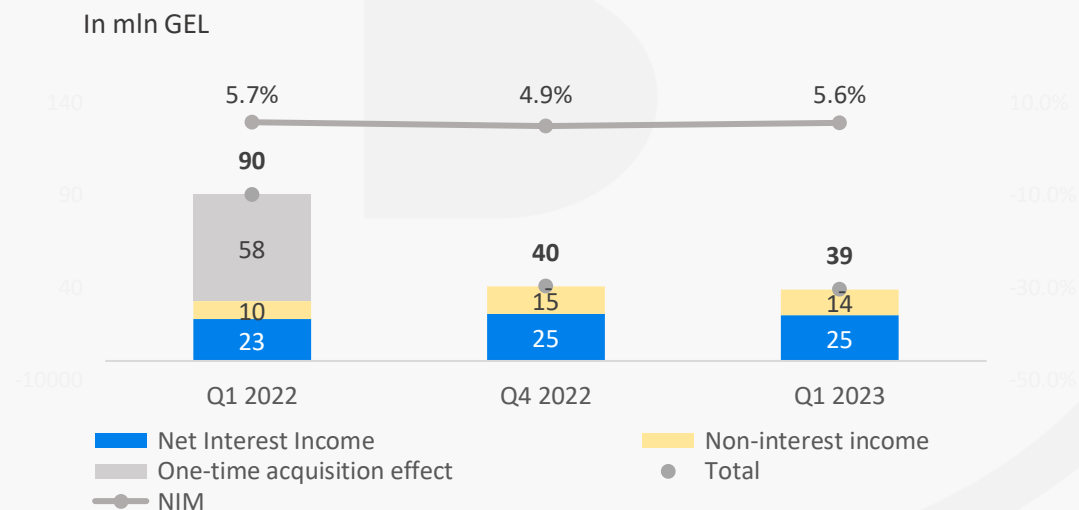
- In Q1 2023 our net profit growth on QoQ basis was mainly driven by reduction in Operating Expenses and increase in Interest Income
- Despite seasonally low activity in Q1, we managed to increase our net profit by 58% QoQ
- On a YoY basis there was a 27% increase in Net Profit, if VTB Bank Portfolio acquisition effect is excluded

Operating Profit

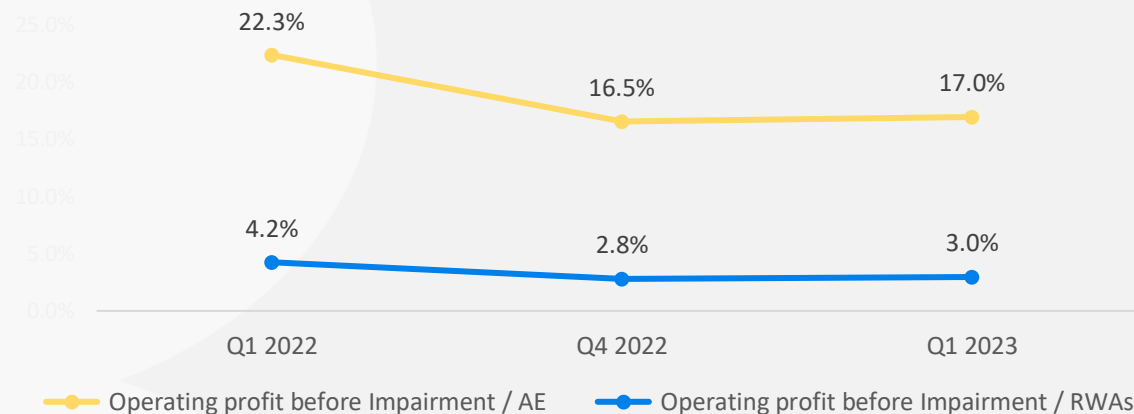
Operating Profit before Impairment



Net Interest and Non-interest Income, NIM

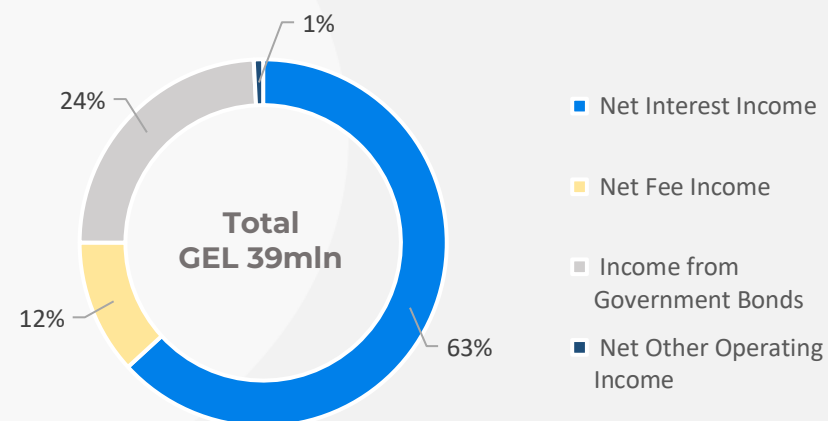


Operating Profit Ratios



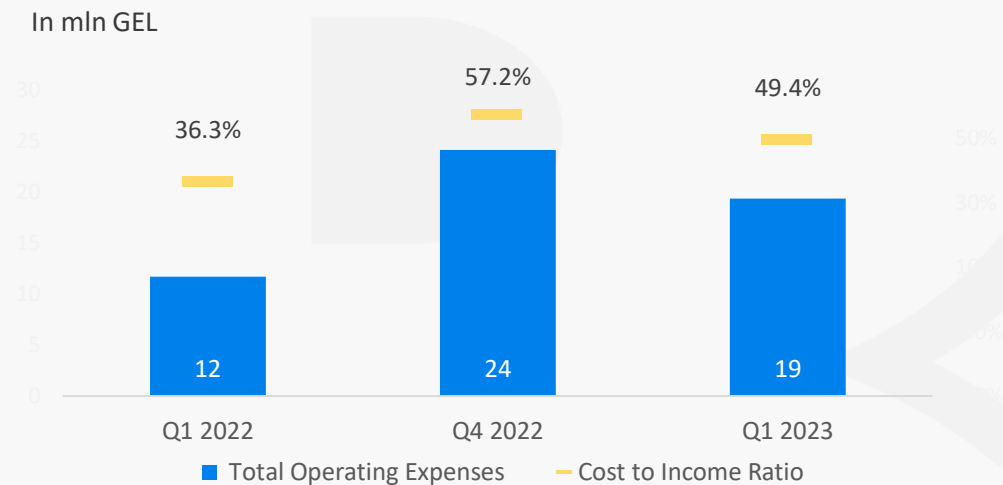
* Q1 2022 Ratios are normalized, excluding one-time effect

Income Structure

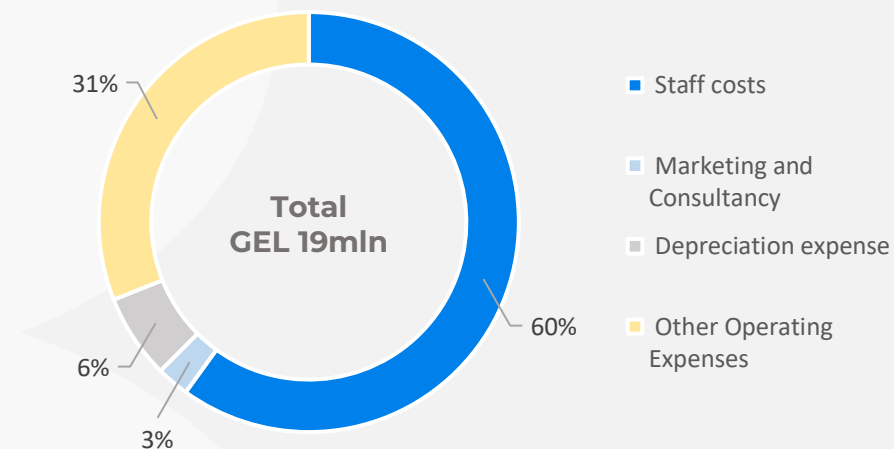


Operating Expenses and Cost to Income

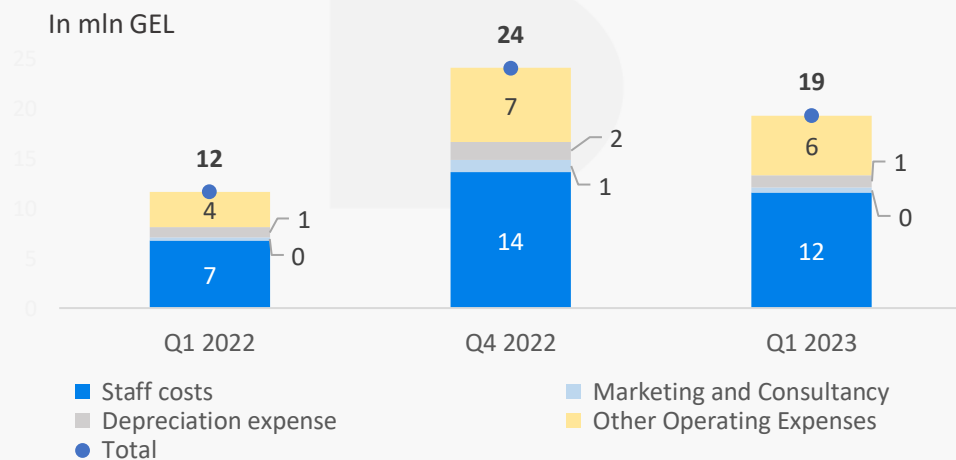
Operating Expenses and Cost to Income Ratio



Operating Cost Structure



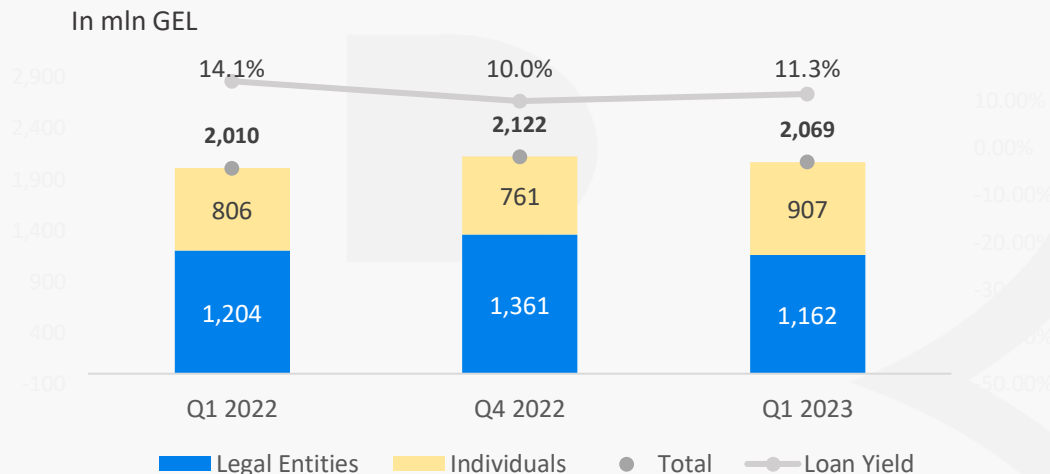
Operating Expenses Dynamics



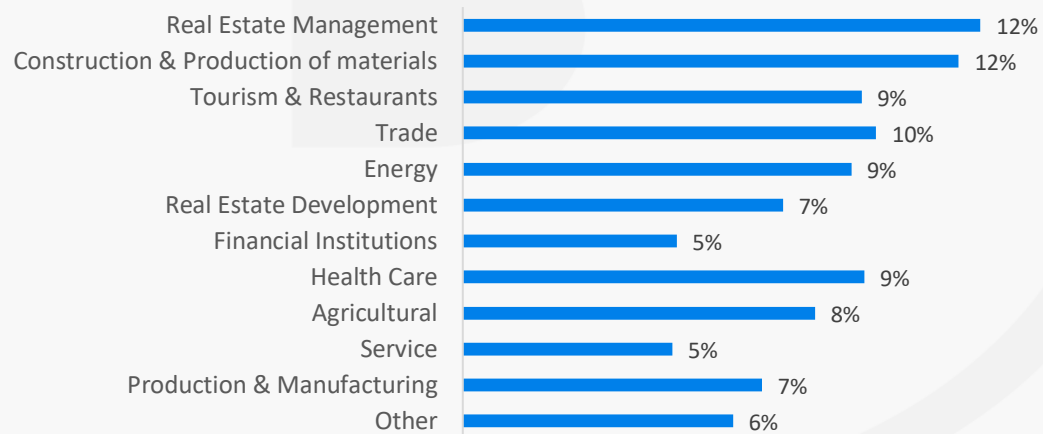
- Total 5mln decrease, out of which 2m decrease in Staff costs, 1,4mln decrease in Other Operating Expenses, 0,8mln in Marketing expense
- Tight cost control policy

Gross Loan Portfolio Analysis

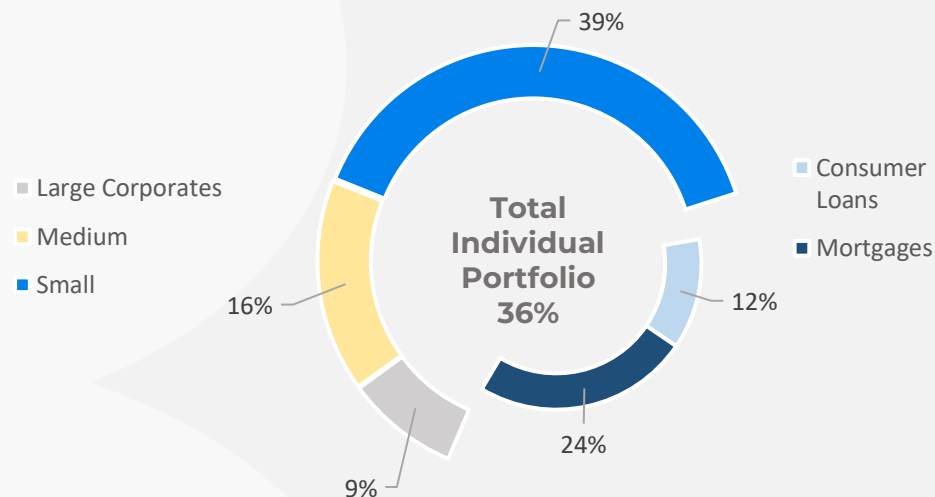
Loan Portfolio Dynamics



Business GLP by sectors



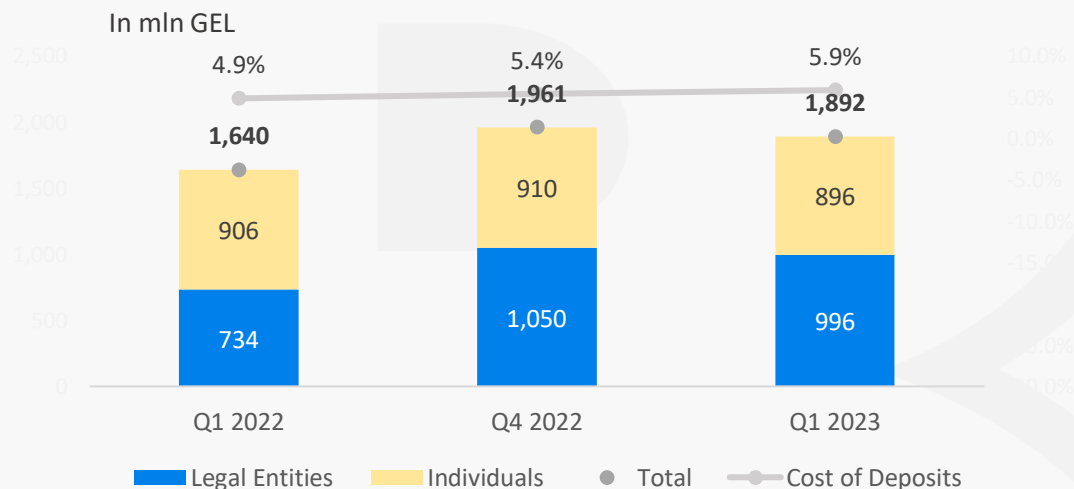
Loan Portfolio Structure



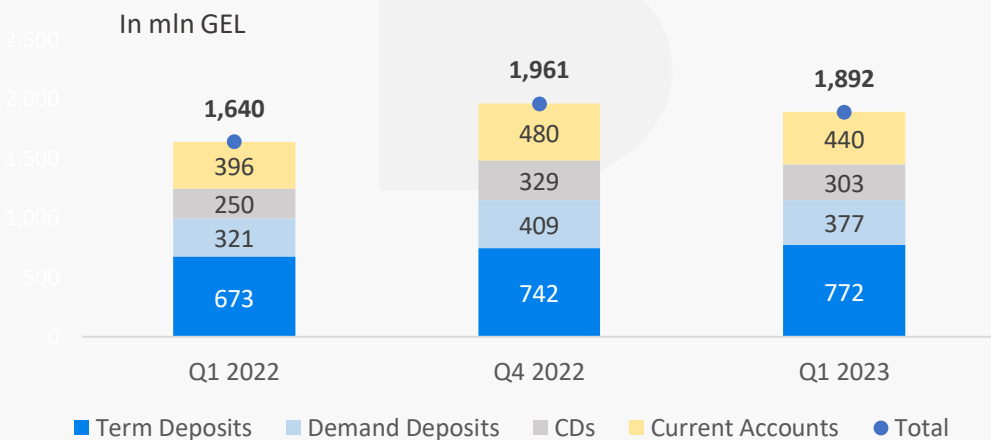
- GLP decreased on a QoQ basis was driven by seasonality and GEL appreciation against hard currencies.
- On a constant currency basis, Gross Loan Portfolio decreased **2%QoQ** and increased **11%YoY**
- Loan Portfolio FX Concentration 46%

Customer Deposit Portfolio Analysis

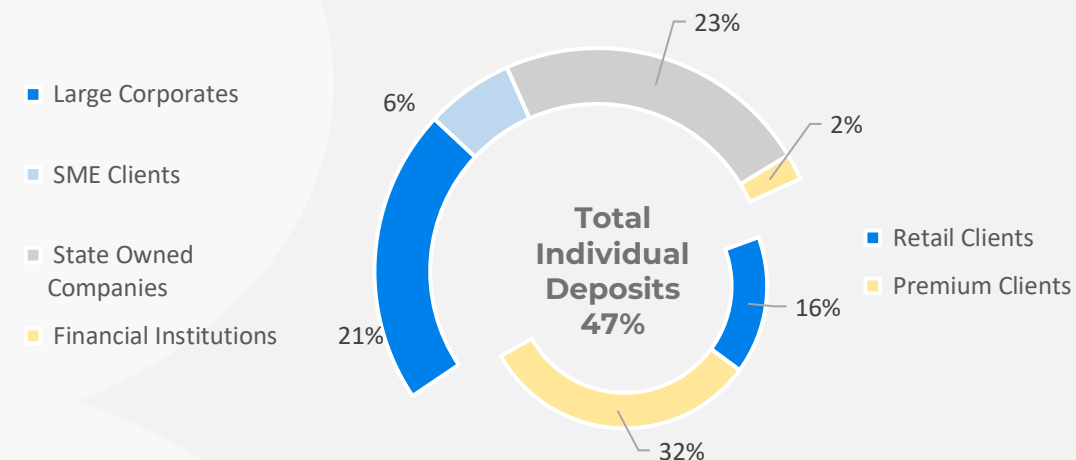
Deposits Dynamics



Deposits by Products



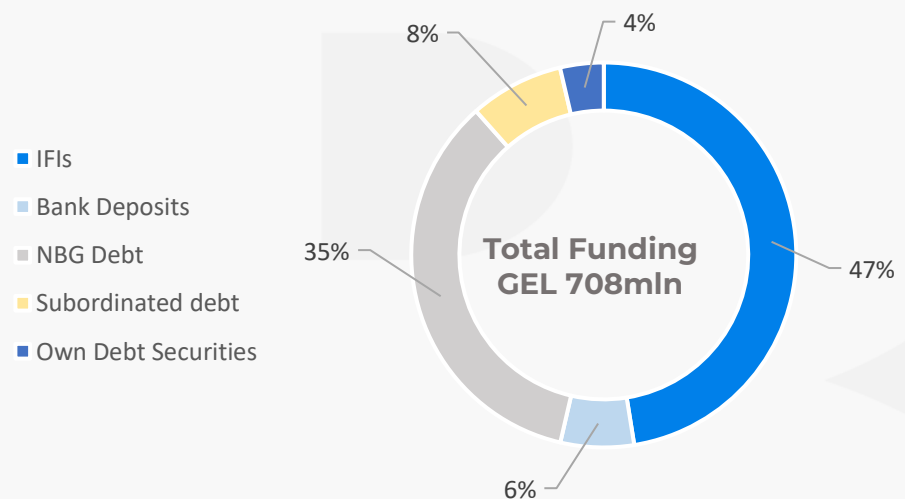
Customers' Structure



- Accounts of Retail and Premium Clients decreased by 4% due to seasonality
- On a constant currency basis, Customer Deposit Portfolio decreased **1%QoQ** and increased **28.5%YoY**
- Customer Deposit Portfolio FX Concentration USD 52%
- 93% of Customer Deposits are Deposits of Residents, 7% - of Non-residents
- 5% of Customer Deposits are of Chinese Depositors
- Related Party Deposits are 4.5% of total deposits

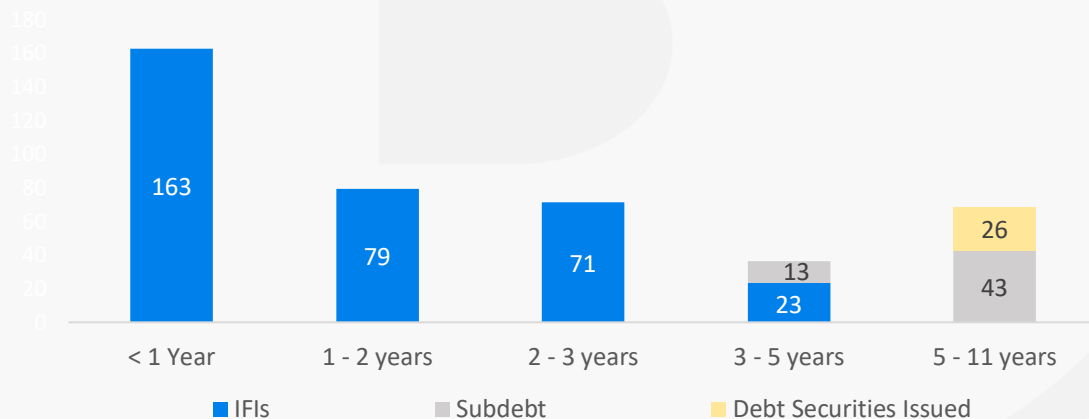
Funding Portfolio

Funding Structure



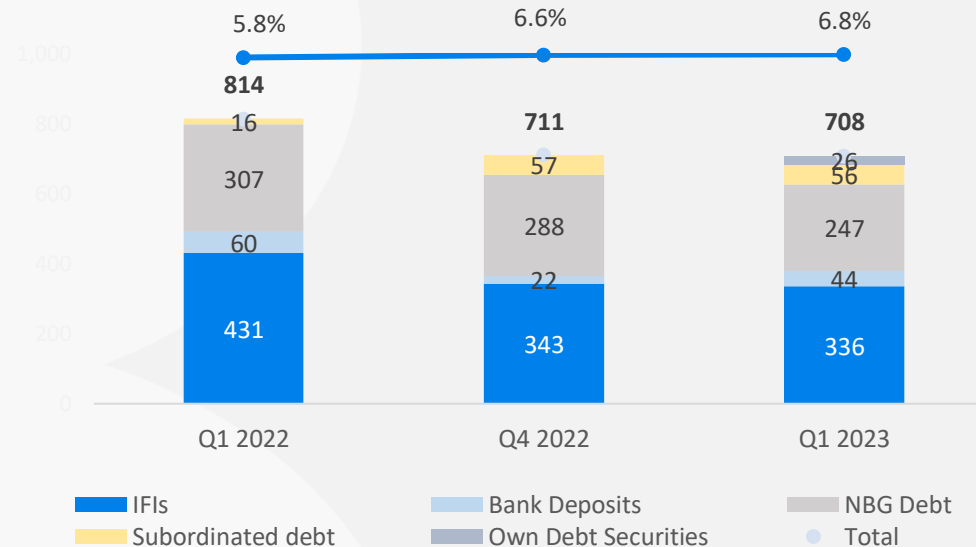
IFI and Subdebt Maturities

In mln GEL



Funding Dynamics

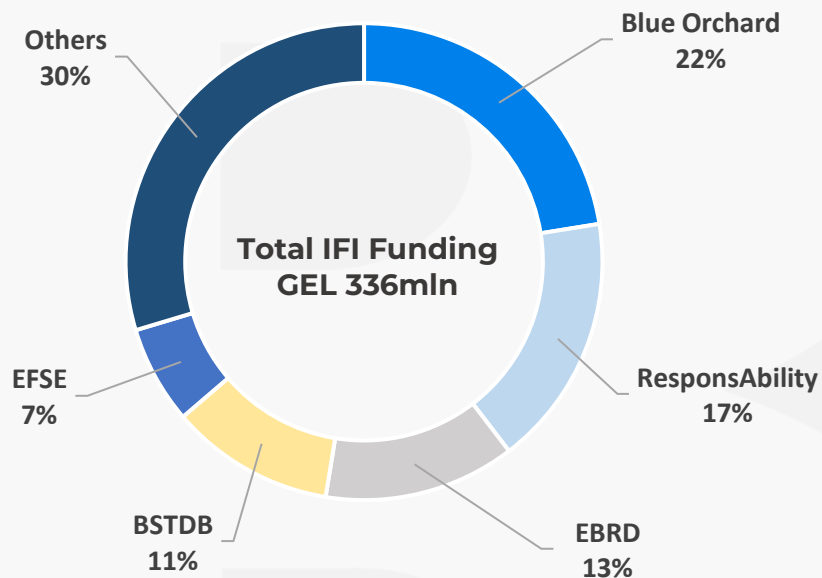
In mln GEL



- Funding remains stable, well supported by strong inflow of clients' deposits and increased funding from IFIs
- 7-Year Subordinated bond was issued amounting \$10mln

International Partners

Key Lenders



Others	
Commerzbank	4%
INCOFIN	4%
ADB	4%
CDB	4%
BANCA POPOLARE	4%
SYMBIOTICS	4%
GGF	4%
ODDO BHF	3%

IFI funding provided by projects

Trade Finance
22%

Green Lending
15%

SME
61%

Other
3%

Key International Partners

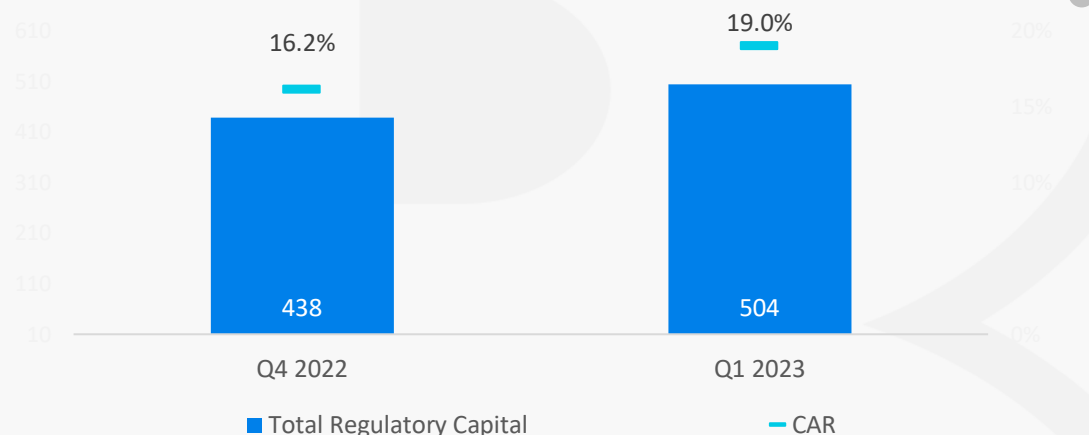


- In 2022 expanded International Partners to ODDO BHF, Symbiotics, Incofin, Raiffaisen BankRunning Institutional Greening Project "Mainstreaming Green Lending at Basisbank" in cooperation with Green for Growth Fund
- Engaged in Concessional Projects "DCFTA" and "CEEP" in cooperation with EBRD to boost transition to Green Economy

Stable Capital Growth

Regulatory Capital

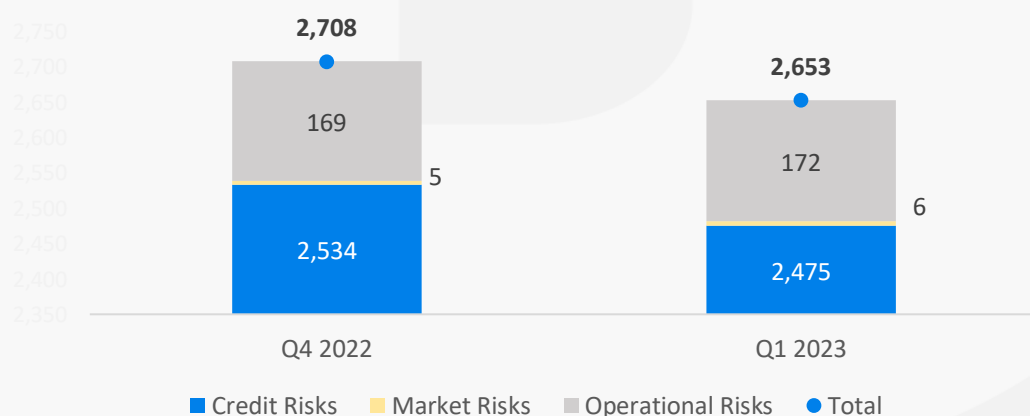
In mln GEL



Calculations of Q4 2022 and Q1 2023 are not comparable, as new methodology is introduced

Risk-weighted assets

In mln GEL



Capital Adequacy Ratios and Regulatory Thresholds *

	31-Dec-22	1-Jan-23	31-Mar-23
CET1 CAR Requirement	9.2%	11.1%	11.6%
BB CET1 CAR	13.1%	15.3%	16.2%
Tier 1 CAR Requirement	11.4%	13.2%	13.9%
BB Tier 1 CAR	13.1%	15.3%	16.2%
Regulatory Total CAR Requirement	15.0%	16.7%	16.9%
BB Total CAR	16.2%	17.2%	19.0%

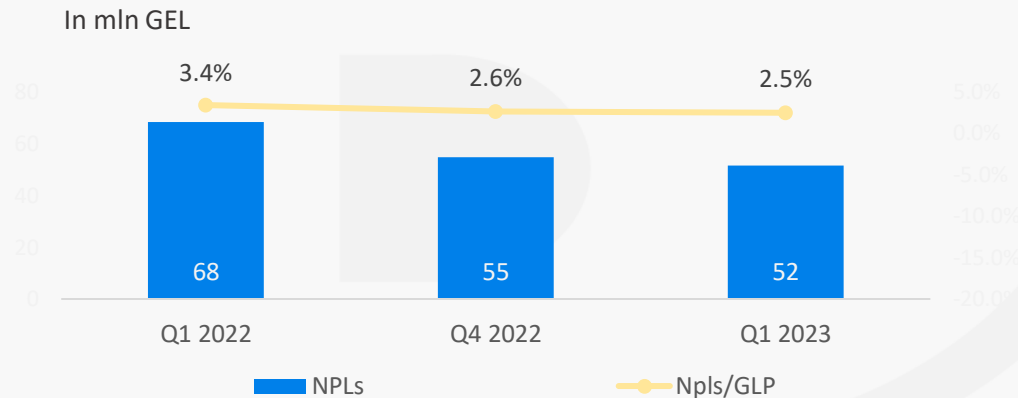
* Calculations of Q4 2022 and Q1 2023 are not comparable, as new methodology is introduced on January 1st

Fully loaded minimum capital requirements

- From January 2023, the NBB 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. Currently 2.1% of CRA buffer is added to total capital requirement.
- BB is fully compliant to the new standards.
- Capitalization supported by the issue of Tier 2 Subordinated Bond amounting \$10mln and operating profit

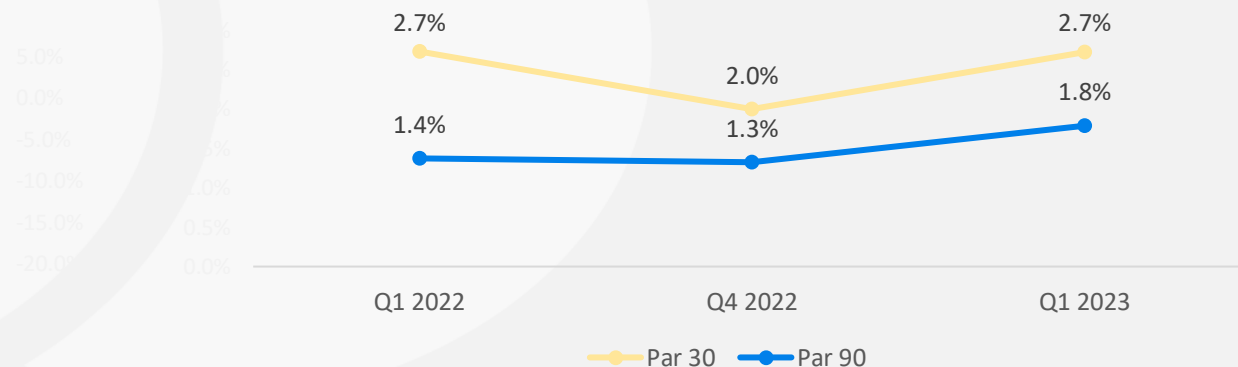
Strong Asset Quality and Provisioning

Loan portfolio quality

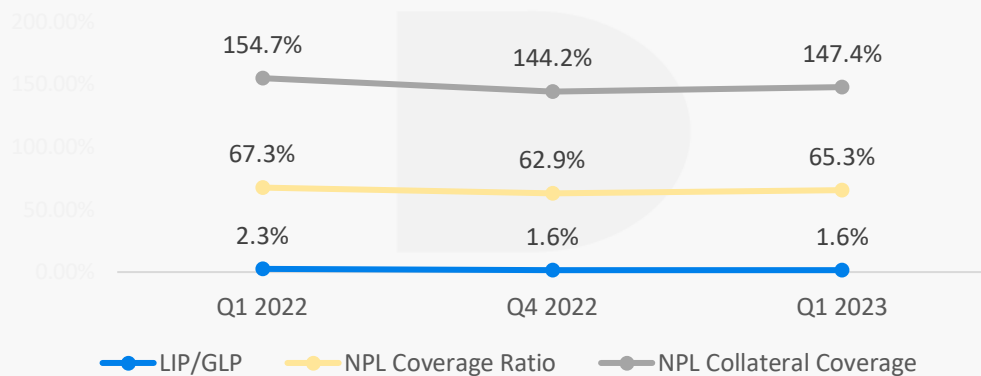


NPLs - loans with 90 days past due on principal or interest, or loan regarded as unlikely to be repaid by management decision

Portfolio PAR



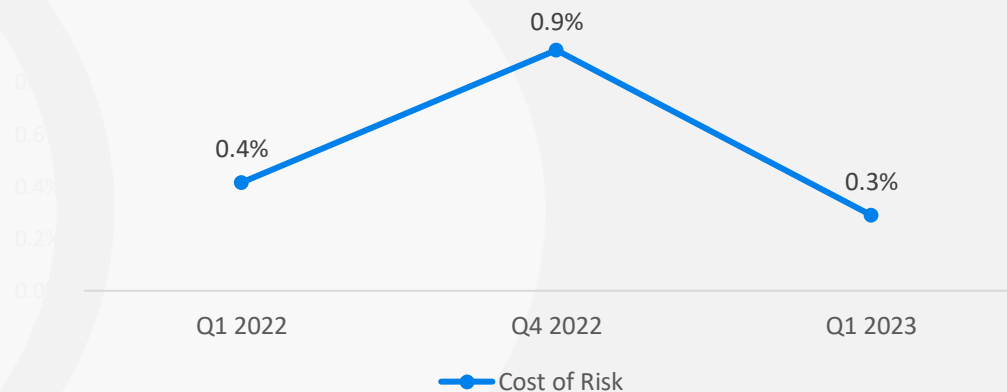
GLP provisioning and NPL Coverage



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

NPL Collateral Coverage ratio equals sum of Loan Impairment Provision and the minimum amount of NPL Loans Exposure and Discounted Collateral Amounts of those NPL Loans (after applying haircuts for cash-100%, gold-100%, real estate-70% and PPE-50%) divided by the NPL loans

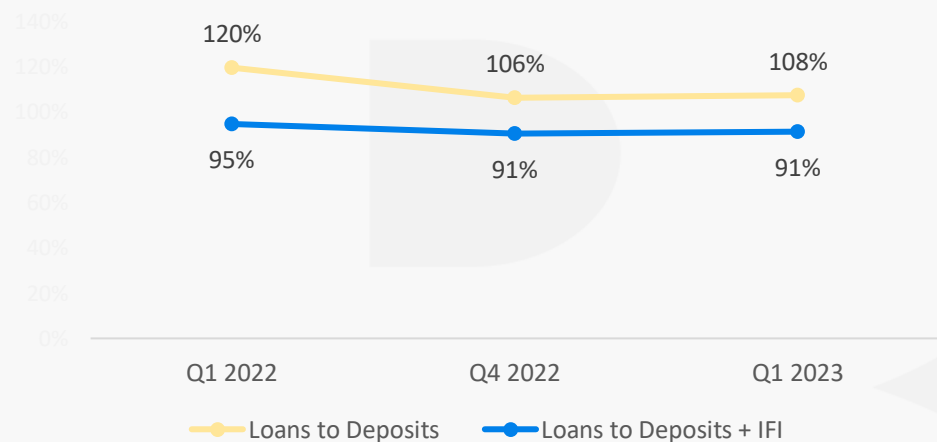
Cost of risk on portfolio *



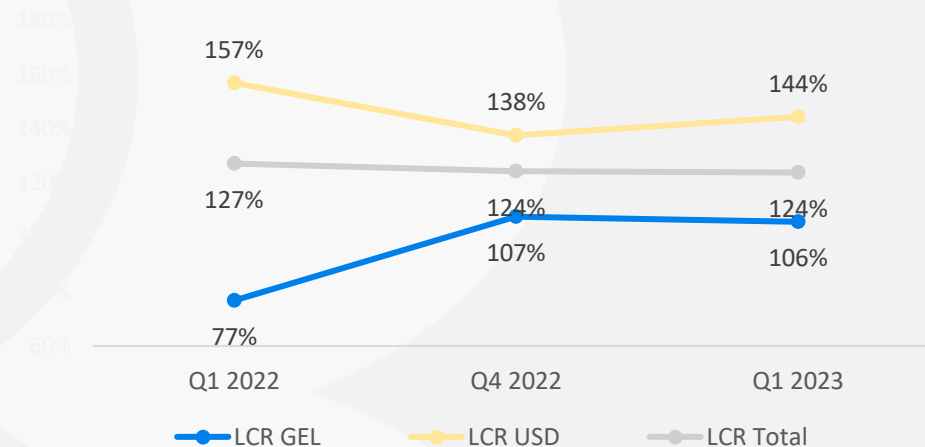
* Annualized; Q1 2022 figure is normalized, excluding the one-time effect. Actual Cost of Risk 11.3%

Solid Liquidity

Liquidity ratios



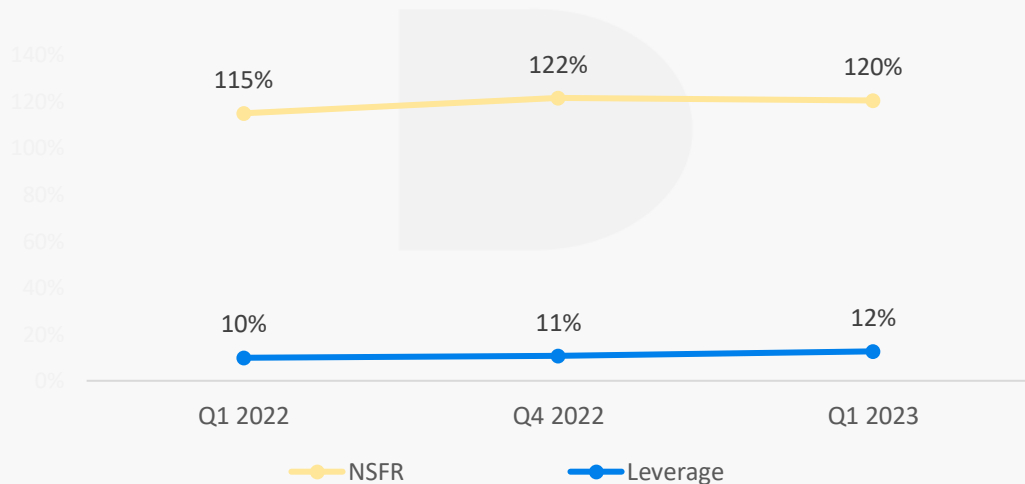
Strong Liquidity Coverage



Regulatory minimum

LCR GEL	>=75%
LCR USD	>=100%
LCR Total	>=100%

Regulator NSFR and Leverage Ratios



- During past years and the quarters presented, BB has stayed within NBG requirements for LCR and NSFR

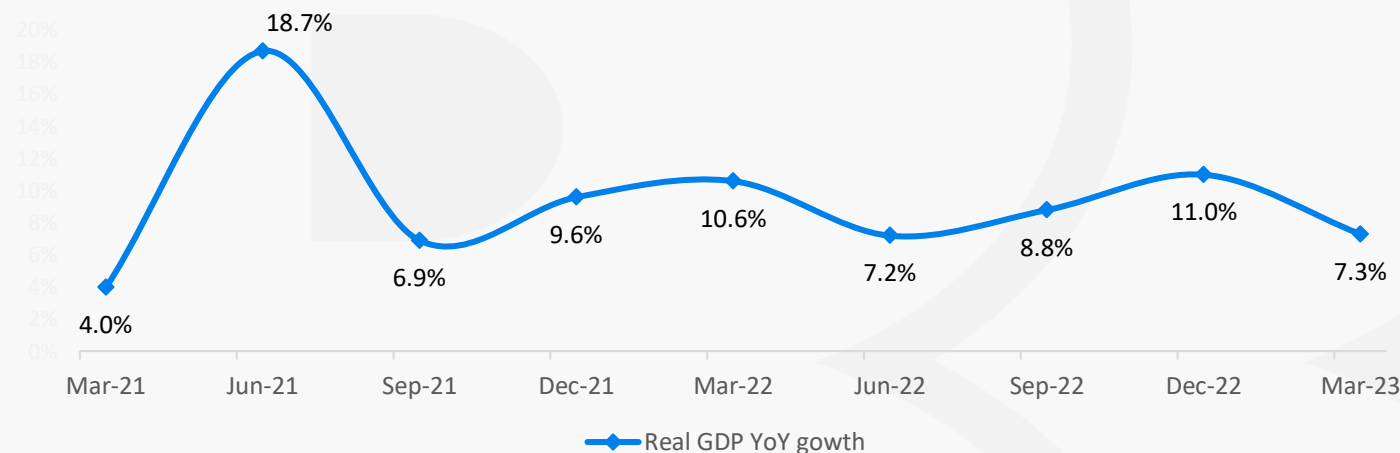
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Macroeconomic Highlights

Real GDP growth *

in USD bln



* March figure is not available yet

Georgia Economic Growth Forecast



Source: Geostat

Key drivers of GDP growth

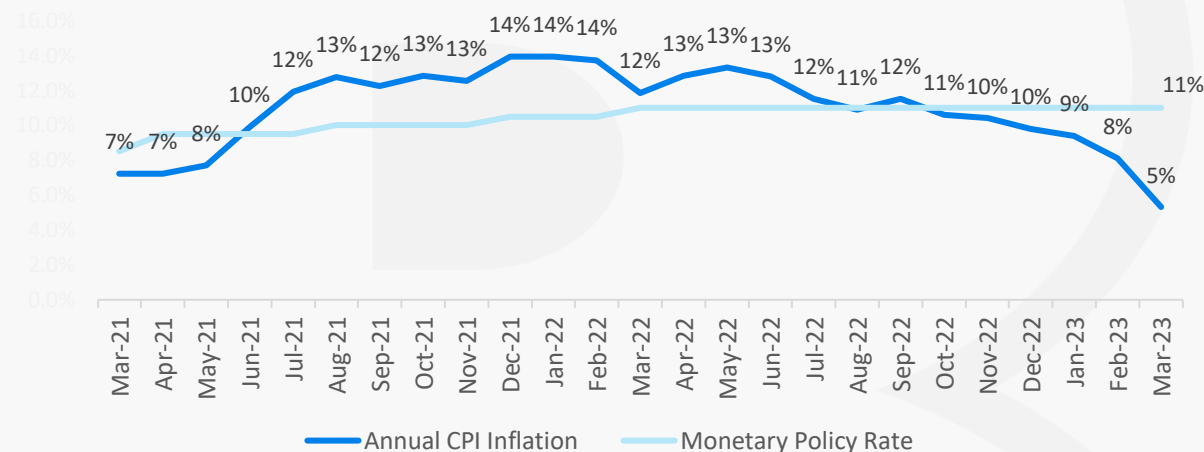
- Georgia performed strongly - the growth achieved in 2021 and 2022 was maintained in Q1 2023 reaching 7.3% YOY in real GDP.
- In 2022, as a result of Russia-Ukraine massive migration accompanied with the flow of free cash increased consumption and reflected positively on growth, while increasing pressure on inflation due to promoted excess demand for goods and services.
- This temporal influence gradually faded in Q1 2023, but resilient inflows from exports, remittances and tourism are present.
- There is increased activity in construction, transport and logistics, trade and hospitality sectors.

Key drivers of Growth Forecast

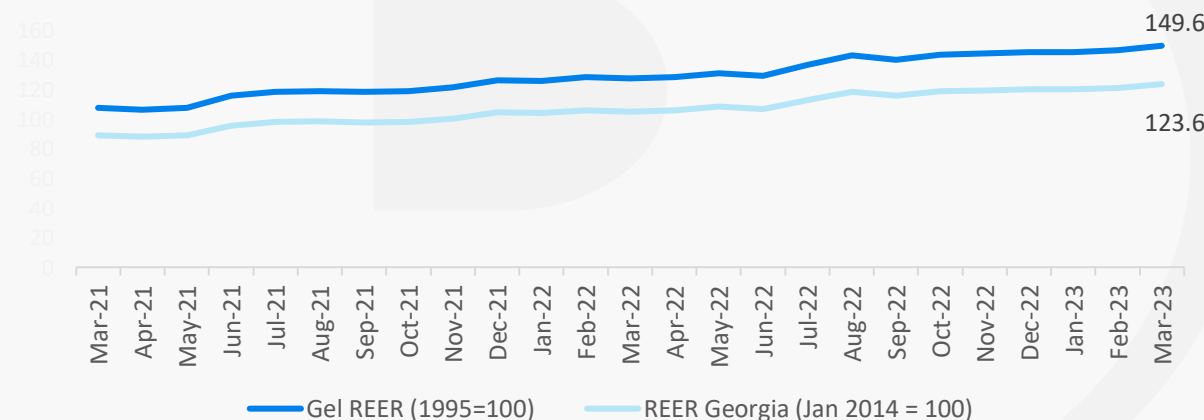
- In 2023, real GDP growth is expected at 5.6% considering the base effect after two-digit growth in 2021 and 2022
- Main drivers are expected inflows, strong investment spending and migration
- Ongoing war in Ukraine, global recession fears and high inflation are downside risks
- The central bank forecasts the growth to stabilize at 5% in 2023
- IMF forecasts the growth to be 4%

Macroeconomic Highlights

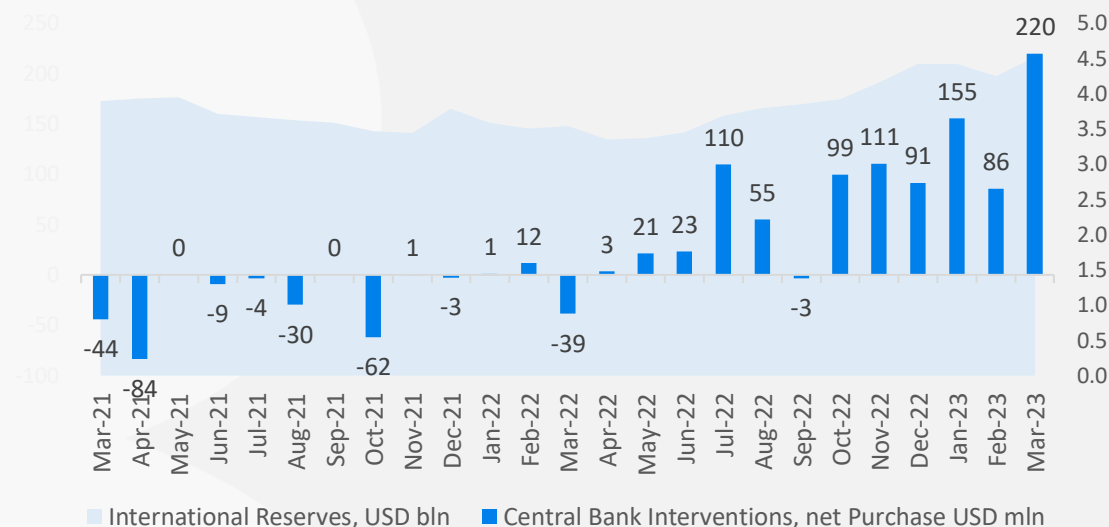
Inflation is corrected by Monetary Policy Rate



GEL Real Effective Exchange Rate



Central Bank Reserves and Interventions



- Inflation is expected to remain low due to strong GEL and stabilization of economic growth
- PPI inflation on a downward trend indicating that consumer prices should also slow
- NBC has maintained the Monetary Policy Rate at 11% since March 2022. On May 10, 2023, it was reduced to 10.5% indicating a gradual easing of tight monetary policy.
- GEL is expected to stabilize around current level, on the back of strong external inflows, and improved expectations
- GEL is expected to remain stable on the current level in the medium term, supported by robust external inflows and positive growth outlook

Macroeconomic Highlights

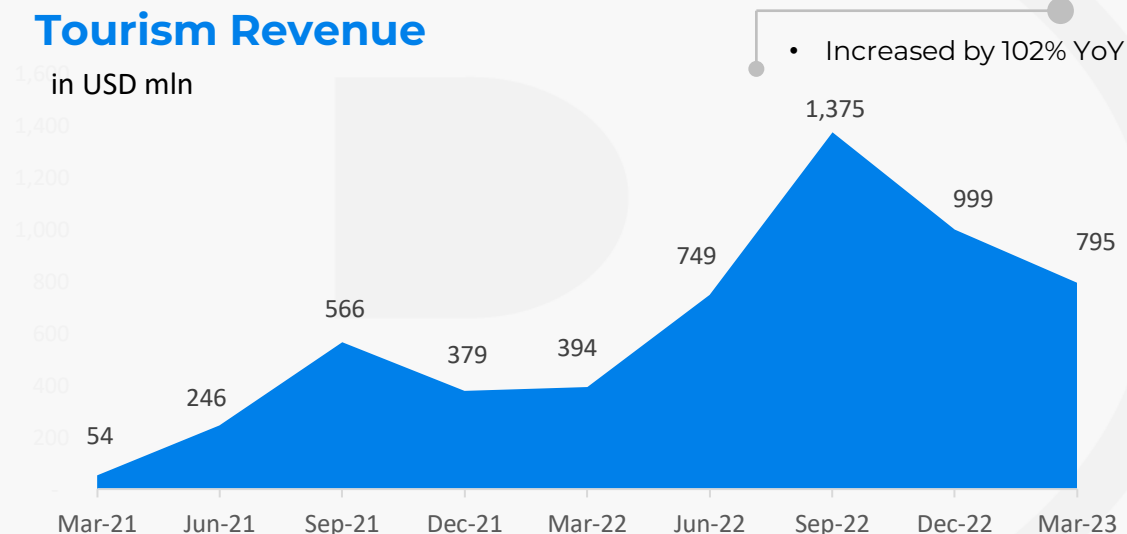
International Trade

in USD bln



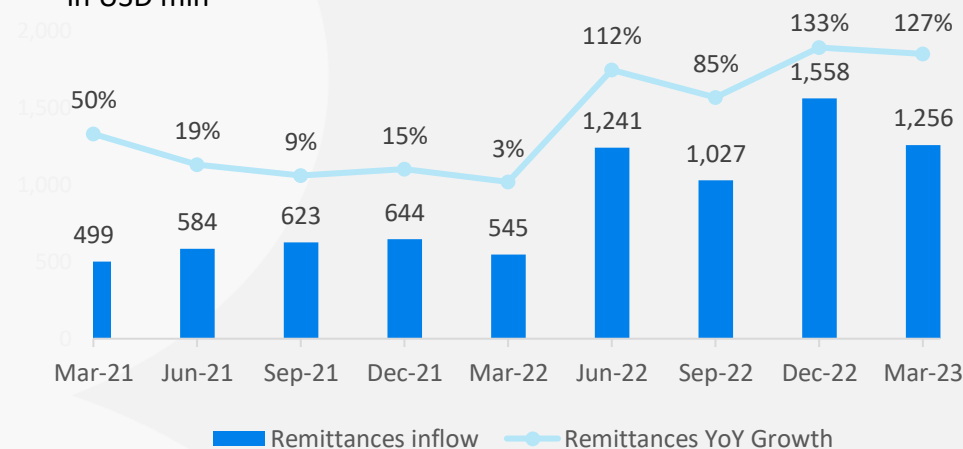
Tourism Revenue

in USD mln



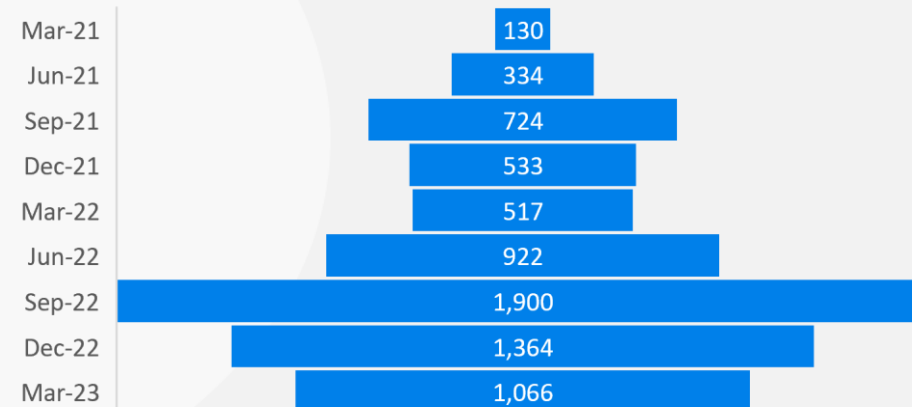
Remittance Statistics Improved

in USD mln



International Visitor Trips

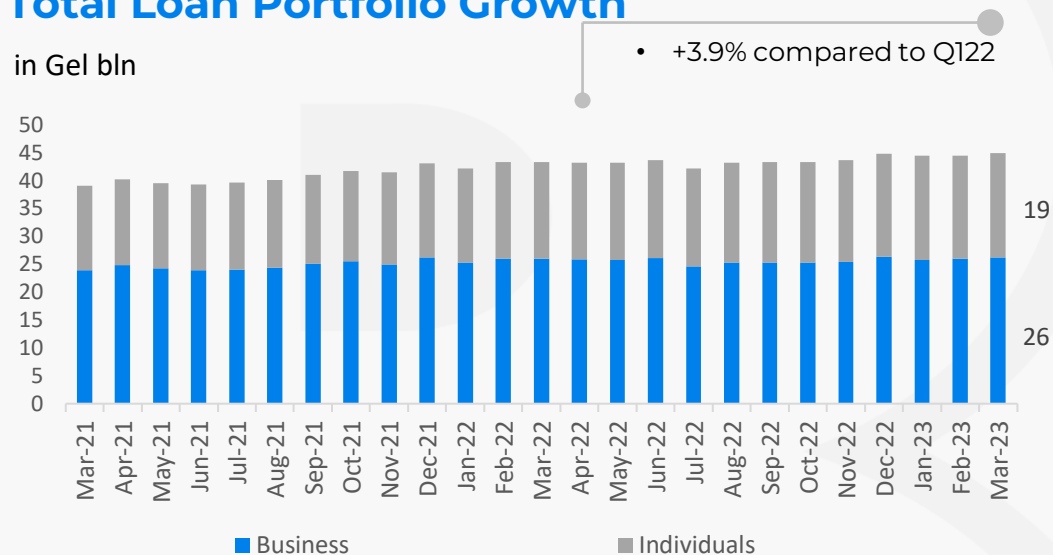
thousands



Banking Sector Overview

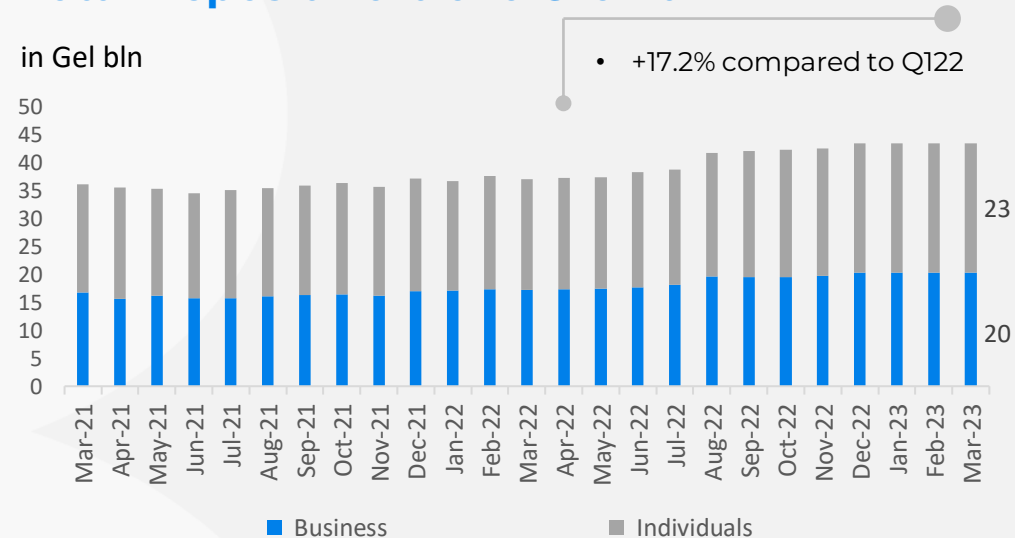
Total Loan Portfolio Growth

in Gel bln

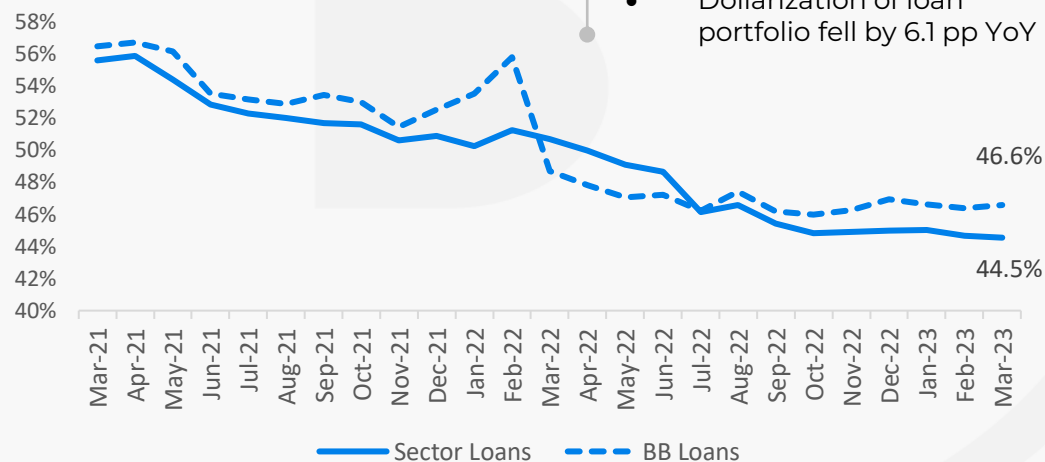


Total Deposit Portfolio Growth

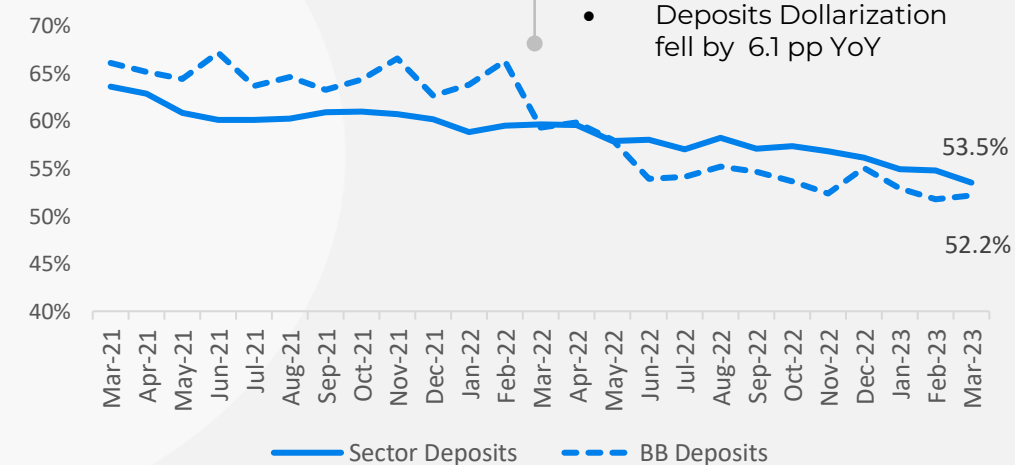
in Gel bln



Loans Dollarization



Deposits Dollarization

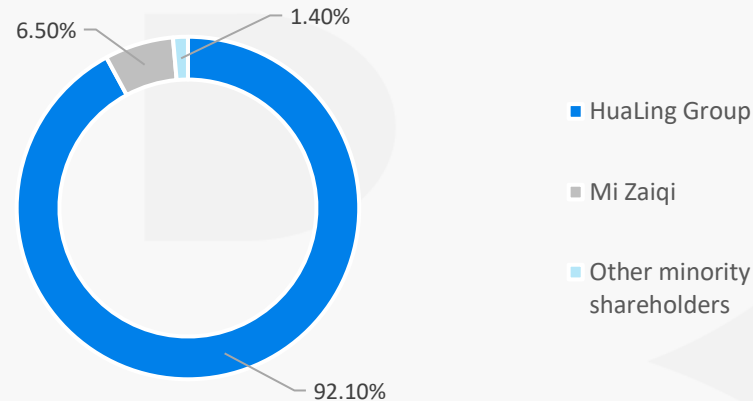


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Shareholders

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

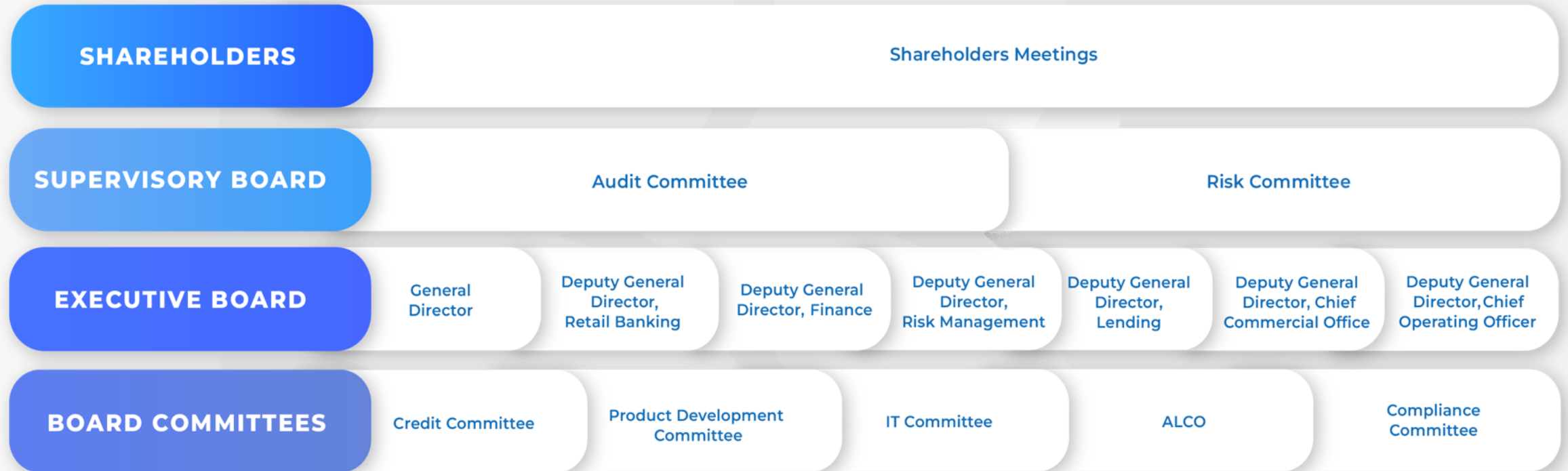
- Present on Georgian market since 2006
- More than 20 subsidiaries
- Main Business sectors:
 - Market rental & management
 - Property management
 - Agribusiness
 - Logistics and transportation
 - Financial Services
 - Construction of infrastructure facilities etc.
- Total investment in Georgia since 2007 over USD 600 million

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.



Hui Li
Deputy General Director, Lending

Hui Li was appointed as Lending Director of Basisbank in 2012. She holds a degree in accounting from Financial University of China. Hui Li 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.

Hui Li 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
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
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

CONTACT INFORMATION:

**MARIAM MINDIASHVILI
INVESTOR RELATIONS**



(995) 599 19 30 60



mariam.mindiashvili@basisbank.ge / IR@Basisbank.ge

BLOOMBERG: JSCK |

SWIFT: CBASGE22

ADDRESS: 1, Ketevan Tsamebuli Ave., Tbilisi, Georgia