ANNUAL REPORT 2024

BASISBANK

Table of Contents

Letter from the Chairman

I am honored to present the annual review of another outstanding year for Basisbank and the entire BB Group. We have persistently advanced our strategic agenda toward enhancing our positions as one of top 3 universal banks in Georgia. Despite a challenging environment, our Group has consistently met its strategic priorities, achieving robust growth across key performance indicators while maintaining high profitability. We have made notable improvements in organizational quality by becoming more client-focused and employee-oriented—principles that are now deeply embedded in our policies, processes, and day-to-day activities.

Throughout 2024 Basisbank reached several important milestones and implemented strategic initiatives, particularly in transforming internal processes to enhance customer banking experience and boost operational efficiency. Our success was driven by an unwavering commitment to cultivating enduring client relationships. We distinguished ourselves by placing our clients' needs at the forefront, whether through offering bespoke financial solutions, personalized services, or leveraging digital innovations to increase convenience. This steadfast commitment to exceeding customer expectations has been central to our achievements.

Our progress is fueled by a dedicated team of professionals whose passion, expertise, and relentless pursuit of excellence have been instrumental in overcoming external challenges and positioning Basisbank for sustained future growth.

Strategic Progress

At Basisbank, our strategy is inherently client centric. By scrupulously identifying customer needs, we create financial products and services tailored to those demands. This approach not only builds substantial value for our clients but also drives customer loyalty and long-term partnerships. The resulting increased market presence enhances value for our employees, management, and shareholders alike.

Since 2022, we have embarked on a dynamic transformation journey, broadening our horizons. Throughout year 2024, we remained committed to the four pillars of our strategy—Growth, Digitalization, Efficiency, and Customer Experience—and delivered significant progress on all fronts. By operating with integrity and earning the enduring trust of our customers, partners, employees, and stakeholders, we are on track to achieve our ambition of becoming the third largest bank in the market.

We have closed the year with a record group profit of GEL 87.4 million and a ROAE of 15.0%. Our loan and deposit portfolios experienced growth of 17.0% and 16.0% respectively. Additionally, our capital strength improved, underpinned by increased equity and regulatory capital, with robust support from our shareholders and international financial partners.

Commitment to ESG

Basisbank has long recognized that sustainable growth rests on responsible business practices and a clear commitment to environmental and social stewardship. Our approach to ESG is rooted in transparent governance, prudent risk management, and meaningful green and social financing initiatives. By aligning with international partners and adhering to the National Bank of Georgia's Sustainable Finance Taxonomy, we ensure our lending and operational activities contribute to the country's broader transition toward a more sustainable economy.

A key milestone in our journey has been the development of our Sustainability Strategy, which provides a structured framework for integrating ESG principles into our business model. Developed through a collaborative process involving internal and external stakeholders, this strategy outlines our commitments in areas such as climate action, responsible banking, and social impact. It also sets clear objectives, timeframes, and KPIs to measure our progress.

Throughout the past year, we have reinforced this commitment by issuing a sustainability bond—the first by a Georgian commercial bank—and expanding our green product offerings. These steps reflect our broader vision to integrate ESG principles into every facet of our operations. We remain dedicated to supporting businesses that champion environmental and social progress, fostering inclusive growth, and driving lasting benefits for our stakeholders and the communities we serve.

Supervisory Board Accents

Throughout 2024, the Supervisory Board maintained its commitment to ensuring effective governance, strategic oversight, and alignment with regulatory requirements and best practices. The Board played a pivotal role in guiding the Bank's strategic direction, ensuring that the Bank's operations remained stable, well-governed, and responsive to evolving market challenges.

In 2024, the Board placed a strong emphasis on risk management, regulatory compliance, and ESG integration, ensuring the Bank's frameworks remained robust and forward-looking. The introduction of new methodologies and technologies, as well as comprehensive training sessions for Board members – particularly in ESG risk management and regulatory changes – further enhanced the Board's ability to address emerging risks and trends.

To maintain a clear distinction between governance and management, the Board consistently applied well-defined responsibilities and decision-making processes. Enhanced reporting mechanisms, structured session planning, and improved communication channels further ensured that Board members remained well-informed and engaged.

Future Outlook

As we reflect on this year's achievements, we are also mindful of the challenges ahead. The evolving environment, technological advancements, and shifting customer expectations present both opportunities and obstacles for our industry. Nonetheless, I am confident that our forward-thinking approach and commitment to excellence will enable Basisbank to navigate these complexities successfully, delivering strong results and benefits to all our stakeholders.

In Conclusion, I extend my heartfelt gratitude to our shareholders for their continuous support and trust in our vision. I also wish to commend the Management Board for their dedication and capability in driving our success. My sincere thanks go to our clients for their trust and collaboration, which continually motivate us to strive for excellence. Lastly, I applaud our employees for their hard work, commitment, and resilience—they are the true engine behind our achievements.

Zhang Jun
Chairman of the Supervisory Board

Letter from the General Director

Dear Customers and Shareholders,

It is my privilege to address you and share our vision, our journey, and the results we have achieved as one of Georgia's leading banks. This past year has been a testament to our commitment to continuous improvement, flexibility, and unwavering dedication in an increasingly complex global environment. Despite significant geopolitical challenges, we have steadfastly pursued our mission of delivering exceptional value to our customers, investors, employees, and communities.

At Basisbank, our focus has always been on placing our clients' needs and goals at the forefront of everything we do. We have built our reputation on providing tailored financial solutions that exceed expectations at every touchpoint. Our customer-centric approach, combined with our agility in adapting to changing market conditions, has allowed us to navigate turbulent times while staying true to our core values.

Business Environment and Banking Trends

Georgian economy demonstrated impressive resilience in 2024, achieving robust growth fueled by strong domestic consumption, performance in tourism and services, construction, and export sectors. Economic activity reached 9.5% growth last year, supported by rising real incomes and stable inflation that remained well below target levels. However, as domestic inflation is expected to gradually rise towards our targets in 2025, careful monetary policy adjustments will be crucial. Nonetheless, tourism has rebounded significantly, and overall, the country is positioned for a stabilization of growth at around 5% in the medium term.

The Georgian banking sector remains robust, underpinned by strong capital and liquidity buffers, even as dollarization poses ongoing challenges to financial stability. The sector's overall resilience is evident in its ability to withstand global shocks. Georgian banks have maintained competitive interest rate spreads and continue to operate under a stable regulatory framework, as evidenced by favorable sovereign credit ratings from Moody's, Fitch and S&P. In this complex environment, the banking industry is well-positioned to support economic growth, even as it navigates the risks posed by geopolitical uncertainties and evolving market dynamics.

Within the Georgian banking sector, digital transformation is reshaping customer expectations. In 2024, we witnessed a significant shift toward digital banking services, prompting us to reimagine our digital value proposition. This transformation has allowed us to enhance customer interactions, streamline internal processes, and deliver sustainable growth. Our ambition is to establish ourselves as a strong third player, thereby deepening market diversification and offering increased value to our stakeholders.

Strong Results and Strategic Achievements

In 2024, Basisbank built on the momentum of the previous year and delivered robust growth across all key performance metrics. Gross loan portfolio grew by 17.0%, reaching GEL 2.96 billion, driven in large part by a 21.3% increase in loans to businesses, particularly in the SME segment. On the funding side, customer deposits expanded by 16.0%, rising to GEL 2.54 billion and reinforcing our liquidity position. These achievements contributed to a 17.6% increase in gross operating revenue (GEL 203.73 million), fueled by a 14.9% rise in interest income and a 28.0% boost in non-interest income. Even as operating expenses grew by 21.2%, reflecting continued investment in talent and digital capabilities—our net operating income climbed to GEL 103.54 million, up 14.4% year over year. Ultimately, net profit stood at GEL 87.4 million, marking a 13.7% annual increase.

These results underscore the strength of our core business lines and validate the strategic priorities set out in our previous annual letter—namely, fostering deeper engagement in business banking, expanding digital channels, and enhancing the overall customer experience. The corporate banking segment remained a reliable financial partner for companies of all sizes, while the strong performance of SME lending continued to anchor our growth. We also maintained a prudent approach to risk management: impairment charges amounted to GEL 4.5 million, giving 0.2% of cost on risk exposures, highlighting our disciplined lending practices. Meanwhile, our capital position remained solid, with total equity growing by 21.4% to GEL 632.4 million, while regulatory capital increased by 24.3% boosted by additional shareholder support and subordinated instruments issued in 2024.

Looking ahead, we believe our success in 2024 provides a firm foundation for pursuing further opportunities and tackling new challenges in the Georgian banking industry. We remain committed to delivering on our strategic vision – deepening our digital transformation, refining our product offerings, and continuously improving operational efficiency. By focusing on sustainable growth and bespoke financial solutions, Basisbank is well-positioned to strengthen its standing as a leading universal bank and generate enduring value for customers, employees, and shareholders alike.

Our Team and Agile Transformation

At Basisbank, our people are the driving force behind the strong results presented. Their dedication, expertise, and commitment to excellence enable us to deliver exceptional value to our customers and stakeholders. In 2024, we reinforced our focus on fostering a culture of continuous learning. Through extensive professional development initiatives, leadership training, and the expansion of our digital learning platform, we continue to empower our employees with the skills and capabilities needed for the future. Our commitment to creating a dynamic and inclusive workplace ensures that every team member feels valued, engaged, and motivated to contribute to our collective success.

To enhance our agility and adaptability in an evolving financial landscape, we have embarked on a Agile transformation journey. We have established cross-functional product development teams and successfully implemented strategic projects across key business areas, including core banking, lending, and digital channels. This transformation goes beyond methodology—it is a fundamental shift in how we work, fostering rapid results, collaboration, and operational efficiency. In 2025, we will focus on scaling Agile practices, deepening maturity, and strengthening our customer-centric approach. By continuously investing in our people and embracing agility, we are building a resilient and forward-thinking organization, ready to navigate future challenges and seize new opportunities.

Commitment to ESG

At Basisbank, our commitment to sustainability goes far beyond regulatory compliance, it is integral to our strategy, culture, and daily operations. Over the years, we have evolved from managing environmental and social risks through a responsible lending framework to developing a comprehensive Sustainability Strategy, underpinned by a thorough materiality assessment. This process engaged both internal and external stakeholders, including our corporate and SME clients, international financial institutions, and employees, to identify the topics that matter most. As a result, we have set clear objectives, timeframes, and KPIs for key areas such as climate action, ESG risk management, green financing, and social development.

A core element of our sustainability agenda involves green financing. By partnering with International Financial Institutions, we have expanded our range of products supporting energy and resource efficiency, renewable energy, and women-led businesses. In 2024, we introduced targeted green banking products, aligned with Georgia's Sustainable Finance Taxonomy. These efforts culminated in the issuance of a USD 20 million sustainability bond—the first of its kind by a Georgian commercial bank—where proceeds are earmarked for financing environmentally and socially beneficial projects. The anchor investor of the deal was Asian Development Bank (ADB), whose involvement highlights the credibility of the transaction and strengthens its contribution to mobilizing international capital for sustainable development in Georgia.

Beyond our lending and investment practices, we strive to minimize our own environmental impact. By maintaining a forward-looking approach and regularly reporting on our progress, we intend to keep raising the bar for responsible banking in Georgia. Our overarching goal is to deliver a positive impact for our customers, communities, and the environment, while creating long-term value for our shareholders and partners.

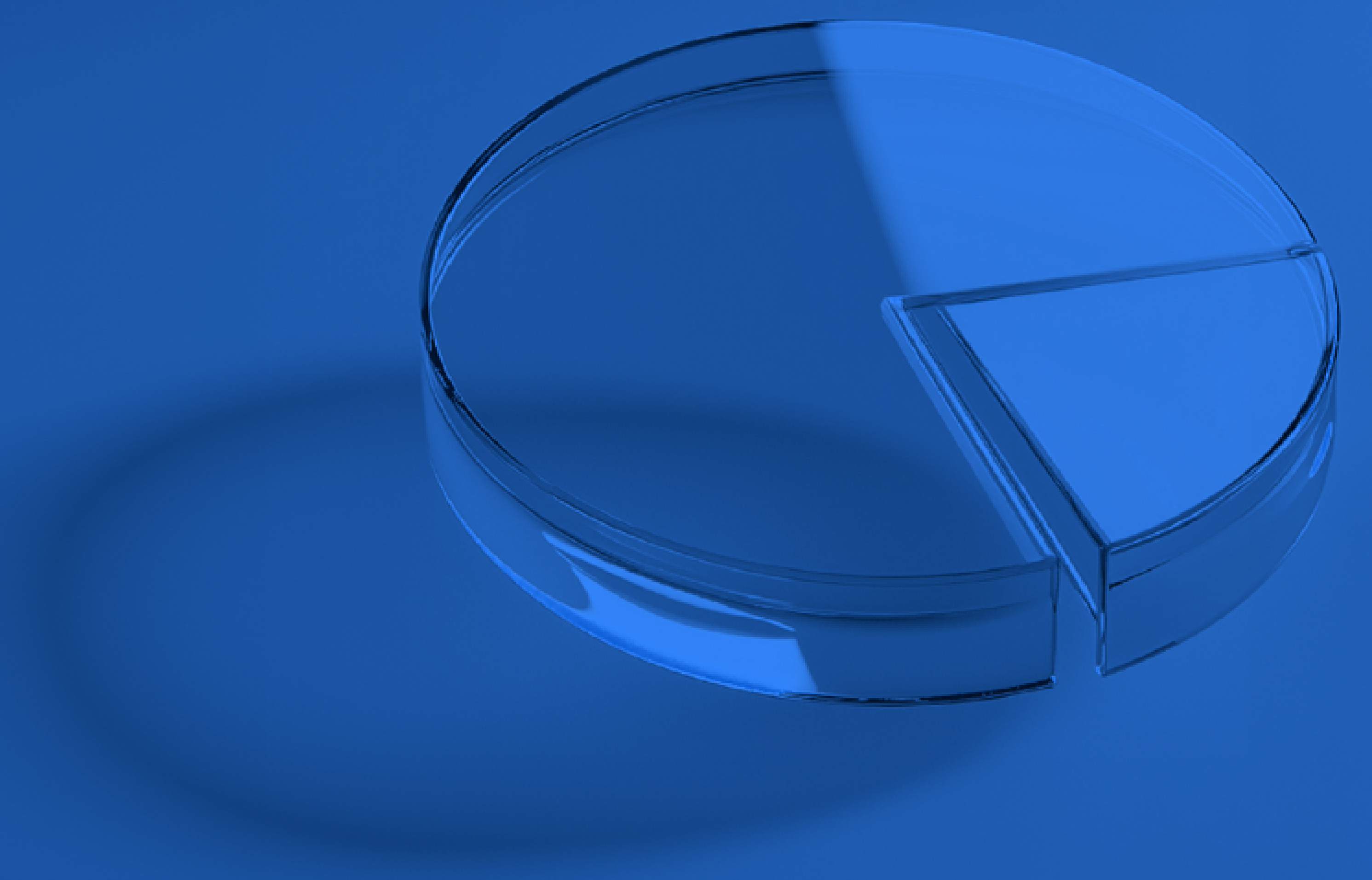
Looking Ahead

Our focus for the coming year is to drive further innovation and operational excellence while keeping our customers at the center of our strategy. In 2025, we will continue to invest in our digital transformation and refine our product offerings to respond swiftly to evolving market needs. By leveraging the latest technological advancements and agile methodologies, we aim to enhance service speed and efficiency, ensuring our customers receive unmatched value.

We are set to deepen our market penetration, especially in key areas such as SME lending and corporate banking, through targeted growth initiatives that create new value for our stakeholders. Moreover, our commitment to sustainable practices and ESG principles will remain a cornerstone of our strategy, guiding our efforts to support the communities and environments in which we operate.

I am confident that our proactive approach, combined with our dedicated team's expertise, will empower us to overcome challenges and seize emerging opportunities, setting new benchmarks in performance and delivering exceptional results for all our stakeholders.

Yours sincerely,
David Tsaava
General Director

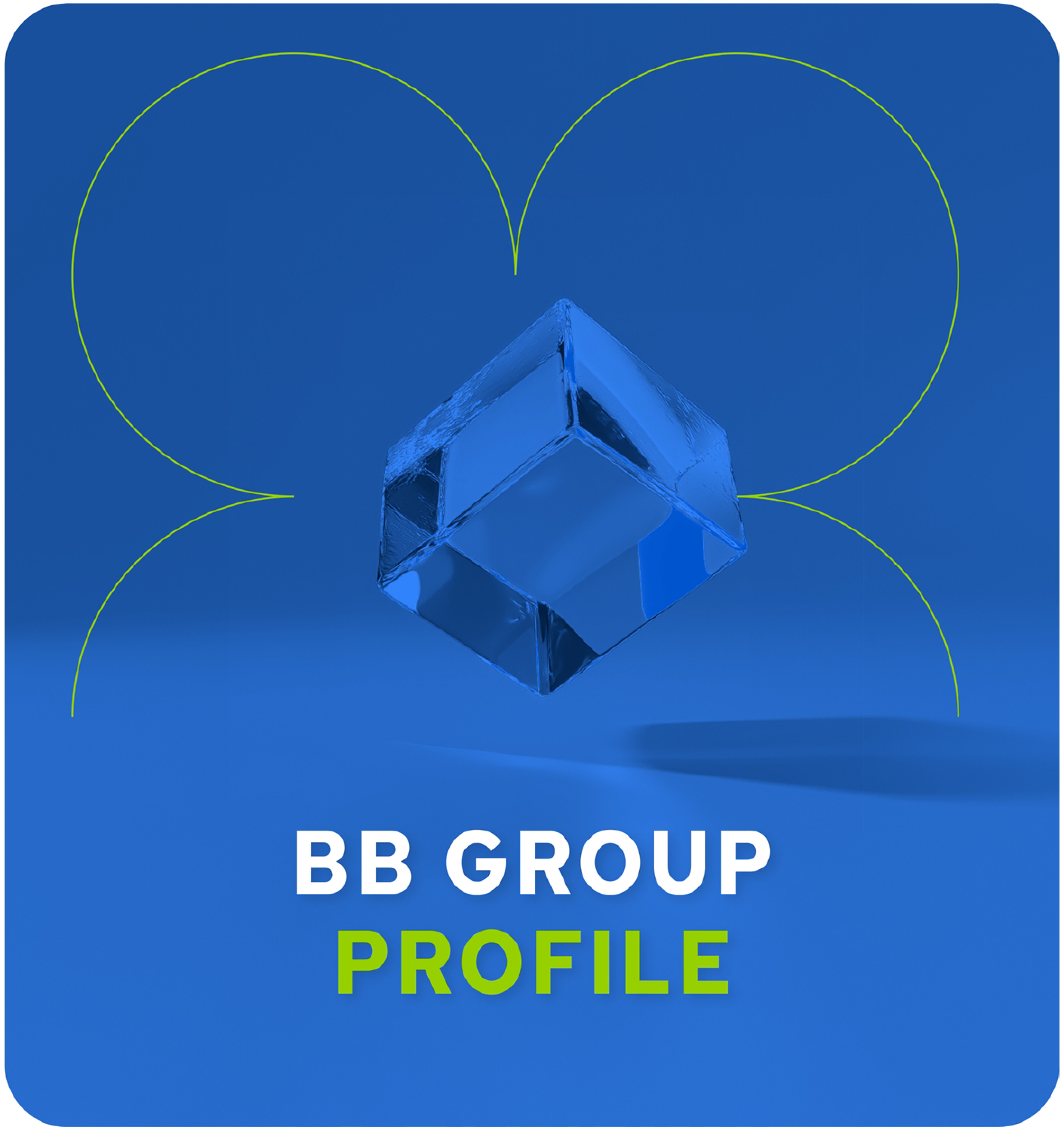


FINANCIAL HIGHLIGHTS

In Gel million

Net Profit	ROAA	ROAE
87 +13.7% YoY	2.4% -0.02 pp YoY	15.0% -0.77 pp YoY
Net Interest Income 157 +14.9% YoY	Net Non-Interest Income 47 +28.0% YoY	Operating Profit Before Impairment 104 +14.4% YoY
Operating Expenses 100 +21.2% YoY	Cost to Income 49.2% +1.45 pp YoY	Cost of Risk 0.20% +0.02 pp YoY
Gross Loan Portfolio 2,958 +17.0% YoY	Customer Deposits 2,544 +16.0% YoY	Other Funding 828 +7.0% YoY
CAR Ratio 19.3% +1.1 pp YoY	LCR Ratio 198.9% +62.2 pp YoY	NSFR Ratio 124.2% +7.0 pp YoY

BB GROUP PROFILE



Who we are

We are one of the leading financial holdings in Georgia, with over 30 years of market presence. A diversified business and solid institutional foundation are those driving our strong franchise. We strive to provide banking and financial services to our corporate and individual clients, strengthening their ability to thrive and meeting their individual financial needs.

- **30** Years of market presence
- over **1,000** dedicated employees
- Network of **39** branches
- Around **200K** loyal clients

We have developed a universal financial holding, covering all client segments in the country specializing in providing financial services to business and retail segments with the 4th biggest Bank in the country as a core entity, and two subsidiaries providing tailored insurance and leasing services.

- 4th biggest Bank by Assets
- 4th biggest Bank by Retail Loans
- 3rd biggest Bank by Business Loans
- 3rd biggest Bank by Capital

Our Strategic Business Lines

- Commercial Banking
- Insurance
- Leasing

With the help of two subsidiaries, BB Insurance and BB Leasing, we offer tailored banking, insurance, and leasing services to all client segments through our multi-channel distribution platform. Coordinated functioning of these lines produces synergies to offer broad scale financial services to all client segments.

Backed with a solid capital base, balanced with strong financial support from International Partners, we accumulated superior expertise in doing business and gained a competitive edge on the market in facilitating businesses.

Building on our competitive strengths, we are committed to driving business growth, sustaining high profitability, and generating strong returns, while creating opportunities for our stakeholders and making a positive contribution in the communities where we operate.

Incorporating ESG principles into our strategy, culture, and day-to-day activities we are acting responsibly and sustainably, earning lasting loyalty of our clients, partners, and stakeholders.

Our strategic focus is on strengthening positions in all key areas of retail and business services, with new propositions and superior solutions to build on our strength as a customer-centric, forward-looking bank, among the top 3 biggest in the country.

How we create value

With pragmatic and analytical thinking as a basis, studying our customer needs and observing big data, we see a big picture and based on that, create financial products and services tailored to our clients. As a result, we create value for our clients, that translates into customer loyalty and long-lasting co-operation.

Our Purpose:

Building better and more sustainable future by co-operating with our clients and helping them grow

Our Values:

- Cooperation
- Growth
- Analytical Mindset
- Flexibility
- Quality

Our Resources:

- Functional, team based organizational structure
- Client-centric business model, with long-term operating focus
- Professional, committed and responsible employees
- Enhanced software systems and profound data analytics
- Holistic risk management approach
- Strong capital base
- Solid Brand
- Loyal customer base
- Supportive network of partner IFIs

Delivering added value to:

Customers:

- Integrated customer experi-ence
- High service standards across all channels
- Expertise in various business sectors

Shareholders:

- Growing investments
- Robust profitability

Employees:

- Stable and challenging working environment
- Continuous professional development
- Equality, diversity and inclusion
- High ethical standards

Society:

- Developing households and businesses
- Green and sustainable impact

Our Strategy

Our vision

We want to create a universal bank of the future, with simplistic procedures and flexible services, providing diverse products and services in one space, adapted to client necessities and enabling them to deliver results faster, easier and in a more comfortable way. Our utmost purpose is to increase the availability of financial services where and when needed.

We work hard to outperform client's anticipations trying to be client-centric institution, to become loyal and trustworthy companion in financial issues.

Our Strategy

Our strategy over the years has been continuously developing and gaining greater market share. Following the business momentum of the year 2022, after the acquisition of portfolios that boosted the bank's retail and corporate coverage, the Bank and the Group entered a dynamic transformation phase, mapping new strategic objectives along the way.

We aim to create value for our customers, understanding their needs and offering them products and services tailored to their personal and business requirements.

Our strategy to achieve this objective has the following four pillars: Growth, Digitalization, Efficiency and Customer Experience, each of them having several sub-objectives.

STRATEGIC PILLARS

- **MARKET SHARE GROWTH & PROFITABILITY**
  - Grow market share in core business
  - Become #3 Bank by Assets
  - High Profitability and ROAE up to 20%
- **DIGITALIZATION**
  - New Ibank/ Mbank Development
  - Enhance Digital channels and Digital reach
  - Digitalize banking processes
- **BUSINESS TRANSFORMATION**
  - Apply agile transformation to all major business units
  - Client-centric Service Model Development
- **IMPROVING CUSTOMER EXPERIENCE**
  - Become top of mind Bank by Customer Experience
  - Increase NPS
  - Mass Segment in Focus

Strong Focus on ESG

By addressing all of them, operating ethically and winning the long-term commitment of our employees, customers, partners, and shareholders, we aim to establish our position among top 3 banks on the market in all key areas, including banking, insurance and leasing.

Our key strategies are centered around three basic goals:

- Retaining product competence in all major segments and customer groups, improving customer experience
- Accelerating Digital Transformation
- Maintaining our key features - being a trusted financial partner for those who are doing business with us.

Digital Strategy

The bank has rolled out a digital strategy, aimed at transforming our digital platforms and providing the best solutions for our clients.

DIGITAL TRANSFORMATION PILLARS

ENHANCING DIGITAL CHANNELS

- Planned 2025 upgrades to the Mobile Bank app to significantly enhance user experience and functionality
- All products, services and transactions available digitally
- New Digital Products
- Digital onboarding
- Digital signatures
- Improved payment interfaces
- Digital loan and deposit application and management
- Digital card services
- Remotely ordering/updating cards

PLATFORM INNOVATION

- Present Mass retail brand to market – **bank.ge** by BASISBANK
- Create new simple and E2E digital credit products for bank.ge
- Increase digitalization level mostly in bank.ge (digital onboarding, digital sales of main products etc.)
- Launch new mobile app to increase customer acquisition and increase NPS

HIGHEST STANDARDS

- Well-aligned IT Strategy with the need for digital agility in a fast-changing market.
- Continuous investment in digital channel development and infrastructure upgrades.
- Combined with a focus on customer-centric innovations and compliance with modern standards, sets a solid foundation for future growth and competitive advantage
- Focus on compliance with modern standards ensuring new and upgraded digital services will not only meet current customer needs but are also robust and secure.

The strategy outlined above is focused on modern standards ensuring that new and upgraded digital services not only meet current customer needs but are also robust and secure and will fully respond to future customers' needs as well.

We plan to launch a new Mobile Bank in 2025, which is based on cutting-edge approach leveraging the latest technologies to further enhance the banking experience, keeping pace with industry innovations and customer expectations.

Key Enablers of our Strategy

Customer-centric business model, highly qualified management and team, strong capital base, holistic risk-management and loyal customer base are key enablers in achieving our strategic objectives. With all these strategic building blocks we have laid the groundwork for the bank of the future and are committed to delivering strong profitability and maximizing shareholder value.

CUSTOMER-CENTRIC BUSINESS MODEL | OUR PEOPLE | STRONG CAPITAL BASE | HOLISTIC RISK MANAGEMENT | LOYAL CUSTOMER BASE

CUSTOMER-CENTRIC BUSINESS MODEL

The success of our Bank relies on maintaining a positive customer experience across all interactions and driving positive outcomes for our customers. Through the implementation of comprehensive organisation-wide processes, including regular customer experience reviews at management level and the use of key performance indicators (KPIs) to actively respond to customer feedback, we have created a customer-centric model and culture.

OUR PEOPLE

Bank has a qualified Management with extensive experience in crisis management and acquisitions, consistently engaged in the daily operations of the bank.

We have an agile organizational structure that enables swift decision-making and unites highly qualified professionals with deep industry and sector knowledge.

We aim to attract, retain and motivate skilled and talented individuals with diverse outlooks, life experiences and career paths. Our goal is to establish a secure and welcoming environment that fosters personal and professional growth and teamwork, and contributes to our sustained success.

HOLISTIC RISK MANAGEMENT

Identifying, evaluating, mitigating and monitoring risks not only protects the institution's financial health but also fosters stakeholder confidence. By proactively addressing potential challenges and uncertainties, we enhance resilience, drive sustainable growth, and secure long-term stability

STRONG CAPITAL BASE

The bank has strong capital and steady support from its shareholders. It also benefits from ongoing partnerships with international financial institutions that support the bank with funding, grants, sponsorship, technical assistance, and management improvements.

LOYAL CUSTOMER BASE

The bank has established connections with its customers since its establishment and is nurturing and supporting them in achieving their key objectives ever since. Identifying customer needs is the initial step in the bank's business cycle, upon which the bank builds its services on and created value for them

Agile Transformation

In order to ensure effective execution of bank's strategic vision and strategy and to increase resilience and flexibility to the changes on the market, the bank has started implementing Agile Transformation in 2023 and started implementing projects in 2024. Ten product development teams have been formed in three directions (main banking products, loans, digital channels) and implemented several strategic projects across the bank.

In 2024 the Agile transformation process mostly focused on following issues:

- Raising agile awareness
- Professional training for agile team members
- Designing Software Development procedure
- Enabling agile adoption by introducing agile tools.

The second year of the Agile transformation focuses on scaling Agile practices and deepening Agile maturity. The goal is to achieve greater customer-centricity, operational efficiency, and business agility while delivering measurable outcomes.

Key Focus Areas for 2025 are:

SCALING AGILE PRACTICES

Based on experience, redesign agile teams in more product-focused ways.

ENHANCING AGILE MATURITY

- Conduct maturity assessments for Agile teams.
- Provide tailored coaching and training programs to address gaps and improve proficiency in Agile practices.

IMPROVING ALIGNMENT TO STRATEGIC OBJECTIVES

Enhance the focus on companies strategic objectives and KPI's in product planning.

TECHNOLOGY ENABLEMENT

- Research agile teams necessities to support faster and more reliable delivery.
- Focus on building a robust data-driven decision-making framework.

MEASURING SUCCESS

- Define and track key performance indicators (KPIs), such as time-to-market improvements, financial outcomes etc.
- Implement regular retrospectives at the organizational level to identify transformation bottlenecks.

Our Story

The story of Basisbank starts in 1993. Founded by a group of visionary mathematicians in Tbilisi, with a single service center, a couple of employees and a modest capital, Basisbank emerged as one of the leading financial institutions in the country, with superior expertise in financial services and acquisitions.

The 1990-ies were tough with its harsh social, economic and political environment in the post-soviet, transition period. Nevertheless, Basisbank team managed to stay afloat and advance with clear strategy and profound results. The company had a clear vision of evolving into a forward-looking bank and was performing around the goal. Rational and pragmatic decision-making, transparent communications with stakeholders, consistency and strategy-orientation were the main success factors of the Bank.

Early 2000s were significant years for Basisbank, fundamental steps and decisions were taken by the shareholders to transform the newly established bank into a solid financial institution:

- a strategy for the development was formulated;
- first steps were taken on establishing partnerships with International Financial Institutions;
- foundation was laid to growth-oriented, core platforms relying solely on internal resources.

The basis formed for a solid future performer, soon attracted foreign investors searching for investment opportunities.

In 2008, 15% of Basisbank's shares were acquired by EBRD, which kick-started organizational re-modelling processes targeting more agile and efficient structure. The primary goal was to establish well-developed policies, and procedures along with the structure, to advance the bank's competitive advantages and gain greater market shares.

In 2012, 90% of Basisbank's shares were acquired by one of the largest private investors in Georgia, Xinjiang Hualing Industry & Trade Co. Ltd (hereinafter Hualing Group), later increasing shareholding to 92%. Bank's progress on the market since the entrance of Hualing Group was considerable and profound result followed soon - the bank had been recording accelerated growth on the market for several succeeding years and upgraded its position from number 11 to the Top 5 biggest commercial banks operating in the country. Along with the speedy growth, sound financials and attractive profitability were retained, together with prudent risk management practices to retain sustainability of the long-term development path. From 2012 till end of 2023 the bank increased its Assets 23 times, its Gross Loans 33 times, Total Equity 20 times and Customer Deposits 22 times.

In 2017 Bank establishes two subsidiaries, BB Insurance and BB Leasing, and continues its strategic ambitions under a holding structure, forming Basisbank Group (BB Group). The holding structure enabled the Bank to synergize its resources and provide a diversified range of financial services to a extended range of customers.

The following years, the Group was focused on executing its strategy and setting towards much more ambitious targets. In 2022 BB Group signed two strategic transactions – acquisition of VTB Bank Georgia's Retail and Business portfolios, Loan Portfolio of GEL 787 million and Deposit Portfolio of GEL 665 million. These acquisitions added business scale, capabilities, workforce and over 136,000 new customers to BB Group. Before the transaction, the Bank's focus was on Business Banking and providing Retail services to the Business owners, but after adding a solid base of Retail clients, remodeled itself to a universal Bank, serving all customer segments. Following the transaction, 24 new branches were added to the network, around 135 thousand clients were acquired and over 350 employees joined Basisbank team. As a result, BB's Assets increased by more than 50%, positioning the Bank as the 4th largest Bank on the market with a market share of 4.4%.

2022 yearly growth rates of Financial Parameters were also historical:

Gross Loan Portfolio 68%

Customer Deposit Portfolio 123%

Capital 29%

Operating Profit 237%

Net Profit 92%

This transaction was well in line with the Bank's growth strategy and ambitious transformation journey of becoming third largest bank in Georgia, although put the bank into the challenge to adapt to a changed scale, processes and clientele, overcome cultural and technological differences.

2023 was another challenging, but also fulfilling year for the Bank. The Strategic Transformation process of becoming a universal bank and covering all client segments and sub-segments, made the bank rethink its operations, processes and adjust strategy for greater growth. Bank started implementing agile structure for strategic directions, to adjust to rapidly changing environment and begin implementing new digital banking solutions.

Today Basisbank Group stands among leading financial institutions in the country, a reputable, trustworthy partner nurturing the loyalty of its clients, partners, employees and shareholders. Our strategic focus is on strengthening positions in all key areas of retail and business services, with new propositions and superior solutions to build on our strength as a top-of-mind customer-centric, forward-looking bank.

Our People

The main drivers of the growth and success of BB Group are our employees, their continued commitment and achievements. We are committed to providing a healthy and safe workplace environment, where they can feel themselves as a part of the community, willing to develop and contribute to the ultimate purpose of the organization. Encouraging diversity, equality and inclusion among the team is an integral part of our culture, as well as knowing their preferences and meeting their expectations.

Number of Employees	Women Employees	Women middle managers
904	70%	47%

Bank's HR department plays a key role in attracting, onboarding, development and retention of the talents, that are right fit for the Bank. They are present alongside the whole journey of the employee, trying to facilitate their potential. including development and retention is continuously investing employee professional development and our top priorities are Continuous Professional Development for Employees and their well-being.

We continue to focus on empowering our employees by fostering a high trust, diverse environment and a strong feedback culture, equipping employees with the skills and capabilities for the future.

Our human capital strategy is focused on the following key areas:

Promoting diversity and equal opportunities	Attracting, developing and retaining talents	Providing healthy and attractive environment

Promoting diversity and equal opportunities

We are committed to the highest ethical standards while taking care of our employees.

As an employer, the Bank is dedicated to providing diverse, inclusive and equal environment for all employees and candidates, a work environment free of harassment and discrimination, as well as one in which all employees are treated with respect and dignity at all levels of employment. We promote equality and diversity by valuing different viewpoints, confronting stereotypes, and empowering individuals to share their ideas and solutions. We prioritize inclusion, ensuring that everyone feels valued, respected, heard and encouraged to contribute their perspectives.

We communicate our expectations of employee conduct through multiple policies, including:

- Our Guidance of Personnel, which defines employee behavior standards. The policy is available to all employees in Georgian and English.
- The Code of Conduct and Ethics, which clearly sets the expectation that all employees act ethically, professionally, transparently and in full compliance with standards of attention, respect, and ethics towards the public, customers, employers, fellow employees, the banking sector, and other participants in the financial market.
- A Whistleblowing Channel for the employees to share their concerns or complaints on sensitive matters.

We expect our employees to act in line with our values and business principles, complying with applicable laws, regulations, and internal policies and procedures.

Attracting, developing and retaining talents

Our aim is to attract, develop and retain talented people, who are the right fit for our Bank and provide a safe and inclusive environment that enables personal and professional development and teamwork. We strive to provide continuous professional development for them with a wide range of opportunities such as personal development courses, professional and personal growth workshops and trainings.

Attracting Talents

At Basisbank we provide an environment convenient for people of different backgrounds and experiences. The Bank's Recruitment Policy and practices, including interviews and relevant control procedures ensures a fair hiring process. We continuously develop our acquisition channels, tailoring them to target segments of different types of talents.

We try to diversify the channels of attracting new employees:

INTERNAL PROMOTIONS

One priority is to develop talent internally, and current employees have priority when filling vacancies, especially for managerial positions

REGULAR INTERVIEWS

Our Talent Acquisition team actively monitors the labour market and regularly engages with potential candidates

"START YOUR CAREER IN BASISBANK" CAMPAIGN

Bank started a campaign "Start your career in Basisbank" and hired 60 candidates for fron-line positions

"BECOME A RECOMMENDER" CAMPAIGN

We started the referral program "Become a recommender" among employees

EMPLOYMENT FORUMS

We participated in employment forums and were able to attract new talents

MEMORANDUMS

We have signed a memorandum with the universities, under which we are actively cooperating

ON-BOARDING

A system was created to facilitate easy adaptation and engagement of new employees. In the on-boarding process, roles are outlined that actively participate in the adaptation process of new employees

Developing Talents

After successful onboarding, as the employees are motivated to stay with the company for several years, we start working on their development. Talent development is an ongoing process that is critical no matter the tenure. We aspire to have a learning culture where employees can access opportunities for lifelong learning and personal development. Our development scope covers the following areas: job-related trainings, higher education and certification programs and workshops.

JOB-RELATED TRAININGS

- Onoarding
- Banking Products and Services
- Effective Service and Customer Satisfaction Improvement Standards
- Communication and presentation Skills Programs
- Tailored Training sessions

HIGHER EDUCATION AND CERTIFICATION PROGRAMS

- Financing and co-financing masters' programmes
- Financing and co-financing professional certifications
- Financing managment theoretical and practical courses

WORKSHOPS

- Workshops on Green Financing
- Workshops on specific products
- Workshop on certain international standards

Trainings

We are committed to fostering an environment where professional growth and development are prioritized. Ultimately, we understand that investing in employees' skills enhances the overall success of our organization.

Investment in employee training (2024)

Employee Gender	Number of employees	Hours spent on trainings	GEL spent on trainings
Male	57	1,109	39,586
Female	371	5,471	105,038
Total	428	6,580	144,625

In 2024, Basisbank provided various sustainability trainings for its employees. The Bank provided ESG risk trainings for risk officers and risk managers, Sustainable Finance Taxonomy trainings for corporate and SME bankers (i.e., on how to use Sustainable Finance Taxonomy tool, how to screen green loans in accordance with the technical criteria outlined by the NBG, and how to report identified green loans), green banking product trainings for corporate and SME bankers, and workshop on ESG awareness for Supervisory Board and Management outlining importance of integrating ESG Risks into Bank's Risk Management framework. Basisbank plans to invest in sustainability matters and the awareness of its employees as well as to expand the Bank's expertise in sustainability topics in general.

AML & Sanctions Compliance department also regularly conducts tailored AML/Sanctions related training sessions and knowledge assessment for different employee groups based on their job specifications. During 2024 front-office employees were trained and assessed accordingly.

E-learning Platform

In addition, we recently implemented the Basisbank e-learning platform. This innovative digital training space is designed to enrich our employees' learning experience, offering a flexible and interactive way of engaging with module-based learning practices. Through this platform, employees have the opportunity to gain new skills and acquire valuable information at their own pace and convenience. Whether one is looking to enhance their expertise or explore new professional domains, our e-learning platform is tailored to meet the various needs of our employees. Basisbank is currently working to diversify the range of offered courses as well.

Co-financing education

Basisbank offers financing and co-financing opportunities for all employees taking certificate courses and for middle management to partially or fully cover graduate-level degree costs.

Conferences

Throughout 2024, bank employees participated in various conferences

(ProdAct Conference 2024 - Tomorrow of Digital Products, Change Inspire 2024, "CELA", Annual Tax Conference, HR Congress 2024, SIBOS 2024, .NET Developer Days 2024), and attended various summits and events (AgileXchange Vol 3, People and Culture, Tester's Day 2024, Ad Black Sea, International Trade Finance Workshop - Case Studies and Real-Life Examples).

Retaining Talents

Employee Evaluation Syste m

In 2024, Basisbank implemented the SAP Success Factors Talent Management Module, specifically the employee evaluation and goal management module. The SAP module helped digitize The KPI assessment process, was successfully implemented and covered around 400 employees.

Our employees plan their quarterly goals in the system, and their performance is subsequently evaluated by their direct manager. Employees receive feedback on the past quarter, and plan the next quarter with their manager.

Mentorship Program

In 2024, the mentorship program continues, which was launched in 2023 - employees with the best results and characteristics were identified across the branches, who were given the opportunity to join the mentor program and help new employees adapt and improve their skills. The selected mentors received training in "Mentoring", where they improved their feedback and communication skills.

New Compensation packages

We have developed new compensation packages for frontline employee s

Retaining old and new employees

A new internal project "Become a member of the mobile group" was introduced. A mobile group with special conditions and additional benefits was created for front - line employees.

Providing healthy and attractive environment

Providing Healthy Corporate Culture

Over the years, Basisbank has cultivated a healthy, collaborative, employee-centric corporate culture, where all employees are valued, heard and can reveal their potential. Bank is specified by high number of long-term employees, who move to several positions up to C-level. By 2024, the number of employees who had been with Basisbank for over ten years reached 145 (16.05%).

In addition, the collaborative leadership style adopted by Basisbank's managers enhances teamwork and cooperation, while also improving decision-making processes. We ensure all our employees can directly and openly communicate with senior leadership of the Bank and regularly engage with and listen to our employees through a number of channels:

Employee satisfaction surveys	Workplace posts	Agile Quarterly Business Reviews

Benefits for employee well-being

Along with competitive remuneration, Bank's employee value proposition includes benefits supporting work-life balance and family-friendly arrangements as well as opportunities for personal and professional development.

Health: Corporate Health Insurance extended to family members, Life Insurance, Special working hours for parents of new-born children

Financial: Financial aid for various life events including the birth of a child, paid maternity/paternity leaves, compensation in case of dismissal

Well-being: Paid time offs for special needs in accordance with Georgian regulations, 24 vacation days a d 5 days off per year.

Workplace health and safety

Providing a healthy and safe working environment remains a key priority and an integral part of our culture. To maintain a secure working environment, Basisbank has engaged an external company specializing in safety measures. This outsourced partner is responsible for implementing and maintaining high standards of workplace safety, ensuring compliance with all relevant regulations and guidelines.

Activities implemented for our staff

In 2024, in line with Basisbank's goals and objectives, an internal communication plan was developed. This included the implementation of existing initiatives according to the action plan and consistent communication with employees about ongoing processes, key updates, and achievements within the organization.

The main communication platform within the organization is Workplace, which integrates all team members. This platform allows us to share all important topics promptly and make them accessible to each employee online.

Throughout the year, periodic meetings were held where top management and middle managers shared the status of significant projects, achieved results, future plans, and goals with employees. Various formats were prepared to highlight the employees behind successful projects, results, and achievements. For employees with different interests, various championships, meetings, and activities were planned, such as intellectual games, charity campaigns, sports championships etc.

Basisbank was the winner in the "Responsible Employer" category for large companies at the "Responsible Business Awards - Meliora 2024", funded by the European Union (EU) and the Konrad Adenauer Foundation (KAS) under the "Civil Society Initiative" project.

Understanding Our Customers

We continuously assess our customers' expectations to enhance our service quality. In 2024, we measured several customer satisfaction indicators. According to the results, an absolute majority of clients hold a positive perception of the bank.

Transactional Net Promoter Score (TRX NPS)	Customer Satisfaction Score (CSAT)	Customer Effort Score (CES)
70	81%	87%
2023: 67	2023: 78%	2023: 87%

Additionally, we have conducted a customer satisfaction survey for SME clients and according to the results, 90.6% of respondents are bank promoters, with only 3.8% classified as detractors.

In terms of Customer Service Excellence:

- 98.1% of respondents rated bank employees favorably.
- 97.5% specifically praised the professionalism and approachability of business bankers.

Top reasons why customers choose Basisbank:

- Fast and easy service: 44.3%
- Competitive loan conditions: 28.8%
- Dedicated personal banker service: 13.6%

In 2024, our primary focus was on segment-based studies to identify customer needs and prioritize development initiatives, refining the customer experience research process, expanding the scope of surveys, and improving KPI reporting for continuous monitoring.

To support our endeavors in this direction, by the end of 2024:

- 171 Customer Experience Improvement Recommendations were issued.
- 198 topics were processed within ongoing projects/products.
- 8 key initiatives to analyze and enhance service processes from the customer's perspective implemented using Define-Measure-Analyze-Improve-Control (DMAIC) framework.
- 170 Training Programs Conducted, covering 4,500 participants, totaling 1,396 training hours.
- 3,832 Customer Issues Managed, out of which over 50% resolved within two business days.
- 2,195 Service Quality Measurement assessments conducted.
- 42 Competency Testing Programs Organized.
- 60 Customer Research Studies Conducted.

Our commitment to understanding and addressing customer needs remains at the heart of our service strategy. The positive results achieved in 2024 – including notable improvements in key satisfaction indicators such as NPS, CSAT, and CES – reflect our ongoing efforts to enhance customer experiences across all segments. The high levels of customer satisfaction among both retail and SME clients, coupled with our focus on service excellence, demonstrate our ability to meet and exceed customer expectations.

By implementing strategic initiatives, refining research methodologies, and expanding training programs, we have successfully strengthened our customer-centric approach. Moving forward, we will continue to prioritize data-driven insights, process improvements, and proactive engagement to deliver even greater value to our clients while fostering long-term relationships built on trust and exceptional service.

BUSINESS OVERVIEW

Retail Business Overview

Retail Business Overview

Customer-Centric Banking for the Future

At our core, we are committed to a customer-centric approach in designing products and services that align with evolving client needs. Our vision is to build the bank of the future—one that offers seamless, flexible, and diverse financial solutions in a single, integrated space.

With a focus on simplifying everyday banking and enhancing accessibility, we provide a comprehensive range of products and services tailored to the needs of our Retail clients. Whether through our extensive branch network across Tbilisi and key regions or our advanced digital platforms, including Mobile and Internet Banking, we ensure convenient, efficient, and user-friendly financial experiences. Our digital transformation remains a priority as we strive to create a unified service point for our customers.

We proudly serve a broad and diverse retail client base, encompassing mass retail customers, premium customers, and high-net-worth customers, "Unique" customers as we call them. Understanding that each segment has distinct needs, we offer both standardized and customizable financial solutions, continuously refining our services to enhance the overall customer experience.

What we did in 2024

In 2024, Basisbank's Retail Business focused on delivering tailored banking solutions, enhancing service quality and customer experience, refining products and services, and optimizing processes. Our strategic initiatives aimed to strengthen customer engagement, service quality, and employee satisfaction, ensuring long-term growth and competitiveness.

To achieve our goal of delivering tailored services, we implemented a refined customer segmentation strategy. Within the mass segment, we identified a distinct premium customer category, enabling us to offer personalized banking solutions tailored to their specific needs. Expanding and enhancing services for premium clients has become a key strategic priority for our retail business.

A new service model was implemented across branches and service centers to drive sales growth, enhance customer experience, and improve service quality. In parallel, an enhanced incentive system was introduced to motivate front-office employees, encouraging a stronger focus on sales performance. This system was seamlessly integrated into the BI platform, providing employees with real-time access to performance plans, actual results, and analytical insights.

We further enhanced our products and services to better align with the needs of our retail clients, with a strong emphasis on improving user experience. This approach enabled us to expand our active customer base, attract new clients, and increase engagement with existing ones, particularly strengthening our penetration among payroll clients.

To optimize operational efficiency, we introduced a Client Dashboard—a single-window interface for front-office employees, providing instant access to clients' banking products, payroll transactions, and service usage status. Additionally, we implemented a front-office messaging module to accelerate business processes. These enhancements significantly improved the efficiency of payroll client services, streamlining internal operations and enhancing overall service delivery.

Retail Products and Services

Bank Provides broad range of Products and Services to **Retail** clients

Core Services

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

Retail Segment in figures

Our retail loan portfolio increased by 8% year-over-year, reaching GEL 0.87 billion, driven primarily by an increase in consumer loans. Retail deposits increased by 21% compared to the previous year, reaching GEL 1.28 billion. Basisbank remains among the top four banks in Georgia's financial market in terms of retail loans and deposits.

Market Share by Retail Loans	Market Share by Retail Deposits
3.7% 4th largest on the market 2023: 4.1%	**4.0%** 4th largest the market 2023:3.9%

Digitalization trend

The market is experiencing a shift towards digital transactions, with a growing preference for online channels over physical ones. Basisbank has aligned with this trend, marking digital transactions at 85% of total transactions, compared to 84% in 2023.

Looking forward:

In 2025, our focus will remain on meeting the evolving needs of retail customers, with a key milestone being the launch of a new mass retail brand, Bank.ge by BASISBANK, designed to enhance accessibility and customer experience.

Our strategic priorities for the year include:

- Developing new end-to-end digital credit products tailored for Bank.ge.
- Advancing digitalization, particularly within Bank.ge, by expanding digital onboarding, digital sales, and automated services.
- Launching a new mobile app to drive customer acquisition and improve the Net Promoter Score (NPS).
- Enhancing service quality to boost customer satisfaction and engagement.
- Investing in employee development, including upskilling existing staff and recruiting qualified professionals as needed.

These initiatives will further strengthen our retail banking capabilities, positioning Basisbank as one of the leaders in customer-centric digital solutions.

Mobile Banking

Our Mobile and Internet Banking platforms provide clients with seamless digital access to banking services, ensuring their financial needs are met efficiently. We strive to offer a consistent range of products and features across both platforms.

In line with the bank's strategic objective to advance digital channels and align with modern standards, a decision was made in 2023 to develop new Mobile and Internet Banking platforms.

The majority of banking transactions of Retail Customers are carried out through Mobile Banking Platform, which also functions as key sales platform, enabling clients to apply for loans and open deposits remotely. Throughout 2024, our team initiated new Mobile Banking project, while continuing to support and enhance the existing platform.

What we did in 2024

In 2024, Basisbank made significant strides in enhancing its Mobile Banking infrastructure, ensuring a seamless, secure, and user-friendly experience for its digitally engaged customers. The bank accelerated the development of its existing mobile banking platform, introducing several key features:

- Enhanced bill payment capabilities, allowing multiple payments and payment cart management.
- Fully digital consumer loan and credit card applications, with automated approval and issuance.
- Integrated access to BB Insurance informational resources.
- Expanded money transfer options.
- Full online access to card details, including PIN recovery.
- New "View-Only" digital banking package, tailored for clients who hold loan and deposit products without requiring additional banking services.

Despite these advancements, the current mobile banking platform remains technologically outdated, limiting the bank's ability to meet growing customer expectations and market demands.

To address these limitations, Basisbank launched the development of a new mobile banking application in 2024 while maintaining the existing platform. A modernized concept was introduced, leading to the creation of an advanced Android and iOS application, designed for speed, efficiency, and scalability.

These initiatives reflect Basisbank's commitment to continuous digital transformation, ensuring an innovative and customer-centric banking experience for the future.

Looking forward

BASISBANK is committed to making its digital channels the primary touchpoints for customer interaction. In 2025, the bank will focus on enhancing user experience, simplifying processes, and ensuring seamless digital access to its products and services.

From 2025 onward, the Mobile and Internet Banking teams will continue to enhance the new digital banking ecosystem, ensuring it remains agile, innovative, and fully aligned with customer needs in an evolving financial landscape.

In the first half of 2025, the initial version of the new mobile application is set to launch, designed to meet core customer needs with a modern, secure, and user-friendly experience.

Initially, the new mobile app will cater to individual customers and will include the following functionalities:

- Seamless and secure access to banking services.
- Comprehensive account and product details.
- Effortless online payments and money transfers.
- Detailed transaction history and insights.
- Fully digital applications for consumer loans and credit cards.

Our aspiration is to ensure our digital platforms are our main channels. Our priority for 2025 is the continued enhancement of the new platform, ensuring a seamless and innovative digital banking experience that fully meets customer expectations.

Branches and Alternative Channels

As an alternative to digital channels, we also provide a network of branches covering strategic regions of the country and a diversified range of alternative channels to our customers. We operate a wide network of ATMS, POS terminals and self-service kiosks, which enable our customers to conduct most of their daily banking operations without the need to enter a branch.

What we did in 2024

Branches

As part of our strategic direction towards digitalization, Bank decided not to expand its branch network and concentrate on the quality of the service provided therein. Maximum effort was directed to the full staffing to improve customer service and experience. In 2024, two branches were consolidated, leaving a total of 39 branches, 22 in Tbilisi and 17 in regions.

In detail:

- Bank continued to practice a new sales-oriented service model in several branches, which was initiated in 2023.
- Motivation system has been changed, which is now based on product profitability.

ATM Network

The Bank implemented a comprehensive technical and software upgrade to its ATM network, introducing a modernized and faster user interface. A contactless cash withdrawal feature was also added, enhancing convenience. Additionally, ATM safes were upgraded from mechanical to electronic locks, ensuring centralized control and enhanced security.

Self-Service Kiosks

Self-service kiosks, which were introduced in 2023, were successfully deployed across all bank branches, now supporting an expanded range of service providers. Additionally, several changes were made in the interface for a more streamlined user experience.

Basisbank also integrated its cash depositing service for individual clients into TBC Pay and OPPA kiosks.

Looking forward

To achieve our strategic objectives, we are committed to enhancing service quality, improving client satisfaction, and investing in employee development by fostering a highly skilled workforce.

In line with these goals, we plan to implement several upgrades across our branch network and alternative banking channels in 2025, including:

- Deployment of a new utility payment module in branches
- Optimization and modernization of the ATM network interface
- Expansion of the POS terminal network with additional devices
- Introduction of an advanced cash-in service in 1Pay and BOGPay kiosks
- Integration of money transfer services within the Mobile Banking platform
- Expansion of self-service kiosk coverage to improve accessibility

These enhancements will strengthen our banking infrastructure, streamline processes, and ensure a more seamless and efficient experience for our customers.

Retail Loans

Our lending practices align with the Bank's risk appetite and adhere to rigorous risk management frameworks, maintaining a prudent approach to credit issuance. We offer a comprehensive range of credit products designed to meet the diverse needs of our customers, including Consumer Loans, Mortgage Loans, Developer Loans, Installment Plans, Credit Cards and offset services for the clients interested. We strive to simplify and digitalize our lending processes, ensuring greater accessibility to financing for various segments of retail clients.

What we did in 2024

In 2024 we continued developing BBCredit.ge, a platform for retail credit products, launched in 2023, which enables our customers to remotely receive information on our credit products and terms, choose the products that most fit their needs, apply for the loans and be able to withdraw money in a very short period of time. The platform **facilitates remote access to products for the existing customers of the bank, and on the other hand, creates an opportunity to reach even more new customers.**

During the year bank has made several advancements:

- Full Digitalization of Unsecured Loans: A fully remote loan application, approval, and disbursement module was introduced, enabling customers to complete the entire process via mobile and internet banking without visiting a branch.
- Product Segmentation: Implemented a segmented approach to "Mego" credit card design and pricing, tailored to retail and premium customers.
- Seamless Loan Applications for Non-Customers: The BBCredit website now supports a fully automated loan application process, ensuring a smooth approval experience.
- Pre-Approved Loan Offers: A packaged loan offer format for existing borrowers was introduced, enabling automated pre-approvals to drive portfolio growth and cross-selling opportunities.
- A new sub-product: launched a new sub-product, "Mortgage Loan for Entrepreneurial Purposes," which allows the inclusion of future rental income in the borrower's financial assessment, enabling the approval of higher loan limits.

Also, we have refined several lending processes internally to reduce time and improve customer experience:

Key achievements include:

- Advanced Risk Assessment & Data Security: We reinforced validation standards for unsecured products, integrating data from external sources to enhance risk calculations and ensure data security.
- Automated Contract Processing: The disbursement process for deposit-backed loans was streamlined, significantly reducing processing times.
- Launch of Lead Management Platform – Spark: This centralized system captures, tracks, and directs loan inquiries across all channels, optimizing response times and ensuring efficient processing.

These initiatives underscore our commitment to innovation, digital transformation, and an enhanced customer experience in lending.

Retail loans in figures

Retail Loan Portfolio (millions)	Out of which Mass Retail Segment (millions)	Out of which Retail Premium Segment (millions)
874	458	416
+8% YoY	-20% YoY	+77% YoY

Looking forward

To support the growth of the retail loan portfolio, the bank plans to introduce and expand simple consumer loans, secured consumer loans, and credit card products. These offerings will be available both digitally and through physical branches, catering to the mass segment. The focus will be on increasing the automation rate for loan approvals and disbursements.

Additionally, the bank aims to integrate secured loan products into the credit conveyor system, streamlining related processes. Key initiatives include digitizing the application process, automating data collection for loan applicants and co-borrowers from internal and external databases, and optimizing the approval workflow. Further, the disbursement process will be automated to improve efficiency and enhance customer experience.

In more detail, we plan to:

- Develop segment-specific loan products and services.
- Introduce simplified consumer loans and credit cards tailored for the mass market, accessible via both branches and digital channels.
- Implement electronic signatures to streamline contract processing and improve efficiency.
- Further enhance the scoring system to expand automation for unsecured loan approvals.
- Integrate secured loans into the credit conveyor system.
- Unify all loan applications into a single processing platform to accelerate approval times.
- Conduct operational process analysis and simplification to enhance customer experience.

Retail Deposits

We offer a diverse range of deposit products tailored to meet the needs of various customer segments, including term deposits, demand deposits, certificates of deposit, savings accounts, etc. Our deposit offerings feature competitive interest rates, flexible minimum deposit requirements, availability in multiple currencies, and various structuring options, ensuring accessibility and convenience for all clients.

Deposit Insurance

Since January 1, 2018, the Bank has been a member of Georgia's Deposit Insurance System, established in accordance with the Law of Georgia on Deposit Insurance.

In the event of an insurance claim, depositors will be reimbursed by the Deposit Insurance Agency within the specified coverage limit. Any amount exceeding this limit will be compensated in accordance with Georgia's applicable legislation.

What we did in 2024

Throughout 2024, we enhanced several deposit products to offer greater flexibility and better meet customer expectations. Key initiatives included:

- Launching promotional campaigns and incentive programs to drive deposit growth.
- Refining deposit product features based on market insights and customer feedback.
- Optimizing service processes to improve efficiency and convenience.

To encourage the use of digital channels, we are offering higher rates on deposits opened via mobile banking application.

Retail Deposits in figures

As of December 31, 2024, the Bank served around 88 thousand retail deposit clients. Compared to 2023, deposits opened increased by 19% and retail portfolio reached GEL 1,280 million by the year-end, marking a 21% year-over-year growth.

Retail Deposit Portfolio (millions)	Out of which Mass Retail Segment (millions)	Out of which Premium/ Unique Segment (millions)
1,281	332	949
+21% YoY	+4% YoY	+29% YoY

Looking forward

To enhance customer experience by streamlining processes and improving satisfaction, we have set the following key milestones for 2025:

- Enabling deposit placements through digital channels.
- Introduction of electronic signatures for deposit agreements.
- Further enhancement of deposit products.
- Continued optimization of business processes.

Premium and Unique Banking

Basisbank provides an exclusive suite of premium products and services tailored for our high-net-worth retail clients, distinguishing between Premium and Unique customer segments.

By the end of 2024, the number of premium and unique customers increased by 66% and reached over 4,400 clients, reflecting a significant year-over-year increase in both loan and deposit portfolios—77% and 29%, respectively.

Premium /Unique Clients (#)	Premium /Unique Loan Portfolio (millions)	Premium /Unique Deposit Portfolio (millions)
4,430	416	949
+66% YoY	+77% YoY	+29% YoY

Basisbank's services in this direction have been recognized for its excellence by Global Banking & Finance, as it was the winner of the Best Private Bank 2024 award.

Premium Banking

Premium banking is centered around personalized, efficient, and discreet services, guided by dedicated personal bankers. Clients benefit from high-tier banking cards, complete confidentiality, preferential banking conditions, and bespoke financial solutions, ensuring a seamless and comfortable banking experience.

Our broad range of premium services includes dedicated personal banker support, enhanced digital banking solutions, special product offers, and exclusive privileges.

What we did in 2024:

Key initiatives implemented in 2024 included:

- Introducing a premium segment credit card featuring an exclusive design and competitive pricing.
- Automation of premium package activation processes.
- Expansion of premium service locations to 18 dedicated spaces and all branches.
- Optimization of service processes, such as deposit portfolio monitoring, cash-flow monitoring, premium card ordering process optimization.

Premium Segment in Figures

In 2024, premium clients were identified from the mass segment, leading to significant growth in premium banking. By the end of the year, the premium client base exceeded 3,800, with the premium loan portfolio increasing by 117% (GEL 309 million) and premium deposits by 71% (GEL 334 million).

Number of Premium Clients (#)	Premium Loan Portfolio (millions)	Premium Deposit Portfolio (millions)
3,803	309	334
+85% YoY	116% YoY	71% YoY

Looking Forward

Bank is committed to further enhancing its premium banking segment by:

- Further expanding the premium client base
- Enhancing tailored services and products within digital channels
- Refining and expanding premium banking packages
- Optimizing premium banking business processes for greater efficiency

These strategic initiatives aim to strengthen our premium banking services, providing an even more sophisticated and rewarding experience for our valued clients.

Unique Banking

Basisbank has developed an exclusive premium-class banking service designed to provide a highly personalized approach, simplifying financial management for high-net-worth clients. Unique Banking delivers tailored services, including dedicated private bankers, preferential banking conditions, exclusive financial products, and expert consultations—ensuring seamless banking experiences and greater financial flexibility.

Recognizing the distinct needs of each client, our personal bankers offer bespoke financial solutions, fostering long-term customer loyalty through customized guidance and strategic financial planning.

What we did in 2024:

To provide an even more sophisticated and rewarding experience for our valued clients, we have done several initiatives:

- We offered new types of fixed income instruments such as subordinated loans and bonds.
- We were the first in the Georgian market to offer sustainability public bonds.
- Optimized and automated business processes to enhance data accuracy and flexibility.

Unique Segment in figures

Currently we have over 600 Unique clients, which are high-income individuals. The deposit portfolio of premium customers amounted GEL 107 million and the loan portfolio amounted GEL 614 million, marking 16% and 13% growth respectively.

Number of Unique Segment Clients (#)	Unique Segment Loan Portfolio (millions)	Unique Segment Deposit Portfolio (millions)
627	107	614
+2% YoY	16% YoY	13% YoY

Looking Forward

In 2025, Basisbank is committed to advancing its Unique Banking services and offering clients access to sophisticated investment opportunities, including subordinated loans and bonds.

Our key initiatives for 2025 will include:

- Expanding our premium client base
- Enhancing tailored services and products within digital channels
- Expanding product offerings to financial instruments
- Refining and expanding premium banking packages
- Optimizing premium banking business processes for greater efficiency

These strategic initiatives are designed to strengthen our unique banking services, ensuring an even more sophisticated and rewarding experience for our valued clients.

Additional Services

Payments

Basisbank is committed to providing seamless and efficient payment solutions to enhance the everyday banking experience of our customers. We offer a diverse range of payment methods, ensuring fast and secure transactions across both physical and digital channels.

Payment Solutions for Retail Customers:

- Contact and contactless card payments
- Google Pay / Apple Pay integration

Following the launch of Google Pay in Georgia in November 2022, our customers can instantly activate a free digital card through our mobile banking app or internet banking platform, facilitating swift and secure transactions.

Card Insurance

In partnership with our subsidiary insurance company, Basisbank introduced a card insurance service in 2023. This offering provides financial protection to cardholders by compensating losses incurred due to unauthorized withdrawals or transactions, within the limits and conditions specified in the respective insurance package.

Updated remittance services

The demand for remittance services continues to grow in Georgia, driven by increasing customer needs for fast and flexible transactions. To enhance service efficiency and improve user experience, Basisbank introduced a new remittance system in 2023, built on the single-window concept for cashing out and sending transfers.

This upgraded system streamlines the process, significantly reducing service time while ensuring a smoother and more convenient experience for customers.

Corporate and SME Business Overview

Corporate and SME Business Overview

At Basisbank, we are committed to being a trusted financial partner for businesses of in all sectors, to meet the needs of our wide spectrum of clients, offering well-targeted products and services, designed to support their growth at every stage of development. We provide a wide range of services, including but not limited to lending, trade finance, cash management, foreign exchange and brokerage services. Our goal is to provide seamless and flexible financial products and services that enable businesses to accelerate their progress and achieve their strategic objectives efficiently.

To achieve this, we offer a comprehensive banking ecosystem, integrating a nationwide branch network with advanced digital banking platforms, including Mobile and Internet Banking, ensuring that businesses can access our services conveniently and efficiently.

Client Coverage

We serve a diverse range of businesses, from large corporations to small and medium-sized enterprises (SMEs). Recognizing that each business has distinct financial needs, we strive to provide customized banking solutions tailored to different business segments. Our continuous focus on enhancing customer experience ensures that we remain a preferred financial partner in the market.

To support businesses effectively, we provide multiple channels and touchpoints, including:

- A nationwide network of branches for in-person consultations and transactions.
- Advanced digital platforms, such as Mobile and Internet Banking, for convenient and secure financial management.
- Dedicated SME and Corporate Bankers, who closely engage with clients, offering personalized financial solutions and strategic support.

A specialized team of Corporate and SME Analysts, equipped with in-depth sector knowledge and financial expertise to provide data-driven insights and recommendations.

Our client engagement strategy is designed to accommodate diverse business preferences. While some clients seek personalized advisory services with direct personal banker support, others prefer to manage their financial needs independently through digital banking solutions. We continuously invest in the development of our digital channels, ensuring seamless banking experience for all business clients.

Our corporate and SME banking portfolio is well-diversified across multiple industries, ensuring a balanced sectoral representation and minimizing concentration risks.

By leveraging our bankers' deep industry expertise, we deliver value-added advisory services, fostering strong and long-term business relationships.

Business loan portfolio by sectors

Total Business Portfolio 2,084 million

Business Segment Products and Services

Bank Provides broad range of Products and Services to **Business** clients

Core Services

- **Business Lending**
- **Current and Term Deposits, CDs**
- **Brokerage and Treasury Services**
- **Trade Finance and Factoring**
- **Leasing**
- **Insurance**

What we did in 2024

Throughout 2024, we focused on process optimization, refining our products and services to ensure greater efficiency and accessibility for businesses. By simplifying procedures and introducing tailor-made financial solutions, we have made it easier for clients to access financing and additional banking services. A significant focus was placed on digital transformation, enhancing the features of our digital channels to provide a more convenient and user-friendly banking experience. Additionally, we updated internal processes, reduced paperwork, and improved processing times, resulting in a more agile and efficient operational framework.

We established Government projects and International Clients Service Unit, to improve service quality and identify new business opportunities for the sub-segment. This structural change also allowed the existing team to allocate more resources toward attracting new clients and enhancing service for the current portfolio.

To further support the businesses, we have implemented several major initiatives:

CLIENT PROFITABILITY REPORTS:
We introduced client profitability reports to provide deeper financial insights and support data driven decisions.

GOVERNMENT AND INTERNATIONAL CLIENTS SERVICE UNIT:
We established Government and International Clients Service Unit, to improve service quality and identify new business opportunities. This structural change also allowed the existing team to allocate more resources toward attracting new clients and enhancing service for the current portfolio.

STREAMLINED ACCOUNT OPENING:
Reduced waiting times and improved the efficiency of onboarding new clients.

ENHANCED DIGITAL BANKING:
Enabled SME/corporate clients to monitor bank guarantees, track deadlines, and manage payments digitally.

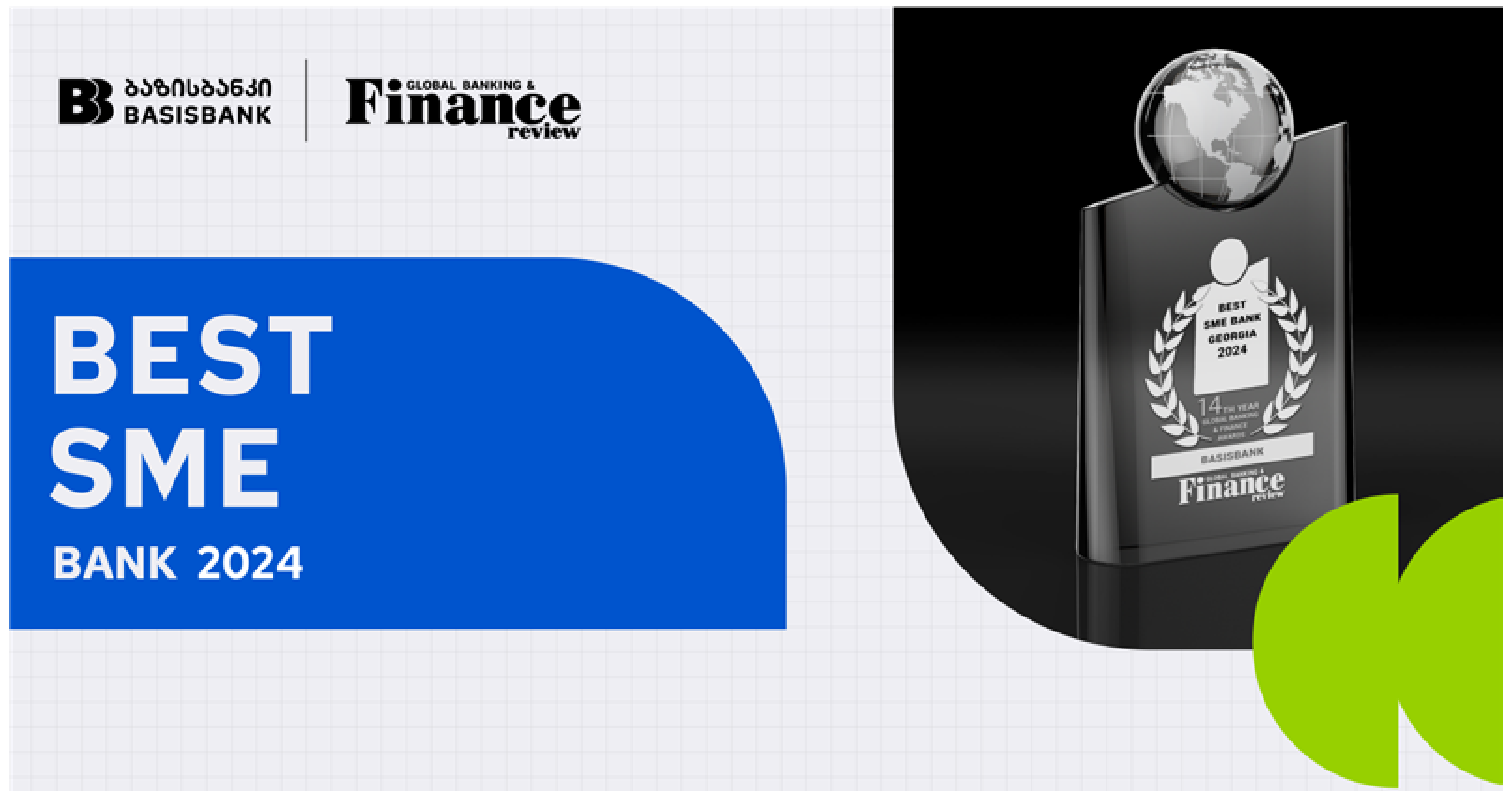
AUTOMATED LOAN APPROVAL PROCESS:
Simplified the loan application process by automating key components, allowing SME bankers to focus on customer engagement.

TRAINING PROGRAMS FOR BUSINESS BANKERS:
Additional training sessions in financial literacy and customer service were conducted, ensuring more efficient and personalized client support.

EXPANSION OF DIGITAL FINANCIAL SERVICES:
Introduced a corporate cash deposit feature in self-service kiosks, reducing branch workload, minimizing customer wait times, and improving overall satisfaction.

CLIENT DASHBOARD FOR EMPLOYEES:
A new "single-window" dashboard was introduced for front-office employees, enabling quick access to a client's banking products, payroll transactions, and service usage status.

Our ongoing commitment to supporting SMEs and Corporates in the country was recognized by Global Banking & Finance, which acknowledged Basisbank as the "Best Supporting Bank for SME Business of 2024" for second consecutive year and the Best Corporate Bank of 2024, underscoring our dedication to meeting the evolving needs of our clients and contributing to their long-term success. The bank also won the Fastest Growing Corporate Bank of 2024 award by Global Banking & Finance Awards.



Business Segment in Figures

Our business loan portfolio increased by 26% year-over-year, driven mostly by 19% growth in SME loans.

Business Loans (millions)	Business Borrowers (#)	Business Deposits (millions)	Business Depositors (#)
2,084	2,065	1,262	2,912
+21% YoY	+13% YoY	+11% YoY	-13% YoY

The figures mentioned above resulted in the following Market shares of Business Loan and Deposit Portfolios:

Market Share by Business Loans	Market Share by Business Deposits
5.2% 3rd largest on the market	4.8% 4th largest on the market
2023: 5.0%	2023: 5.9%

Digitalization trend

Digital transactions continue to grow, while the use of physical channels is gradually declining. In 2024, 94% of business transactions were conducted through digital channels, with only 6% processed in physical branches. For a comparison, in 2023 digital transactions accounted for 97% and physical transactions made up 3%.

Looking forward

Our aim is to meet the needs of our business clients, to become the number one choice bank for the clients throughout all stages of their development.

In 2025, our main strategy is to create a portfolio of products and services that will offer customers all opportunities available on the market and will continue to be focused on their needs.

For the implementation of the strategic plans of 2025, our priorities are:

- Launching a new Business Internet & Mobile Banking platform to improve digital experience.
- Enhancing transaction monitoring.
- Automation and optimization of core business processes, including loan approval and disbursement, account opening, deposit management, and operational and legal workflows.
- Accelerating green product integration.

These initiatives reflect our commitment to continuous improvement, digital transformation, and delivering superior corporate banking solutions.

Internet Banking

Our Mobile and Internet Banking platforms provide clients access to banking services, ensuring their financial needs are met efficiently. We strive to offer a consistent range of products and features across both platforms. Our digital channels are continuously developing to meet our business clients' expectations and enable them to independently carry out their everyday business needs.

Internet Bank is more broadly used by our business clients for their business operations due to the detailed desktop view it can provide. Our Mobile Bank is another alternative for those who want to get an instant snapshot of what is going on in the business or track specific transactions.

What we did in 2024

In line with the bank's strategic objective to advance digital channels and align with modern standards, a decision was made in 2023 to develop new Mobile and Internet Banking platforms. Throughout 2024, our team initiated new Internet Banking project, while continuing to support and enhance the existing platform.

Several improvements were introduced to the existing Internet Banking system, including:

- New Payment Module – Enabled both individual and bulk payments, template creation, renaming, and grouping functionalities. A total of 38 thousand transactions were processed through this module in 2024.
- Guarantees Page – Clients can now access detailed information about issued guarantees.
- Optimized Bulk File Upload – Reduced processing time, enabling files with up to 3,000 entries to be uploaded in under 45 seconds.

As a result of these enhancements, the active users of the internet banking platform increased by 10% YoY.

What refers to New Internet Banking, a strategy for the new Internet Banking platform was formulated, prioritizing the needs of corporate clients with a focus on simplicity and full digital accessibility. Key Concepts for the New Internet Bank shall be:

- Simplicity – Ensuring user-friendly terminology, intuitive navigation, and seamless transaction execution.
- Full Digital Accessibility – Expanding digital services to match those available in branches, enabling clients to conduct all transactions remotely.
- Multi-Device Compatibility – The platform will be optimized for desktop, tablet, and mobile devices.
- Accessibility Features – Incorporating text-to-speech, closed-captioning, and keyboard shortcuts to enhance user experience.
- Multilingual Support – The platform will support Georgian, English, and Chinese languages.

Looking forward

During 2025 and the following years we plan to invest in digital channels development extensively.

Enhancements planned to the Existing Internet Banking Platform are:

- Development of a modernized web ecosystem to deliver enhanced digital experience.
- Introduction of advanced financial management tools for better insights and control.
- Implementation of seamless digital processes for loans, including applications, disbursements, and repayments.
- Full deployment of the Fraud Management System to enhance security.
- Expansion of self-service capabilities, including online deposit opening and remote card services.

Features to develop New Internet Banking Platform:

- Establishment of a streamlined and secure client authentication process.
- Introduction of a bulk transfer module to simplify large-scale transactions.
- Enhanced currency conversion tools with custom exchange rates and dealer functionality.
- Comprehensive self-service features for managing loans, deposits, and cards with improved access to contract details, repayment schedules, and account updates.
- Enhanced visibility through dedicated pages for exchange rates, transaction history, and pending transactions.

The ongoing development of the new Internet Banking platform will continue throughout 2025, ensuring a seamless, efficient, and fully digital banking experience for all users. We are confident that the new Internet Banking platform will deliver a seamless and secure banking experience tailored to the needs of our tech-savvy business clients.

Business Loans

Financing businesses remains a key driver of sustainable growth for our MSME and Corporate clients. As we support businesses with tailored financial solutions, we continuously enhance our products and streamline processes to ensure seamless customer experience.

By the end of 2024, Basisbank ranked as the third-largest bank in Georgia's financial sector in terms of business loans. As lending remains at the heart of Basisbank's operations, our primary focus is on continuously enhancing products, services, and customer experience in this area.

Our lending practices are aligned with the Bank's risk appetite and adhere to prudent risk management frameworks. We offer a diverse range of credit products tailored to meet the needs of our business clients, including Business Loans, Credit Lines, Overdrafts, Seasonal Loans, and other financial solutions designed to support business growth.

What we did in 2024

In 2024 we tried to further enhance the lending products offered, refined several lending processes internally and simplified loan application/approval process by automating key components and allowing SME/corporate bankers to focus on customer engagement.

In more detail, we have done several key initiatives:

- Client Profitability Reports: enhanced tools used in client profitability reports to provide deeper financial insights and support data driven decisions.
- Enhanced Digital Banking: Enabled SME/corporate clients to monitor bank guarantees, track deadlines, and manage payments digitally.
- Automated Loan Approval Process: Simplified the loan application process by automating key components, allowing SME bankers to focus on customer engagement.

Business Loans in Figures:

Total Business Portfolio increased by 21%, reaching 2,084 million. A significant portion of the bank's loan portfolio is comprised of SME loans, which saw robust growth of 65% compared to 2023. Growth was observed across all segments, with notable increases in energy, construction Development, land Development, hospitality, trade of consumer Foods and goods.

Total Business Loans (millions)	Corporate Business Loans[1] (millions)	SME Business Loans (millions)
2,084	175	1,908
+21% YoY	+37% YoY	+20% YoY

Looking forward

The Bank remains dedicated to enhancing its business lending services by improving customer experience and streamlining internal processes. In line with this commitment, we have identified key milestones for 2025 that will support our strategic objectives and foster sustainable growth. Among others, we plan:

- Optimization and partial automation of the loan/bank guarantee application processing, approval, and issuance processes
- Further automation of loan approval processes
- Establishing a dedicated Syndicated Loans Unit, following the steady annual increase in syndicated loan volumes

Through these initiatives, the Bank aims to deliver a more efficient, seamless, and customer-centric business lending experience, reinforcing its role as a trusted financial partner for businesses across key economic sectors.

Trade Finance

Basisbank is at the forefront of Trade and Supply Chain Finance, delivering a full suite of services tailored to the diverse needs of our clients and partner institutions. Our extensive range of trade finance instruments encompasses pre-export and import financing, along with the issuance, advising, confirming, and discounting of trade finance products. Furthermore, Basisbank offers factoring as an independent financing tool, empowering clients to maximize their working capital and improve their business operations. Basisbank's robust financial solutions are integral to the growth and sustainability of the regional trade and supply chain ecosystems.

Since 2021, bank extensively increased international coverage by onboarding new partnerships with financial Institutions globally, increasing product base, offering capabilities both for local as well as cross border trade facilitation.

The bank is actively engaged in negotiating and managing relationships with International Commercial Banks, Development Finance Institutions (DFIs/IFIs), and Export Credit Agencies (ECAs) within the trade finance sector. It is dedicated to implementing and introducing new products and enhanced services for its clients, with an emphasis on digital solutions, social responsibility, and green initiatives.

Basisbank is one of the few mid-size local financial institutions to have obtained access to trade finance risk coverage programs and is therefore able to assure a continuous and reliable risk capacity to its customers. As of today, the Bank is a member of EBRD's, IFC's and ADB's Trade and Supply Chain Facilitation Programs, with increasing limits being incremental for the past year due to increased activity and demand in Trade Financing.

1 Classification of loans in the table differs from the classification used to prepare Note 11 of the consolidated and separate financial statements for the year ended 31 December 2024.

The Bank received the Best TFP Green Deal Champion 2023 Award from Asian Development Bank (ADB) as an Issuing Bank, reaffirming its focus on incorporating ESG principles beyond lending. Bank was also named as an Outstanding GTFP Issuing Bank in Gender Finance, Eastern Europe for the year 2024 by International Finance Corporation's (IFC) GTFP Program for Gender Finance in Eastern Europe, recognizing the Bank's commitment to gender equality and inclusiveness. Recent developments, including an increased number of international partner institutions, an expanded network, and incremental limits allocated by IFIs, coupled with its membership in Trade Facilitation Programs, have enabled the Bank to offer trade finance services globally. These enhancements have significantly increased the Bank's market competitiveness and resulted in a dynamic growth of its trade finance portfolio.

The Bank has demonstrated its ability to combine in-depth knowledge of the local business environment with reliable expertise in trade finance technicalities. Additionally, Bankers and Trade Managers are actively working on structuring clients' businesses to achieve more secure financing solutions and implementing financing and risk mitigation practices to optimize the management of working capital and liquidity in cross border trade and local supply chain processes.

What we did in 2024:

In 2024, we focused on optimizing processes, enhancing automation through the integration of systems and manual processes into the Core System, and implementing robust risk mitigation strategies in trade finance and administration. Intensive staff trainings throughout the business further strengthened our operations.

These enhancements and increased product awareness within the bank contributed to a 30% growth in our trade finance portfolio, reflecting our commitment to operational efficiency and delivering seamless financial solutions to our clients.

Looking Forward:

The Bank is committed to maintaining top-of-mind awareness among its customers, partner institutions, and targets as a leading provider of trade finance solutions for Corporate and SME companies in Georgia's key economic sectors, including trade, agribusiness, transportation, and energy. We believe that trade finance is a powerful catalyst for sustainable and robust business development. By recognizing it as a strategic business line, anticipating healthy growth in this area moving forward.

Partnering with International Financial Institution (IFIs)

IFI Funding: Basisbank remains committed to maintaining a diversified and stable funding base through strong partnerships with leading international financial institutions (IFIs). We have access to a wide range of funding sources, supporting the Bank's growth strategy and enhancing its ability to provide comprehensive financial solutions to corporate and SME clients.

Cooperation with IFIs is an integral part of our funding strategy, allowing us to leverage the expertise, resources, and global networks of our partners. This collaboration enables us to mobilize financing, knowledge, and technical competence while enhancing our ability to support key economic sectors. Over the years, Basisbank has built strong partnerships with reputable IFIs, investment funds, and major European commercial banks, including: EBRD, IFC, ADB, BSTDB, EFSE, GGF, Incofin, Blue Orchard, Symbiotics, ResponsAbility, FIM, GCPF, ODDO BHF, Caixa, Banca Popolare, Raiffeisenbank, Commerzbank, UnicreditBank, and others.

Diversifying our funding profile across investor types, geographic regions, products, and instruments continues to be a central pillar of our funding strategy. In 2024, we focused on broadening our funding base through innovative financial instruments, strategic partnerships, and balancing short-term and long-term resources. This approach allowed us to strengthen our capital position by increasing the share of Tier 1 instruments in the form of subordinated loans.

Despite the challenges posed by ongoing geopolitical and economic uncertainties, Basisbank successfully attracted USD 89 million in borrowings from IFIs during 2024, comprising 29% short-term revolving credit lines, 18% subordinated loans, and 53% long-term senior loans.

Total IFI Funds Raised	Short-term revolving Credit-lines	Subordinated Loans and Sustainability Bond	Long-term Senior Loans
USD 89 million	**USD 26 million**	**USD 16 million**	**USD 47 million**

Throughout the year, our funding strategy focused on increasing trade finance credit lines (including restoring trade finance line with EBRD), securing financing at competitive rates, considering both cost and maturity characteristics. While global interest rates continued to rise, we successfully negotiated more favorable terms for both short-term and long-term loans starting in the second quarter of 2024. Additionally, we continued to manage the cost of funds by optimizing the mix of short-term, cost-effective resources from IFIs.

Key IFI Funding Milestones in 2024:

- ADB Sustainable Bond – USD 15 million (August 2024)
- EFSE Subordinated Loan – EUR 10 million (August 2024)
- GGF Subordinated Loan – EUR 5 million (August 2024)
- GGF Senior Green Loan – EUR 5 million (July 2024)
- Symbiotics – Multiple long-term senior loans totaling USD 15.25 million (August & September 2024)
- BSTDB Senior Loan – USD 15 million (December 2024)
- IFC Trade Limit Increase – From USD 10 million to USD 20 million (March 2024)
- ADB RCA Limit Increase – From USD 5 million to USD 11 million
- EBRD Trade Finance Line Restoration – USD 10 million (August 2024)

These achievements reflect our ongoing efforts to expand and diversify our funding base, ensuring that Basisbank remains well-positioned to support Georgia's business community and contribute to the country's economic development.

Sustainability Bond: In 2024, Basisbank has successfully issued a 3-year Sustainability Bond amounting USD 20 million, marking the first Sustainability Bond Issuance in Georgia by a commercial bank, as well as the first public issue by a commercial bank on the market.

Asian Development Bank, participated as an anchor investor in the transaction and subscribed to USD 15 million. The rest of the bonds were subscribed by various private investors.

According to the Sustainability Bond Framework prepared by Basisbank, the proceeds from the bonds shall be fully used to finance green and social projects such as: green buildings and construction, energy efficiency, renewable energy, green transportation, healthcare, education and access to finance.

Looking ahead: We plan to further expand our borrowing portfolio, with an emphasis on trade lines. This will involve deepening relationships with current partners and seeking new opportunities. To diversify our partner base, we will also explore potential partnerships with Asian financial institutions.

Green Lending

Over the years, we have collaborated with big international financial institutions, such as the European Bank for Reconstruction and Development's (EBRD), Green for Growth Fund (GGF) and Global Climate Partnership Fund (GCPF) and have received funding to support green economy. We have provided over 170 loans to launch and develop energy efficient, renewable energy, women-owned and social projects in the country. We provide funding for new green businesses or re-equipment of existing businesses to achieve better energy efficiency and provide professional support on the journey to becoming green.

As of the end of 2024, the lending portfolio issued under sustainable funds raised from GGF and GCPF amounted to GEL 70 million.

Agribusiness Financing

We are committed to supporting the agricultural sector by providing specialized financial solutions and industry expertise. To better serve our agribusiness clients, we have a dedicated agribusiness desk and have been publishing an agricultural newspaper for several years.

As part of our commitment to rural development, the bank actively participates in the Preferential AgroCredit Program, led by the Rural Development Agency. This initiative helps businesses in rural areas access affordable financing through government-supported interest rate co-financing, covering up to 11% of loan interest costs for legal entities.

As of 2024, the total portfolio of the Agribusiness sector amounted to GEL 154 million, out of which GEL 129 million was under the Preferential AgroCredit Program.

Total Agribusiness Portfolio (millions)	Out of which Preferential AgriCredit (millions)
154	**128**
+15% YoY	+14% YoY

Overall, our total financing disbursed for the agriculture sector exceeded GEL 200 million, reinforcing our role as a key partner in agribusiness development.

Co-Financing Initiatives

As part of our commitment to fostering business growth in Georgia, the bank actively collaborates with the Enterprise Georgia Program, which supports both new and expanding businesses. Through this partnership, numerous businesses have secured financing with joint support from the bank and the government.

Under this program, beneficiaries gain access to financing with two key advantages: co-financing of loan interest and participation in the Credit Guarantee Scheme, which enhances loan security. The program offers 6- and 12-month interest subsidies, along with co-financing of refinancing rates up to 7% for the entire loan period, supported by the national agency Enterprise Georgia. This initiative primarily targets high-potential industries, including tourism services, hotel and balneological resorts, industrial ventures, agricultural tourism, and eco-tourism.

During the year we held a training for SME and corporate analysts for optimizing the processes with Enterprise Georgia. Also, several internal processes were optimized to save time and focus on customer engagement. By the end of 2024, the bank's outstanding loan portfolio under this program reached GEL 86 million.

Additionally, the bank continues its active participation in the Preferential AgroCredit Program, through which over 79,000 subsidized loans were issued, reaching GEL 128 million, further strengthening our support for the agricultural sector.

Enterprise Georgia Loan Portfolio (millions)	Preferential AgriCredit Loan Portfolio (millions)
86	**128**
+18% YoY	+14% YoY

Leasing Solutions

To offer businesses alternative financing options, the bank provides leasing services, allowing clients to acquire fixed assets without significant upfront investment. Through this model, the bank purchases the necessary assets on behalf of the business and transfers them for use under flexible terms, enhancing operational convenience. At the end of the lease period, the client gains full ownership of the asset.

Additionally, under the Enterprise Georgia program, businesses can acquire manufacturing machinery and various equipment with the benefit of co-financing support, further facilitating business expansion and modernization.

Business Support Best cases in 2023 : Globalpharm, Empowering Women in Business

Basisbank remains committed to gender-inclusive financing, supporting women entrepreneurs, and fostering sustainable business growth. A prime example of this commitment is our partnership with Globalpharm, a leading pharmaceutical distributor founded and managed by Ms. Lia Obolashvili.

Since its establishment in 2004, Globalpharm has grown from a small family business into a major player in the Georgian pharmaceutical sector. Under Ms. Obolashvili's leadership, the company has built strong partnerships with international manufacturers and wholesalers, ensuring a steady supply of affordable and high-quality medicines to pharmacies and clinics across the country.

Beyond pharmaceuticals, Ms. Obolashvili expanded into the beauty and wellness industry, founding Beauty Life—a company specializing in professional beauty services and high-quality skincare and haircare products. Beauty Life is the official distributor of top international brands and operates beauty studios in Tbilisi and Batumi.

A key initiative within this expansion is the Beauty and Aesthetic Training Center, which provides certification programs and professional development opportunities for women. This center plays a crucial role in enhancing employment prospects by offering high-quality training and access to international masterclasses.

Financial Support Driving Expansion

Recognizing the importance of supporting women-led businesses, Basisbank, in collaboration with the Asian Development Bank (ADB), has provided Globalpharm with $15.4 million in trade finance, as part of ADB's Trade Finance and Supply Chain Program (TFSCP). Over the past six years, total financing has exceeded $18 million, supporting Globalpharm's expansion and strengthening its position in the market.

This financing has allowed Globalpharm to:

- Expand its pharmaceutical product range, ensuring greater access to essential medicines.
- Accelerate its geographic reach, improving nationwide distribution.
- Diversify its customer base, enhancing long-term sustainability.
- Develop its professional training center, creating employment and professional development opportunities for women.

Commitment to Gender-Inclusive Financing

Basisbank recognizes that women entrepreneurs in sectors such as healthcare, tourism, agriculture, and pharmaceuticals often face limited access to financial resources. By partnering with ADB, we aim to bridge this gap, offering affordable and flexible financing solutions tailored to women-led businesses.

Our collaboration ensures that businesses like Globalpharm receive the necessary financial support to scale operations, invest in innovation, and contribute to economic development. This strategic focus aligns with Basisbank's broader mission to empower women in business, foster financial inclusion, and drive sustainable economic growth.

Through continued investment in gender-focused financing, Basisbank remains a key enabler of women's economic participation, reinforcing their role as business leaders, job creators, and contributors to Georgia's long-term prosperity.

Business Deposits

In addition to providing financing solutions, we strive to address the broader financial needs of businesses. Our Business Deposit offerings include Term Deposits, Current Deposits, and Certificates of Deposit (CDs), all designed to cater to diverse business types and financial strategies. We offer competitive and flexible terms, featuring high interest rates, low minimum deposit requirements, availability in multiple currencies, and various structuring options tailored to client preferences.

What we did in 2024

Throughout the year, we enhanced our business deposit products to provide greater flexibility and improved value for our clients:

- Enhanced Terms & Conditions: Interest rates, early withdrawal terms, redemption policies, and maturities were reviewed and adjusted multiple times to align with market conditions and liquidity strategies.
- Client & Employee Incentives: A targeted promotional campaign and an internal incentive scheme were introduced to boost deposit inflows.
- Digital Integration & Accessibility: Deposit product annexes were integrated into digital channels, ensuring clients have real-time access to up-to-date deposit terms and conditions. Also, automated deposit maturity notification service was implemented.
- Process Optimization: Business deposit-related processes were further streamlined to improve efficiency and reduce time spent on transactions.
- Digital Channel Incentives: To encourage the use of mobile banking, we introduced higher interest rates for deposits opened via digital platforms.

Business Deposits in figures

As of year-end 2024, our Business Deposit portfolio reached GEL 1.26 billion, marking an 11% year-over-year growth compared to 2023. We try to cover other needs of businesses as well while having our funding support as a primary service.

Business Deposit Portfolio (millions)	Out of which Corporate Business Deposits (millions)	Out of which SME Business Deposits (millions)
1,262	1,086	177
+11% YoY	+17% YoY	-13% YoY

Looking forward

As part of our commitment to enhancing customer experience and streamlining processes, we have set key objectives for 2025:

- Creating new service packages for segments.
- Using electronic signature to renew deposits remotely.
- Expansion of Business Deposit Portfolio to strengthen our market presence and provide more tailored solutions.
- Further Refinement of Deposit Product Features to enhance flexibility, competitiveness, and overall customer satisfaction.
- Ongoing Optimization of Business Processes to improve operational efficiency and deliver a seamless banking experience for our clients..

These initiatives align with our strategy to simplify banking, drive customer-centric innovations, and foster long-term growth.

Treasury and Brokerage Services

Brokerage Services

We provide comprehensive investment solutions tailored to our clients' needs, offering access to a diverse range of securities, including government and corporate bonds. As a Primary Dealer in the government securities market, we have direct access to Primary Auctions, ensuring competitive opportunities for our clients. Additionally, we offer full-scale custodian services, providing secure and efficient asset management solutions.

PRIMARY DEALER OF SECURITIES MARKET

- Privilege given by MOF to banks compliant with certain criteria
- Primary Dealer from day one
- Access to Primary Auctions
- Access to Secondary Markets
- Quoting Government Securities market prices

CUSTODIAN SERVICES

- Full range of Custodian Services
- For Government and GEL Denominated Corporate Securities

BMATCH TRADING PLATFORM

- Brokerage service to acquire Foreign currency
- Delivered via internet bank
- Integrated in Bloomberg Terminal
- Applications can be secured with two instruments:
  - Full cash cover
  - Guarantee for 5% of appl cation amount

Treasury Services

We enhance our clients' foreign exchange trading experience through the Bloomberg platform and personal dealer services, facilitating seamless FX trading and currency conversions. Basisbank remains the only bank in Georgia to integrate Bloomberg platform services directly into Internet and Mobile Banking, allowing businesses to efficiently manage their foreign currency transactions with ease.

PERSONAL DEALER

- Online Platform to convert Currencies
- Trade with Treasury in real time
- Delivered via Internet Bank

FX FORWARDS AND FX SWAPS

- To hedge FX Risk
- To manage liquidity for desired currencies

REPOS

- Liquidity Management tool
- For Government and Corporate Securities

What we did in 2024

Aligned with our commitment to expanding financial services, we introduced several enhancements:

- Automated special rate processing in branches for improved efficiency.
- Implementation of FX rate display tables in branch locations.
- ISDA agreements signed with Georgia's top two banks, strengthening our market position.
- Launch of Mid-Rate Reserve Software, optimizing FX risk management.

Looking Forward

In 2025, we plan to make significant investments in the development of Treasury systems, which will encompass custody services, investment management, bond management, and risk management systems, among other key enhancements.

Other Services

POS Terminals, Business cards and other services for business payments

We support lots of businesses to grow their business in-store and online by accepting payments through a variety of methods. We offer POS terminal installations, employee trainings and support to businesses free of charge. In 2024 we focused on enhancing the user experience and service quality for our business clients. A better customer experience will lead to more businesses using our services to accept cashless payments, to support digital payments and e-commerce in Georgia.

Business cards are another contactless means of carrying out business transactions, which is a good way to control business expenses. We offer competitive terms for this and partner with most of banks in Georgia. In 2024 several card characteristics, such as extension of card validity period, were renewed to make those even more comfortable for our clients.

Visa B2B

In 2024, the Bank successfully implemented and launched the Visa B2B Connect payment platform, providing businesses with an additional channel for fast and efficient fund transfers. The platform is fully operational in both directions, supporting outgoing payments as well as incoming transfers, further enhancing the Bank's ability to facilitate seamless and secure international transactions for its corporate clients.

Cash Boxes

Bank has introduced Cashboxes, same as Deposit Safes, which are placed at Basisbank client company offices and significant amounts of cash are inserted into them, which is simultaneously reflected on client bank accounts. By the end of 2023, the bank had only 2 such cash- boxes.

BB Leasing

BB Leasing Business Model and Strategy

Established in 2017, BB Leasing has consistently maintained its position as a key player in Georgia's leasing sector and is currently the second-largest leasing company in the market. As the industry continues to expand, we remain committed to strengthening our market presence through continuous innovation, service excellence, and operational efficiency.

Our primary focus is on serving small and medium-sized businesses by providing high-quality leasing solutions tailored to their financial and operational needs. BB Leasing's growth strategy is driven by the enhancement of service channels, premium product offerings, expert consultation, and process automation. Supported by our parent company, JSC Basisbank, our extensive sales network ensures broad market coverage across Georgia, including major cities such as Tbilisi, Rustavi, Telavi, Gori, Kutaisi, Zugdidi, and Batumi, along with surrounding regions.

BB Leasing continues to offer a diverse range of leasing products tailored to the needs of various customer segments:

VEHICLE LEASING:

Available to both individuals and businesses, with a strong focus on promoting eco-friendly transportation solutions. Digital channels will further enhance the accessibility of this product.

FIXED ASSETS LEASING:

A key tool for the rapid development of SMEs, with flexible payment schedules aligned with business cycles.

LEASEBACK:

Designed for legal entities, complemented by insurance solutions.

PREFERENTIAL AGROLEASING:

Co-financed by the Agricultural Project Management Agency, supporting businesses involved in agricultural production, processing, and packaging.

LEASING UNDER ENTERPRISE GEORGIA:

Co-financed and Developed in cooperation with Enterprise Georgia to foster entrepreneurship, private sector development, and investment attraction.

What we did in 2024:

In 2024, BB Leasing achieved significant milestones that contributed to its strong market position and growth:

- Strategic Portfolio Acquisition: A major highlight of the year was the acquisition of the leasing portfolio from a market-exiting operator in Georgia. The transaction was executed in two phases—initially acquiring the retail portfolio, followed by the business portfolio. This strategic expansion significantly increased our client base and portfolio size, further reinforcing our market position.
- Organizational Enhancements: To support operational efficiency and align with the Group's strategic objectives, BB Leasing introduced the role of Chief Operations Officer (COO). This structural enhancement has streamlined operations, strengthened coordination across the company, and facilitated the seamless integration of newly acquired clients.

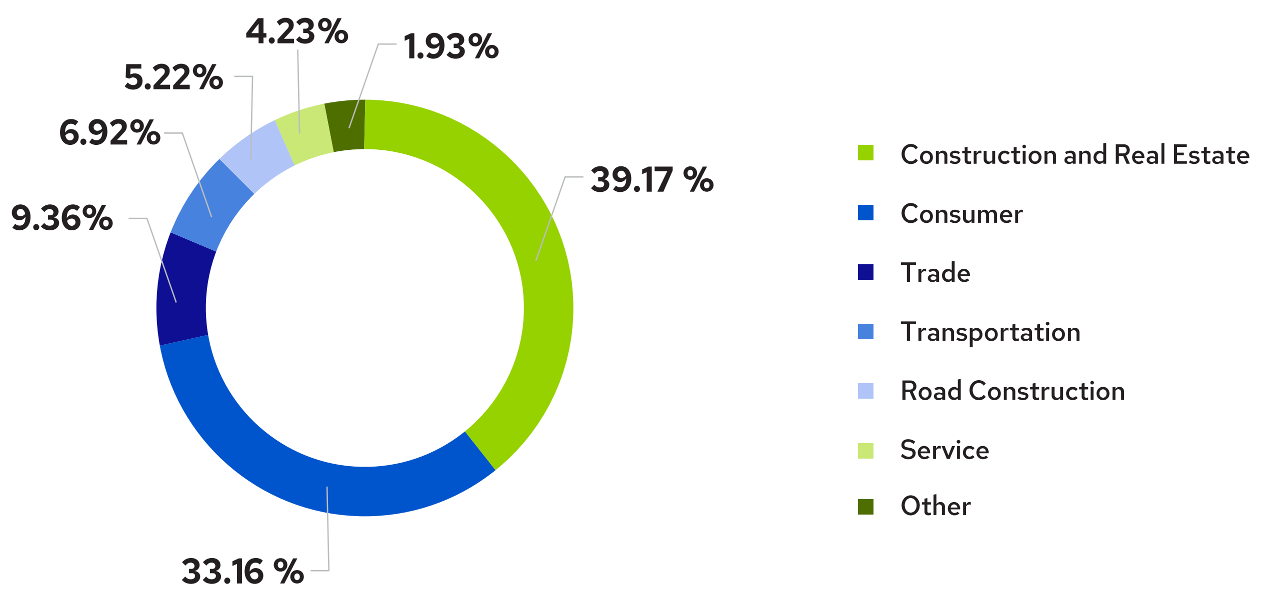
2024 Performance

In 2024, BB Leasing Portfolio[2] grew by 63% reaching GEL 41.3 million by the end of the year, a significant increase from GEL 26 million in 2023. The main driver of the growth was GEL 6.7 million portfolio acquired from Georgian Leasing Company.

The company's internal capital generation was strong, net profit increased to GEL 4.8 million giving 80% of y/y growth. The Company contributed 5.5% to the Group's net profit, which shows that BB Leasing has become a significant part in implementation of the Group's strategy and growth.

Despite rapid expansion, we maintained a robust risk management framework, ensuring the stability and quality of our portfolio. A well-balanced distribution of client segments enhances risk protection by mitigating exposure to the varying risk levels associated with different sectors.

Leasing Portfolio by Industry



Through strategic expansion, operational enhancements, and a customer-focused approach, BB Leasing remains well-positioned to sustain its strong performance and further solidify its leadership in the Georgian leasing market.

Looking Forward:

As we move into 2025, BB Leasing remains committed to:

- Enhancing Digital Capabilities: Expanding online service offerings to improve customer experience and accessibility.
- Developing Supplementary Financial Services: Strengthening cross-selling opportunities with insurance and banking products within the group.
- Driving Innovation: Introducing new financial solutions tailored to the evolving needs of businesses and individuals.
- Strengthening Market Position: Implementing strategic initiatives to further solidify our standing in the leasing sector.

Our unwavering dedication to operational excellence, customer-centric solutions, and financial stability positions us for sustained growth in the years ahead. We look forward to continuing our journey with the same passion and commitment that have defined our success thus far.

2 Leasing Portfolio gross amount, including pre-leases.

BB Insurance

BB Insurance Business Model and Strategy

Established by JSC Basisbank in 2017, BB Insurance is committed to creating long-term value through operational efficiency, strategic synergies within the BB Group, and a diversified portfolio of insurance solutions tailored to both retail and corporate clients.

The company offers a comprehensive range of insurance products, including motor, property, credit life, cargo, business interruption, general third-party liability, and aviation risk coverage. Among these, aviation and auto insurance remain the company's flagship products, driving significant portfolio growth.

Leveraging the globally recognized Bancassurance (BIM) model, BB Insurance benefits from Basisbank's extensive resources, enabling seamless service delivery through BB Group's nationwide branch network. This model provides a competitive advantage by fostering an exclusive and integrated service environment for group clients.

BB Insurance continues to enhance its digital capabilities, particularly in the development of remote services to streamline and accelerate claims processing. With a focus on rapid claims settlements, strong partnerships with reputable reinsurers, flexible and transparent products, and a highly skilled team, the company ensures both financial stability and exceptional customer experience.

At the core of BB Insurance's strategy is the goal of establishing itself as a trusted long-term partner for clients and stakeholders, driven by a commitment to transparency, efficiency, and innovation.

Key Strategic Priorities:

- Enhancing service efficiency in policy issuance and claims settlement.
- Implementing customer-centric initiatives to navigate market challenges and improve service quality.
- Strengthening partnerships with A-rated reinsurers to reinforce financial security.
- Advancing risk management tools to optimize portfolio oversight and ensure sustainable growth.

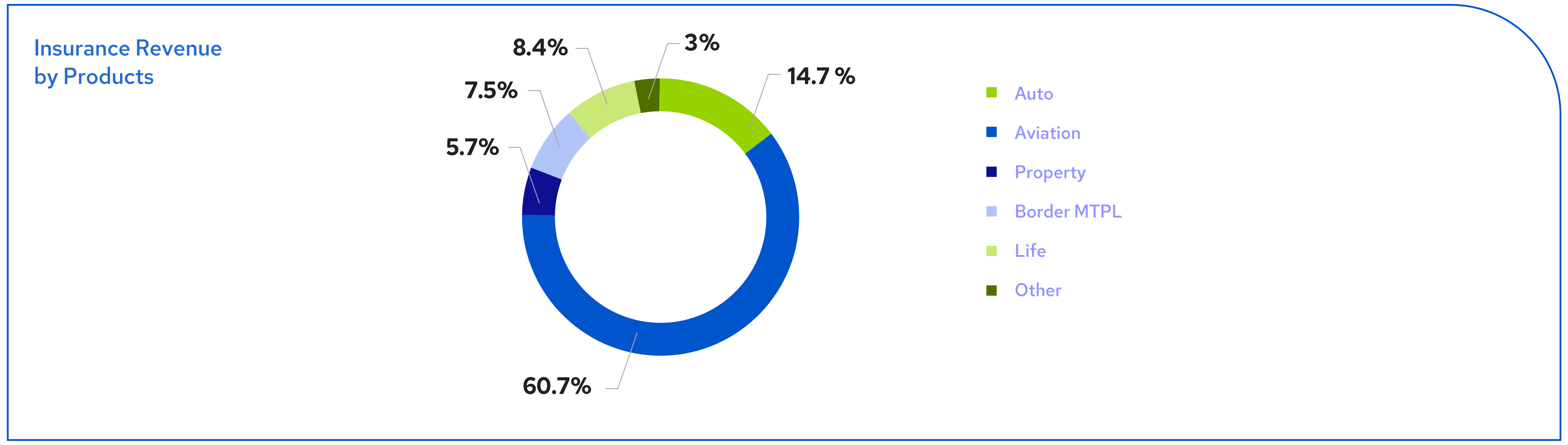
With a strong foundation and a commitment to continuous improvement, BB Insurance is well-positioned to expand its market presence and deliver superior value to its clients.

2024 Performance

In 2024 BB Insurance recorded its strongest financial results to date, reflecting sustained growth and operational excellence. Gross Written Premiums (GWP) grew by 59.7%, reaching GEL 33 million, while net profit surged by over 53.8%, surpassing GEL 5 million—both marking historic highs for the company.

In 2024, BB Insurance continues to prioritize the corporate segment, which remains the key growth driver, expanding faster than the retail segment in line with overall economic development. The company has strengthened its presence in business and particularly in aviation insurance, maintaining its market leadership with a 41% share. This sustained growth emphasizes BB Insurance's commitment to delivering prompt and tailored risk management solutions that support corporate clients and key industries.

The chart below shows the distribution of Insurance Revenue (Gross Written Premium) by Insurance products:



From the total insurance revenue of GEL 33 million, aviation insurance remained the primary contributor, generating GEL 20 million, reflecting an 81% year-over-year (YoY) increase. Motor insurance also saw substantial growth, rising 74% to GEL 4.9 million, while life insurance recorded a 33% increase, reaching GEL 2.8 million. These results highlight BB Insurance's continued expansion across key segments, reinforcing its strong market position.

A major milestone of the year was BB Insurance's successful collaboration with leading international reinsurers, enabling the largest aviation insurance claim settlement in Georgia's history, exceeding GEL 110 million. This achievement underscores the company's financial resilience, strong risk management capabilities, and commitment to delivering timely and effective claims resolutions.

Looking Forward:

As BB Insurance moves into 2025, the company remains focused on strengthening its position in the corporate insurance sector by expanding its range of tailored solutions to meet the evolving risk management needs of businesses in Georgia.

Strategic priorities for 2025 include:

- Enhancing corporate insurance offerings with industry-specific, customized solutions.
- Leveraging technological advancements to improve service efficiency and customer experience.
- Strengthening partnerships with international reinsurers to ensure comprehensive risk coverage.
- Driving sustainable growth through operational excellence and innovation.

With a clear vision for the future, BB Insurance is well-positioned to reinforce its market leadership, deliver exceptional value to clients, and maintain a trajectory of sustainable success.

ESG OVERVIEW

ESG Overview

Basisbank has always been committed to sustainability and has always strived to achieve positive impact. This was depicted in its environmental and social risk management system, its CSR activities and responsible lending practices, incorporating ESG principles into its culture and day-to-day activities. Over years the approach has been developing towards more structured governance system, where sustainable practices are not only part of everyday function of the Bank, but it is also properly planned, analyzed and incorporated into Strategy.

The Bank, on the one hand, is managing environmental and social risks of its operations through the comprehensive risk management system and on the other hand, is working to promote efficient use of natural resources and waste management inside the Bank and through its lending activities.

Sustainable Financing

Bank is committed to increasing positive impact on economy and society by financing businesses with environmental and social practices, such as energy and resource efficiency, renewable energy, women-owned businesses.

Bank cooperates with international partner organizations such as EBRD, ResponsAbility and Finance-in-Motion to promote green financing, ensures that we stay focused on creating a safer and more sustainable environment while developing new products and services that will further promote Sustainable Development of the country. The biggest programs the Bank has participated in are CEEP, DCFTA and GEFF by EBRD.

Responsible day-to-day Operations

Bank incorporates responsible and effective consumption of natural resources in its day-to-day activities and is committed to:

- Reducing carbon emissions and environmental footprint
- Sustainable approach to operations, utilization and infrastructure
- Strong focus and shift to paperless services
- Responsible waste management

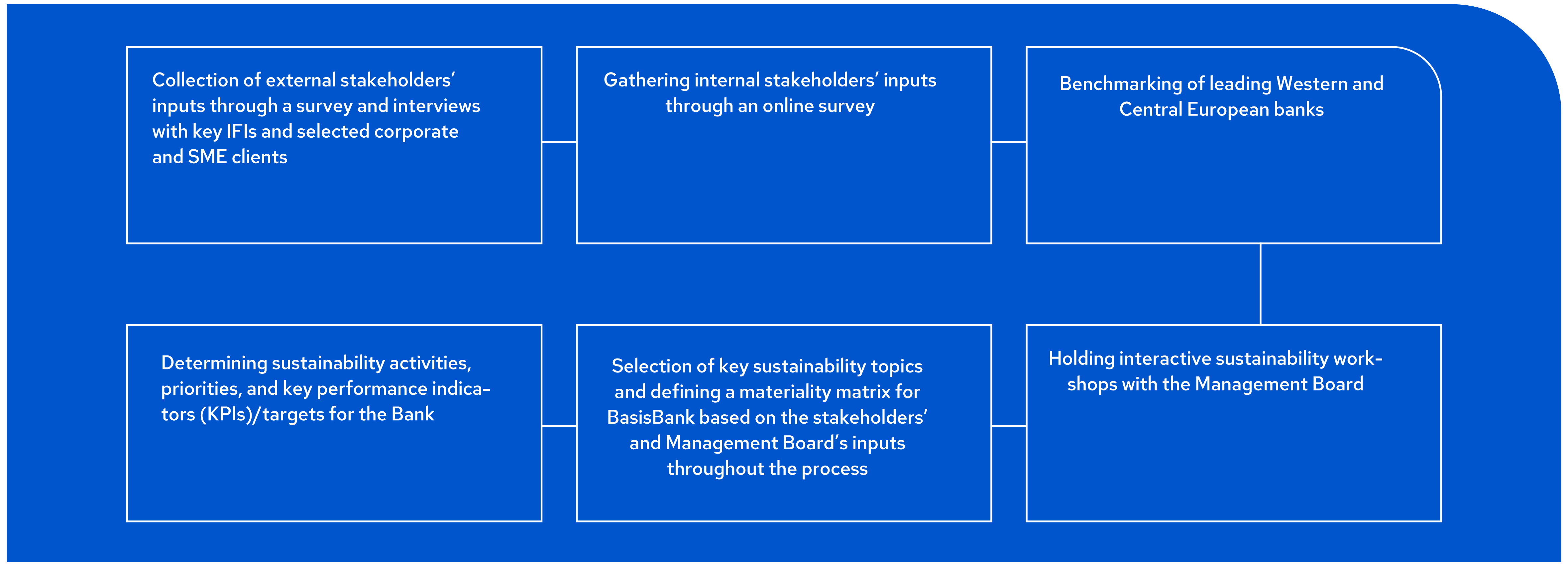
In 2025 Bank is planning to move to a new head office, that is currently under renovation stage. The building will be environmentally responsible and sustainable.

Sustainability Strategy

Last year Basisbank developed and approved the Sustainability Strategy to enhance its environmental and social practices, and to monitor progress thereon. This strategy's development was a complex and multi-layered process. It determined Basisbank's goals and priorities in sustainability and green finance for the coming years.

Sustainability Strategy was developed through a companywide approach with the active involvement and engagement of the Bank's management and inputs from internal and external stakeholders. Among the stakeholders, the following groups were identified, and their inputs were collected accordingly: corporate and SME clients; employees; and IFIs.

The strategy's design and development process comprised the following activities:



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

A Materiality Matrix

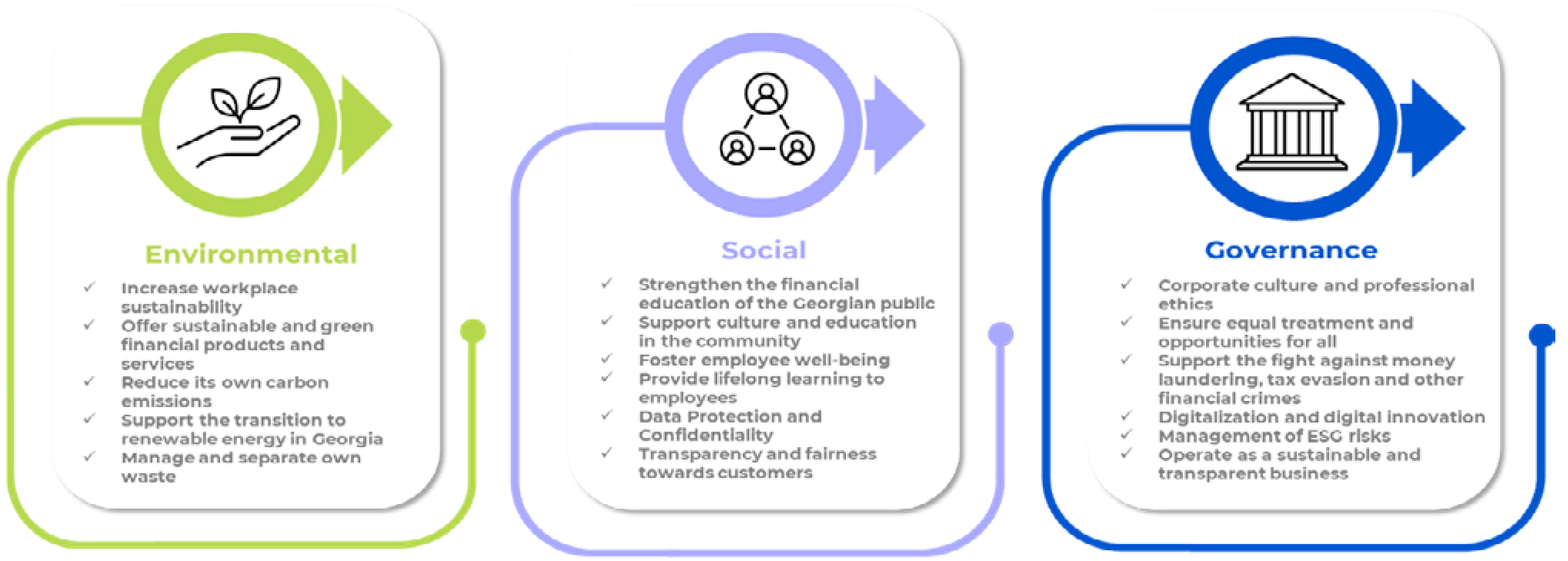
identifies and prioritizes sustainability topics material to BasisBank

Sustainability objectives	→	Sustainability KPIs	→	A sustainability roadmap
Sustainability objectives and commitments for the defined material topics, consisting of business goals with varying time horizons		Measurable quantitative indicators through which Bank monitors, assesses, and keeps track of its progress		Detailing underlying infrastructure needed to be built to achieve targets and relevant activities

As a result of the materiality assessment and taking into consideration the internal and external stakeholders' inputs, a number of material topics were identified during the assessment process as being of significant importance.

Identifying material topics helped us to define the path towards implementing more comprehensive sustainable practices. By pinpointing topics material to the defined stakeholders and management of the Bank, we were able to formulate objectives, set aims and targets toward which Basisbank would work.

The sustainability strategy along with its sustainability roadmap was approved by the Management Board. Basisbank has thus committed to fulfilling its objectives under several categories, such as climate action, ESG issues, and sustainable business directions. For each objective relevant timeframes and KPIs were elaborated, and corresponding roadmaps were developed to further track and monitor progress. Based on the overall materiality assessment, we have grouped material topics considering their impacts and SDG alignment.



After mapping/aligning ESG strategic objectives to the SDGs, bank believes the strategy contributes to the following Development Goals:

As part of its ESG strategy, the Bank has either already started working on the outlined objectives or achieved certain milestones in this regard. Specifically, by the end of 2024, Basisbank has thus far accomplished the following Sustainable objectives under the following topics:

Strategy Topic	Strategy Objective	SDG Alignment
Offer sustainable and green financial products and services	Develop a green lending framework and guidelines	SDGs 8 & 13
	Issue green/sustainable bonds in cooperation with the ADB to finance green lending products	SDGs 8 & 13
Reduce its own carbon emissions	Measure and disclose greenhouse gas emissions	SDG 13
Foster employee well-being	Conduct yearly employee satisfaction surveys	SDGs 3 & 8
	Increase the attractiveness of the Bank for young graduates by organizing outreach activities and sponsoring events at universities	SDGs 3 & 8
Data protection and confidentiality	Create the position of Data Protection Officer	SDG 12
Transparency and fairness towards customers	Monitor the net promoter score and aim for constant improvement	SDG 12
Corporate culture and professional ethics	Enforce Basisbank's Code of Ethics	SDG 16
Ensure equal treatment and opportunities for all	Enforce an anti-discrimination policy	SDGs 5 & 10
	Increase the share of women in the senior management	SDGs 5 & 10
Operate as a sustainable and transparent business	Issue a sustainability report	SDGs 8 & 12

The materiality assessment and elaboration of the strategy as a whole were part of a technical support project run by the Green for Growth Fund, with the support of the EU4Energy Initiative.

Environmental Issues

Green Products

In 2024, Basisbank started working on the development of targeted green banking products through which its corporate and SME clients could support the country's transition to carbon neutrality. During the development process, the focus so far has been on two key areas: green energy and green transport. Both products align well with the NDCs and contribute to CO_2 reduction in two massive sectors. The green energy product contributes notably to the diversification of the renewable energy sector, while the green transport product targets reductions in energy consumption and CO_2 emissions in transport which accounts for around 30% of all energy consumption. The Bank has developed two green banking products targeted at corporate and SME clients. In order to enhance its' green lending practices, the Bank has also devised relevant instructions for corporate and SME bankers on the newly developed green products and trained their employees to integrate new elements into existing processes. The target clients for newly developed green products vary from industry to industry. Green transport comprises three categories: private transport; freight and cargo transportation; and industrial and agricultural vehicles. Each have their own specific technical criteria. Private transport includes electric and plug-in hybrid vehicles, passenger vehicles, minibuses, and distribution vehicles, while freight and cargo transport include transport trucks, and industrial and agricultural vehicles are specific types of transport used for agricultural and construction activities.

Green energy comprises three categories as well, namely solar, hydropower and wind. Solar panels (PV cells), hydropower plants (HPPs), and wind farms are integrated into each relevant category, and each have their own specific technical criteria.

The technical criteria developed for green energy and green transport align with the Sustainable Finance Taxonomy.

Sustainability Bond

Basisbank aims to advance as one of the key players in sustainable banking in Georgia by integrating relevant banking practices and offering environmentally and socially conscious products to support Georgia's financial market to transition towards greater sustainability by financing businesses that address environmental and social issues.

Within this objective in mind, Basisbank successfully issued a three-year sustainability bond amounting to USD 20 million, which was the first issuance of such a bond in Georgia by a commercial bank, as well as the first public issuance by a commercial bank on the market, making a significant contribution towards the fixed income market development in the country. The bond was denominated in USD, with a tenure of three years and a fixed interest rate of 7%.

Its placement began on 7 August 2024 when the first tranche of bonds was issued. A second tranche of USD 10 million was scheduled within one year of the first issuance. The bond was issued on the local market and listed on the Georgian Stock Exchange.

The ADB participated as an anchor investor in the transaction and subscribed to USD 15 million. The rest of the bonds were subscribed to by various private investors. Due to strong demand, there was a 30% oversubscription, which reflects Basisbank's solid financial standing, promising market outlook, and established trust with investors.

The placement agents for the issue were the hugely experienced JSC Galt and Taggart and LLC TBC Capital, who facilitated the issue process.

The proceeds of the bonds were determined to be used to finance green and social projects/loans under the sectors and sub-sectors defined by the Sustainable Finance Taxonomy prepared by the NBG. These sectors include green buildings and construction, energy efficiency, renewable energy, green transportation, healthcare, education, and access to finance.

Sustainable Framework and Second-party Opinion

The Bank has adopted a sustainability bond framework, which is in accordance with the International Capital Market Association's (ICMA) Green Bond Principles (GBP) 2018, the ICMA's Social Bond Principles (SBP) 2020, the Sustainability Bond Guidelines (SBG) 2021, and the NBG's Sustainable Finance Taxonomy, under which Basisbank issued sustainable bonds and defined the projects/loans eligible to be funded by the sustainability bond proceeds.

Basisbank has mandated DNV[3] to provide a second-party opinion on its sustainability bond framework. A second-party opinion ensured the framework followed the highest international standards and transparency requirements as defined by the Green Bond Principles, the Social Bond Principles, the Sustainability Bond Principles, and the Sustainability Bond Guidelines. Furthermore, it assessed the Bank's overall alignment with Georgia's Sustainable Finance Taxonomy and best market practices. The second-party opinion document is available on the websites of Basisbank and DNV.

Sustainable Finance Taxonomy

Basisbank is committed to supporting the development of a unified model for sustainable loan reporting, actively working to prevent greenwashing practices. Even before the NBG introduced the Sustainable Taxonomy, Basisbank adhered to the standards set by international partners and had systematic reporting in place for green projects.

Starting in 2023, Basisbank has mobilized resources to advance the taxonomy reporting process. This has included adopting the taxonomy reporting tool provided by the NBG and conducting capacity-building activities, ranging from informational meetings to specialized training for corporate and SME bankers and reporting team. The Bank has enhanced the technical capacity of corporate and SME bankers to screen loans against the technical criteria outlined in the Sustainable Finance Taxonomy, and to identify green loans which are then checked by the ESG Manager. Thereafter, the reporting team ensures, that all reports required regarding the Bank's green and social loans are submitted in accordance with the requirements of the National Bank of Georgia (NBG).

Social Issues

Professional Ethics and Diversity

At Basisbank, we promote diversity in our teams by valuing different viewpoints, confronting stereotypes, and empowering individuals to share their ideas and solutions. Moreover, we prioritize inclusion, ensuring that everyone feels valued, respected, and encouraged to contribute their perspectives.

The Code of Conduct and Code of Ethics regulate diversity and inclusion issues at Basisbank. The Code of Ethics, together with the Bank's charter and other internal legal acts, forms part of the corporate governance framework, and it is mandatory for every employee of the Bank, including top management, regardless of position and type or duration of contract.

Persons falling within the scope of the Code of Ethics are guided by the following principles:

- Acting honestly, competently, and in full compliance with standards of attention, respect, and ethics towards the public, customers, employers, fellow employees, the banking sector, and other participants in the financial market;
- Prioritizing banking professional honesty and customers' interests over personal interests;
- Acting with reasonable and professional care and independent judgment in professional activities;
- Operating ethically and conscientiously, and encouraging others to do the same, thereby positively impacting upon them and the financial sector in general;
- Promoting the integrity and sustainability of the banking sector and the financial market for the common public benefit; and
- Carefully maintaining and improving the professional competence of oneself and others.

The Bank, as an employer, firmly opposes discrimination in both labor and pre-contractual relations. It upholds the principle of equality and reflects this in its activities, as outlined in the Bank's internal regulations.

Diversity issues are also considered when appointing members of the Bank's Management Board and Supervisory Board.

Employee Health and Safety

Basisbank has taken steps to ensure the health and safety of its employees. To maintain a secure working environment, Basisbank has engaged an external company specializing in safety measures. This outsourced partner is responsible for implementing and maintaining high standards of workplace safety, ensuring compliance with all relevant regulations and guidelines.

In addition to physical safety, Basisbank places a strong emphasis on the overall wellbeing of its employees. The Bank provides comprehensive health insurance coverage for all staff members, ensuring that they have access to necessary medical care and support. Recognizing the importance of family wellbeing, Basisbank also extends this insurance coverage to the immediate family members of its employees, demonstrating a commitment to holistic healthcare.

Furthermore, Basisbank actively supports the physical fitness of its employees by financing sports competitions and activities. The Bank organizes and sponsors various sporting events, encouraging employees to participate in team sports, fitness challenges, and other physical activities. These events not only promote a healthy lifestyle but also foster team spirit among staff members. Through these efforts, Basisbank emphasizes the importance of physical activity as a key component of overall health and wellbeing.

3 DNV - a global quality assurance and risk management company that provides second-party opinions on sustainability frameworks https://www.dnv.com/services/second-party-opinion-service-9427/

Benefits for Employees

Basisbank offers various benefits to its full-time employees. Such as:

- Special loan and deposit terms
- Health insurance
- Life insurance
- Incident insurance
- Paid maternity/paternity leave
- Phone deposits
- Compensation in case of dismissal

Corporate Social Responsibility

Education Support

It should be noted that Basisbank has always been and remains a company demonstrating a high level of social responsibility. Since 2005, the Bank has run an education support fund, through which many impactful projects have been implemented.

As part of the "Basisbank for Education" program, financing is provided for the education of students at the Bank's partner universities, as well as internships and employment for bachelor's, master's, and doctoral students at the Bank, providing students with personal computers, as well as contributing to the material and technical bases of universities.

- Under the "BasisBank for Education" program, we have been funding the education of students from partner universities for years, providing internships and employment opportunities for undergraduate, master's, and doctoral students at the bank, supplying students with personal computers, and equipping universities with material and technical resources, as well as funding various events.
- In collaboration with the USAID Basic Education Program, we conducted a series of training sessions for teachers and workshops for students on "How to Use School Subjects for Creative Ideas". We traditionally cooperate with the USAID Civic Education Program, under which we funded the project "Colorful Benefit" organized by the initiative group of Orsantia School in Zugdidi Municipality, aimed at enhancing and developing entrepreneurial skills among school students.
- For many years, within the framework of our partnership with the NBG's "FINEDU" portal, we have been increasing the financial literacy of the population.

Cultural Issues Support

Basisbank is also an active supporter of culture and makes a significant contribution to the popularization of Georgian theater and modern art. We are confident that support given to Georgian culture by the business sector increases opportunities for development.

- For the third year, we are the general sponsor of the Marjanishvili Theatre.
- For the second year, we are the general sponsor of the Union of State Puppet Theatres, with whom we have implemented interesting projects.
- We have become the general sponsor of the Objects Theatre and Sandro Mrevlishvili Theatre, as well as the presenter of international projects of the New Theatre.
- With the official sponsorship of BasisBank, the 4th International Film Festival of Svaneti was held, and a charitable solo concert by Nino Surguladze took place.
- BasisBank makes a significant contribution to the promotion of Georgian theatre and the support of contemporary artistic processes.
- We actively continue to support sports and cultural events nationwide, believing that the support of the business sector will provide even more opportunities for the development of Georgian culture.
- The Bank is a sponsor of the intellectual club "What? Where? When?" through which it has protected the rights of spectators for many years.

Social Enterprise Support

One of the Bank's priorities in the area of social responsibility is caring for vulnerable people in society through various projects. We believe that the development of social entrepreneurship in Georgia is important for the social development of the country and is one of the most effective mechanisms for overcoming poverty, as well as employing vulnerable groups of society to boost their integration into society.

A memorandum of cooperation was signed between Basisbank and the Center for Strategic Research and Development of Georgia (CSRDG), which provides for strengthening social enterprises operating in Georgia and promoting the development of the concept of social entrepreneurship by Basisbank through financial and technical support mechanisms.

Based on the memorandum of cooperation, a grant competition was announced for the second year, through which we will provide both financial and technical assistance to the winning social enterprise, supporting the integration of people with disabilities into society.

Through this program, which we have been implementing for two years, Basisbank was represented in the "Community Support" category at the "Responsible Business Awards - Meliora 2024," where our project "Basisbank - Supporter of Social Entrepreneurship" was among the finalists.

During the project's implementation, constant communication between the parties led to more effective problem solving.

Other activities continue to be implemented within the project such as planning joint incentive activities of the Bank and the CSRDG and promoting social entrepreneurship among youth as well as the selection of target CSRDG social enterprises and management of banking support mechanisms.

Social Projects

Basisbank keenly participates in social projects, responding to the needs of vulnerable groups in society. Homes for the homeless, orphans, and the elderly are systematically provided with the necessary resources, including with the participation, and upon the initiative, of employees.

In all regions of Georgia, with the involvement of Basisbank employees and charitable organizations, families have been selected that are in greatest need of public support. Large families, socially vulnerable families, and families with disabilities have been chosen as beneficiaries in particular.

With the participation of our team members, several socially vulnerable beneficiaries were selected from different regions of Georgia, their needs were identified, and donations were made.

Basisbank, as a financial organization with a high level of social responsibility, held a number of charity events and concerts were organized. One of them was a charity concert organized by the "Elder Andria" Foundation with the participation of the State Academic Ensemble "Rustavi," courtesy of a financial contribution from the Bank. The money received from that event will be fully used by the branches of the Elder Andria Foundation to care for children with cancer and their families as well as in the support and development of the only rehabilitation center in the Caucasus, "Happy Home." The cooperation between Basisbank and the Elder Andria Foundation has been ongoing for many years.

Furthermore, with the participation of Basisbank employees and as part of the corporate social responsibility initiative "Let's Take Care of Those Who Need Us," socially vulnerable large families were identified and donations made including food, gifts and essential items.

Green Projects

Today, social and environmental responsibilities are no longer considered separate. Increasing investment in green projects and gaining the image of an environmentalist are directly related to a business's reputation and stability.

Through various initiatives, we contribute to increasing the environmental awareness of employees and enhancing their environmentally friendly behavior.

- A memorandum of cooperation was signed between the Bank and the social enterprise Tene. The partnership provides for the placement of waste receptacles in the Bank's offices, where used plastic is collected for safe disposal. Basisbank clients and employees thus have the opportunity to actively participate in a project collecting plastic waste through Tene's containers, after which Tene ensures the recycling of the collected plastic.
- With the financial support of Basisbank, a greening campaign was organized in the village of Tserovani. Under the initiative of the students of Youth House, students have begun to make their village greener. The population of the village has expanded notably in just a few years and locals are in need of cleaner air and more green space. Through this initiative, students are setting an example to their peers and this greening initiative will be spread throughout Georgia under the name "Plant the Life."
- As part of our cooperation with the USAID Civic Education Program, the "Healthy Lifestyle is the Best Choice" project was funded for a school in the village of Didinidze in Zugdidi municipality. With the financial support of Basisbank and the involvement of employees, a green zone has been set up in the schoolyard, where it is planned to hold a series of sporting events. Selected activists will continue to work towards protecting the environment and promoting a healthy lifestyle in society even after the completion of the project. They will also be involved in maintaining a "green corner" and regularly holding sports competitions. The overall goal of the project is to increase public awareness about ecology and living a healthy lifestyle..

We are looking for different ways to implement actions that protect the environment. In particular, we try to equip the Bank with energy-saving devices, conduct landscaping campaigns, and use energy resources wisely, for example saving energy by disconnecting all unnecessary devices and turning off the lights when a room is vacant.

For Basisbank, environmental protection projects, as an aspect of sustainable development, are very important and represent one of the priority areas of the Bank's corporate social responsibility. We believe that waste management and the wise use of natural resources in order to reduce environmental damage is the duty and responsibility of us all.

Social Activities for Employees

In 2024, in line with Basisbank's goals and objectives, an internal communication plan was developed. This included the implementation of existing initiatives according to the action plan and consistent communication with employees about ongoing processes, key updates, and achievements within the organization.

The main communication platform within the organization is Workplace, which integrates all team members. This platform allows us to share all important topics promptly and make them accessible to each employee online.

Throughout the year, periodic meetings were held where top management and middle managers shared the status of significant projects, achieved results, future plans, and goals with employees. Various formats were prepared to highlight the employees behind successful projects, results, and achievements. For employees with different interests, various championships, meetings, and activities were planned.

The activities carried out included:

- Internal "What? Where? When?" Championship
- Corporate Business League "What? Where? When?" - Basisbank team took 3rd place
- Activities for team members in Eastern and Western Georgia
- Charity campaigns with employee involvement
- 2024 Business Champions League Qualifying League in Football - Basisbank team won
- Internal Chess Championship
- Bowling Championship
- Amateur Basketball League
- Karting Championship
- Rafting

Basisbank was the winner in the "Responsible Employer" category for large companies at the "Responsible Business Awards - Meliora 2024."

The annual "Meliora 2024" competition awards business companies for the best initiatives and projects that promote the development of corporate social responsibility.

Winners in nine categories were awarded by representatives of the diplomatic corps and international experts in the field of corporate social responsibility.

"Meliora 2024" was organized by CSRDG and funded by the European Union (EU) and the Konrad Adenauer Foundation (KAS) under the "Civil Society Initiative" project.

Governance Issues

ESG Management Structure

Creating an effective governance structure and operational framework for sustainability management is crucial to achieving the objectives set out in the Sustainability Strategy as well as for effective day-to-day management of the Bank's sustainability activities.

The Board, being the highest decision-making and representative body of the Bank, is responsible for exercising effective oversight and guidance with respect to all sustainability-related matters.

The Sustainability Committee is a key component within Basisbank, specifically focusing on ESG matters. Its primary responsibility is to support and advise the Management Board in overseeing the Bank's strategy, policies, and programs related to ESG issues. It ensures that the Bank's operations align with sustainable practices and is responsible for overseeing the development, implementation, and performance of the Bank's sustainability strategy. In addition, the Sustainability Committee plays a pivotal role in overseeing management of environmental impacts resulting from lending activities, positioning Basisbank as an environmentally responsible organization and enhancing its reputation.

The Sustainability Manager is responsible for providing information on sustainability and related activities at the Bank. This also involves monitoring regulatory developments and coordinating their implementation with relevant units within the Bank.

Environmental & Social Framework

The transition to a sustainable and carbon-neutral economy will create opportunities. Simultaneously, the Bank must scrutinize its business activities and operations for potential negative impacts and understand the environmental and social risks involved.

Systematic evaluation of these risks is an integral part of Bank's risk management processes within Bank's Environmental and Social (ES) Policy Framework.

In order to effectively implement and enforce responsible lending principles, Basisbank made significant changes to its environmental and social risk management policy in 2018 as well as its due diligence and environmental and social risk assessment procedures. The Bank has also compiled a list of exclusions detailing activities not financed by the Bank. Since 2018 there have been minor changes in the Bank's environmental and social risk management policy, ensuring its compliance with the donor requirements.

All businesses go through risk assessment procedures that sometimes may be followed by incorporating E&S requirements (covenants) in client agreements, to increase their environmental and social responsibility. You can view our ESMS here. To ensure the preparation for upcoming changes in the direction of ESG Risk Management, during 2024 Basisbank's employees have participated in the 10-week training program on climate risk management and transition planning for financial institutions by the IFC ClimaLAB.

Consequently, Basisbank has worked on updating the policy on a higher extent, according to the requirements and recommendations of the NBG's new ESG guidelines, incorporating climate risk management in the process, along with other changes.

The Bank has also started the project in partnership with the Raiffeisen Bank International, receiving the guidance and insights for updating the policy through an experience-sharing project.

Ethical and Responsible Governance

Code of Professional Ethics and Standards of Conduct

The Code of Professional Ethics and Standards of Conduct regulate diversity and inclusion issues at Basisbank, defining its approach towards governance and social issues. The Code introduces the traditions of corporate conduct and internationally recognized standards into the practice of the Bank's daily activities, which also implies considering not only legal requirements, but also generally recognized moral rules and ethical standards in the decision-making process. The Code helps the Bank's shareholders/members of the governing body, administrators and other employees to conduct their daily activities in compliance with professional ethics and rules of conduct in areas not regulated by laws, by-laws and corporate procedures, as well as in areas where conflicts of interest may potentially arise.

Other Policies and Procedures outlining Bank's Approach to ESG

Anti-Bribery and Corruption Policy

The Bank has approved Anti-Bribery & Corruption Policy (ABC Policy), which sets out the basic principles, rules, and standards of conduct for day-to-day operations of the Bank to reasonably prevent, detect, and report incidents of bribery and corruption within the organization. The ABC Policy applies to all persons associated with Basisbank, including all types of employees across all positions and levels i.e., senior management, middle management, and other personnel (permanent, fixed term, or temporary consultants, outsourced service providers, trainees and agency staff, volunteers, interns), as well as individuals/companies who provide services to or on behalf of the Bank or its subsidiaries.

Personal Data Protection Policy

The Bank's Personal Data Protection Policy defines its vision of and approaches to organizational and technical measures relevant to data processing and protection. It also determines the scope of accountability and the legality of its personal data processing and promotes awareness of data subjects about the rules and rights surrounding data processing in the organization. Basisbank is currently refining its internal policies and procedures to align those with relevant recommendations and ensure full compliance with the updated Law of Georgia on Personal Data Protection.

Credit Policy

The Bank's Credit Policy defines the goals, strategy, priorities, management standards, and general principles in relation to credit activities. Based on the Credit Policy, the Bank establishes detailed instructions, procedures, and guidelines for credit activities. The document sets out lending priorities, principles of lending, prohibitions and limits in lending, as well as other procedures and guidelines related to credit activities. As a result of the ESG strategy, the Bank is in the process of enhancing its green lending practices and establishing procedures for green products.

MARKET OVERVIEW

Georgian Macroeconomic Environment in a Snapshot

Favorable Business Environment

Georgia business environment remained favorable during 2024, showing top rankings for critical indexes relevant for doing business.

Transparency Index **#1** out of 120 countries Index by: International Budget Partnership	Public Integrity Index **#29** out of 119 countries Index by: European Research Centre for Anti-Corruption and State-building
Global Innovation Index **#57** out of 133 countries Index by: World Intellectual Property Organization	Economic Freedom Index **#32** out of 184 countries) Index by: The Heritage Foundation
Business Bribery Index **#44** out of 194 countries Index by: TRACE International	Corruption Perceptions Index **#49** out of 180 countries Index by: Transparency International

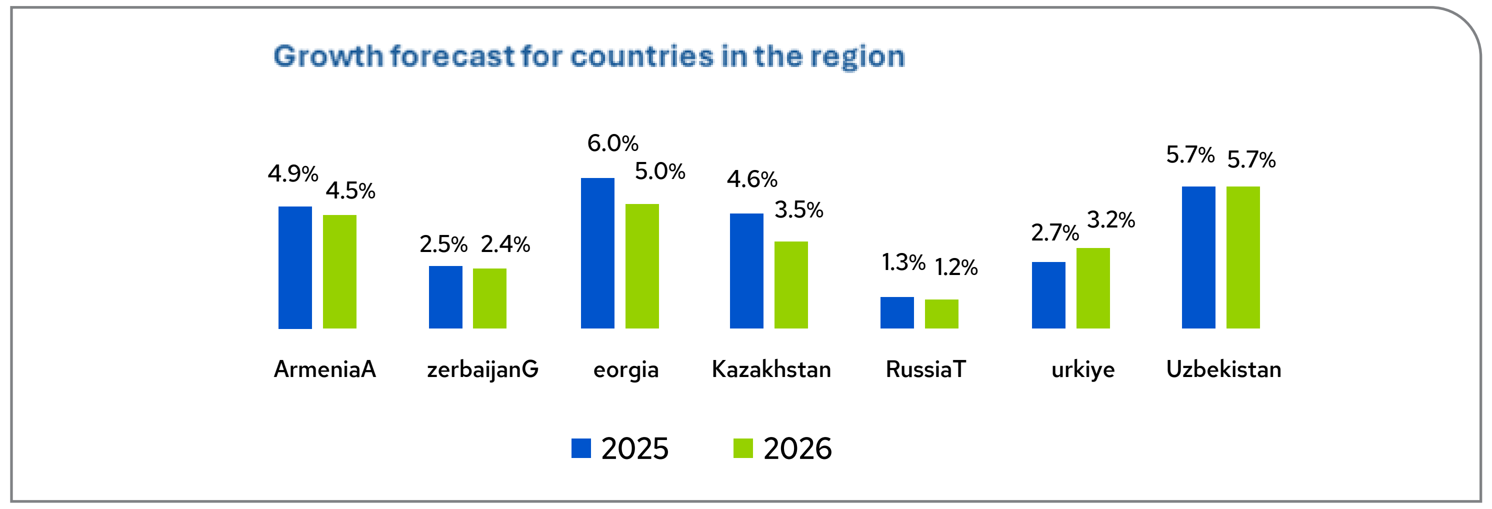
Prudent Macroeconomic Policy

GDP (2024 estimated*)	Budget deficit as of GDP (2024 estimated*)	Public debt as of GDP (2024 estimated*)	International Reserves equivalent of Import (2024)
$33.7 billion	**2.4%**	**37.5%**	**3.2** months
+9.5% YoY	+0.1 ppts YoY	-1.7 ppts YoY	2023: 3.9 months
Source: Geostat	Source: Ministry of Finance of Georgia; Geostat	Source: Ministry of Finance of Georgia	Source: National Bank of Georgia, Geostat

Macroeconomic Overview

The World Bank expects global growth to hold steady at 2.7% in 2025-2026. Global risks remain tilted to the downside despite the possibility of some upside surprises. Heightened policy uncertainty, adverse trade policy shifts, escalating conflicts, geopolitical tensions, pressures on inflation that could lead to longer-lasting monetary easing than expected, and consequently weaker growth in major economies represent key downside risks to the outlook. On the upside, faster progress on disinflation and stronger demand in key economies could result in greater-than-expected global activity.

Geopolitical tensions continue to pose a critical risk. The invasion of Ukraine remains a significant factor in shaping the Europe and Central Asia regional outlook. The global environment is highly uncertain, and the outlook is subject to significant downside risks.



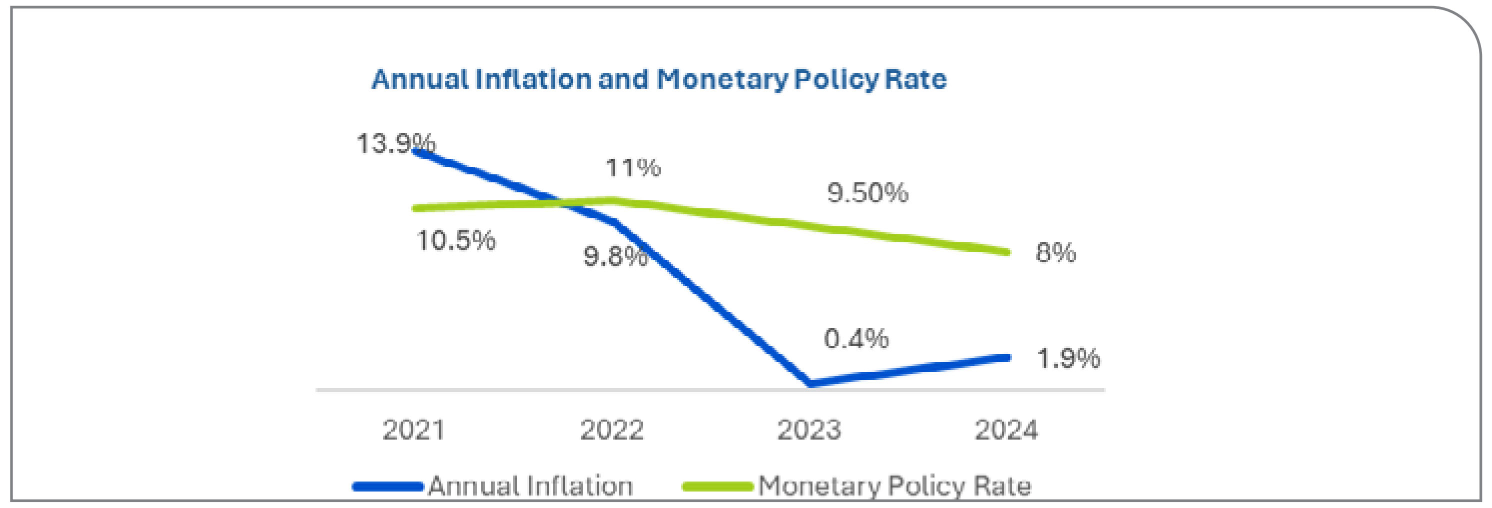
Main Drivers of growth in 2025: In 2024, The Group operated in an environment dominated by political and social polarization sharply increased after parliamentary election in October 2024. However, despite political tensions, Economic growth remains robust. Strong services sector performance (notably tourism and information and communications technology), construction as well as strong exports were key drivers of solid economic growth for Georgia. Strong credit expansion and economic activity has exceeded expectations, leading to 9.5% economic growth in 2024. Georgia proved its resilience to multiple shocks.

Low inflation and rising real household incomes, strong consumption are expected to be the primary drivers of economic growth, while investment and net exports are anticipated to make relatively modest contributions. Nevertheless, the economy's potential is also expanding rapidly, primarily due to increases in the labor force and rising labor productivity in certain sectors. Over time, these dynamics are expected to converge toward the long-term growth rate of potential output. Continued prudent policies and structural reforms are bound to strengthen resilience and boost potential for more inclusive growth.

Inflation: NBG's prudent approach to monetary policy, has helped to maintain low and stable inflation, below the target of 3%. NBG followed gradual exit from tight monetary policy in 2024.

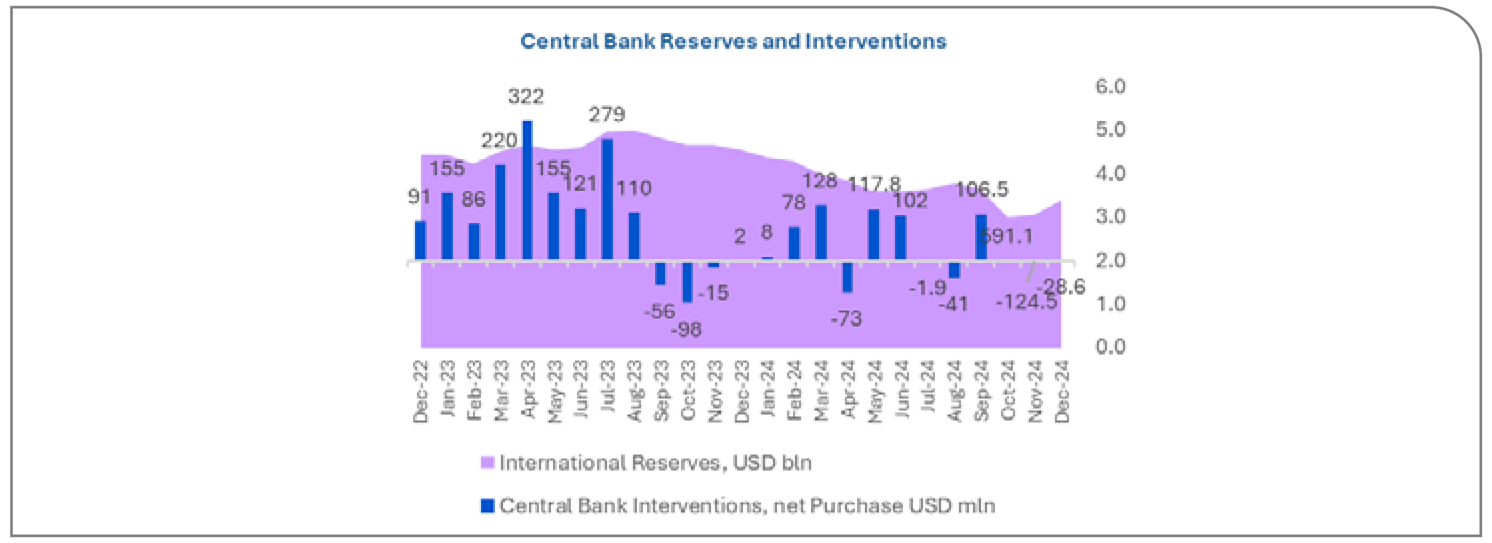
However, currently elevated level of economic growth bears inflationary risks, which are compounded by various supply-side factors and heightened uncertainty at the domestic, regional and global levels.

Considering these factors, the NBG assessed that it remains prudent to maintain a gradual pace of monetary policy normalization.



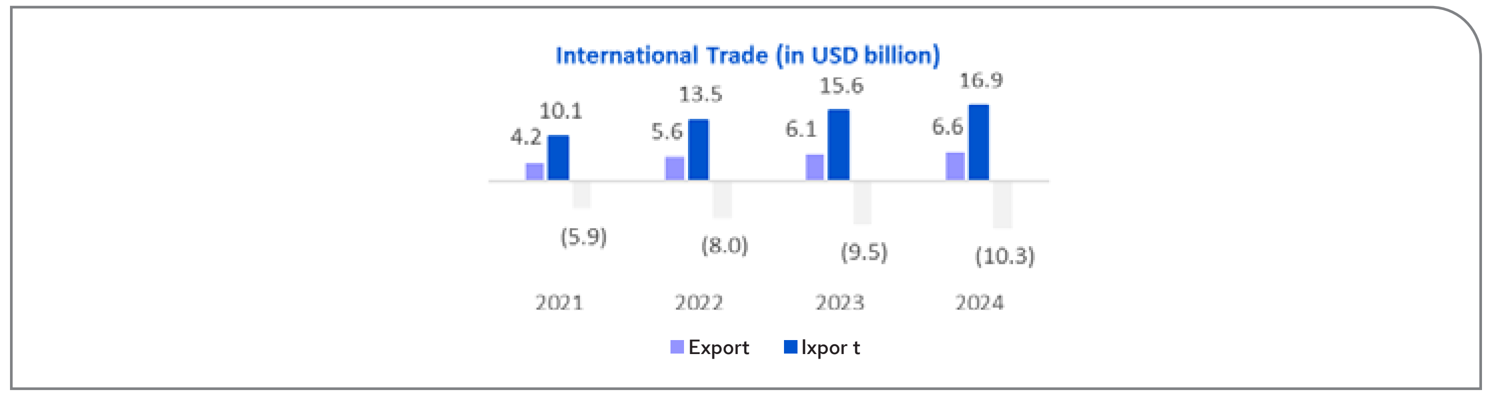
Public finances remain strong, robust economic growth has resulted in fiscal overperformance. As of December 2024, the government debt amounted to 35.5% of GDP (estimated). However, amid prolonged political uncertainty, Georgia's external balances have weakened.

The Lari depreciated by approximately 4.4% against the U.S. dollar in 2024, mainly driven by negative market sentiments, prompting the NBG to intervene in the foreign exchange market to stabilize volatility. These interventions resulted in net sales of an estimated $435 million, contributing to an 25.4% year-on-year decline in foreign currency reserves, which as of December 2024 stand at $3.4 billion. However, reserves have shown a gradual recovery in the last two months of 2024, reflecting the NBG's efforts to rebuild buffers.

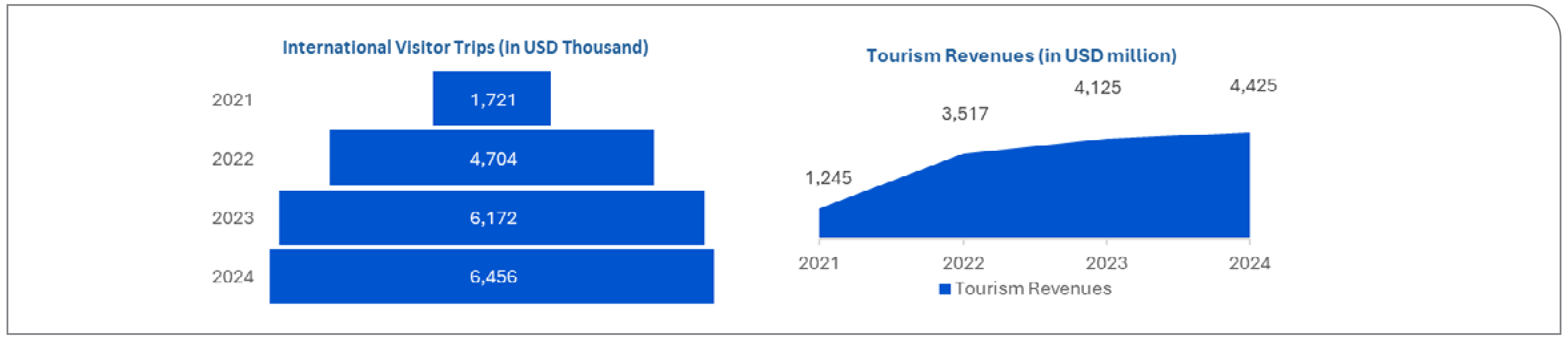


The current account deficit stands at 4.6% of GDP in 2024, up from 5.5% in 2023. In 2024, international trade was 8.01% higher compared to 2023.

International Trade: Due to weaker external demand, the trade deficit widened by 8.9% y/y. The trade of goods and income account make negative contribution to current account, while services account and current transfers - positive. The widening trade deficit was partially balanced by the continued recovery in tourism in 2024. Meanwhile, FDI and remittances showed an annual decrease in 2024.



Tourism: Tourism revenues amounted to $4.43 billion in 2024, which is a 7.3% annual increase, and a 35.4% increase compared to the pre-pandemic 2019 level. As for the international visits, in 2024, the number amounted to 6.45 million which is 4.6% more compared to last year and still 16.4% less compared to the pre-pandemic 2019 level.



Despite political tensions, Georgian economic outlook is strong. However, still substantial worsening of domestic political and geopolitical risks with adverse consequences for economic performance, governance or access to external financing, as well as continued, sustained decline in international reserves due to large capital outflows or sharp drop in FDI can negatively affect macroeconomic outlook.

Sovereign Credit Rating

Ratings Company	Long-term Sovereign Credit Rating	Outlook	Dates
S&P	BB	Stable	February, 2025
Fitch Ratings	BB	Negative	December 2024
Moody's	Ba2	Stable	March 2024

Outlook

Domestic political and Geopolitical risks are likely to remain, adverse consequences for economic performance, governance or access to external financing can negatively affect the macroeconomic outlook.

Despite political tensions, Georgian economic outlook is strong. It is expected that economic growth to remain still strong, albeit moderate as compared to 2024. Inflation may gradually increase close to the target in 2025, but it is expected that NBG will maintain a cautious monetary policy stance preventing additional cutting of rates until domestic and Geo-political pressures subside.

Banking Sector Overview

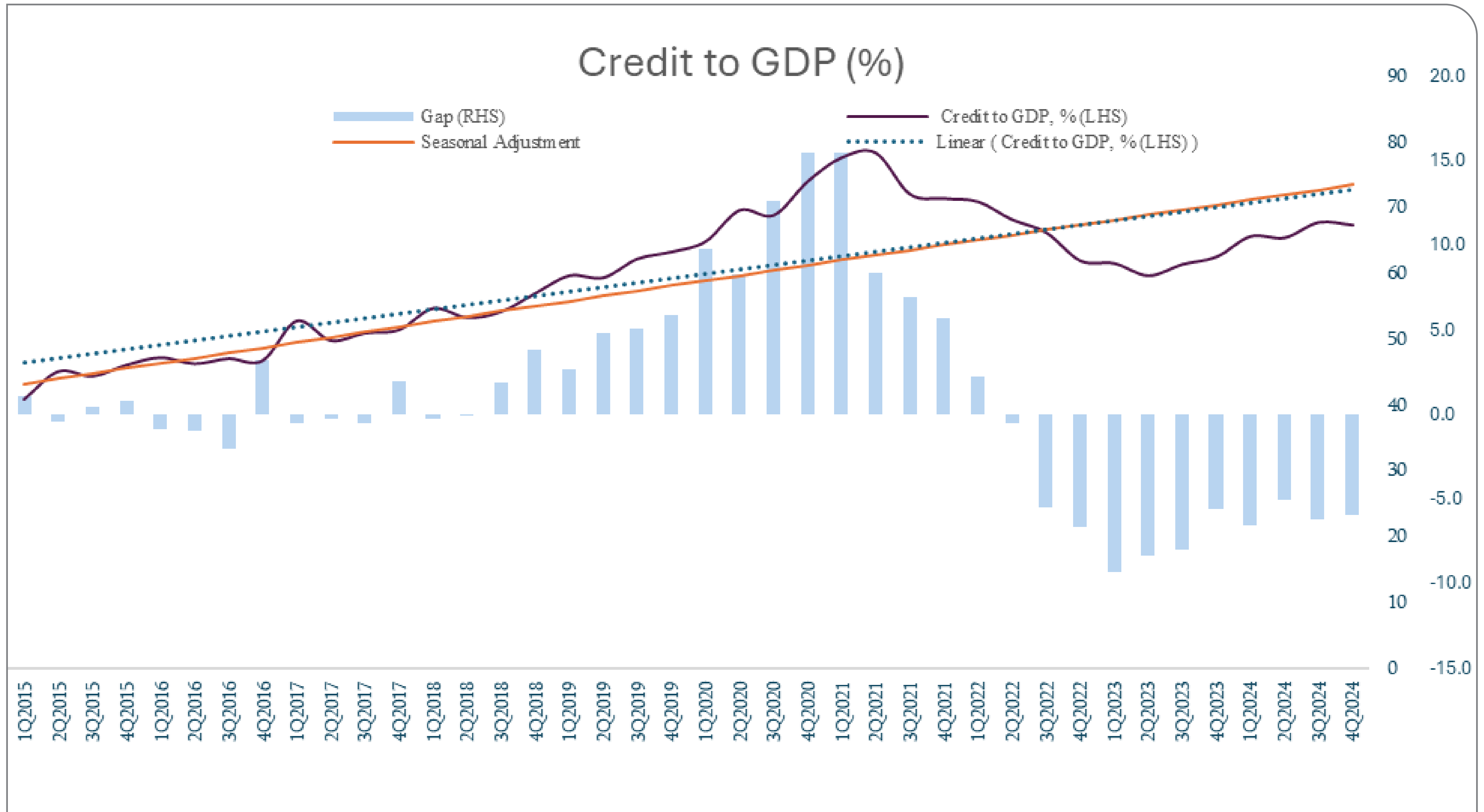
Georgia's banking sector remains stable and a strong pillar of economic growth. The sector remains resilient to external shocks. Equipped with solid capitalization and liquidity buffers, the continued resilience of the banking sector is largely determined by the prudent supervision policy by NBG's. Macroprudential and prudential measures used in banking supervision help proactively manage financial sector risks.

Sector Asset Quality, Liquidity and Capitalization

NPLs	Total CAR	LCR	Average NSFR
1.47%	**22.73%**	**135.70%**	**128.30%**
-0.01 pp	+0.6 pp	min:100%	min:100%

In 2024, total credit to GDP increased by about 2.71 pp to 68.3%, while deposits to GDP ratio increased by 0.97 pp to 64%. Against the background of strong economic activity, credit to GDP ratio remains below the long-term trend, indicating the reduction of debt burden for the households.

It mitigates further pressure on the portfolio quality for upcoming years. Despite the high economic activity in 2024 the credit to GDP gap was reducing throughout the year. According to the NBG forecast the gap is expected to close in the first half of 2025 year.



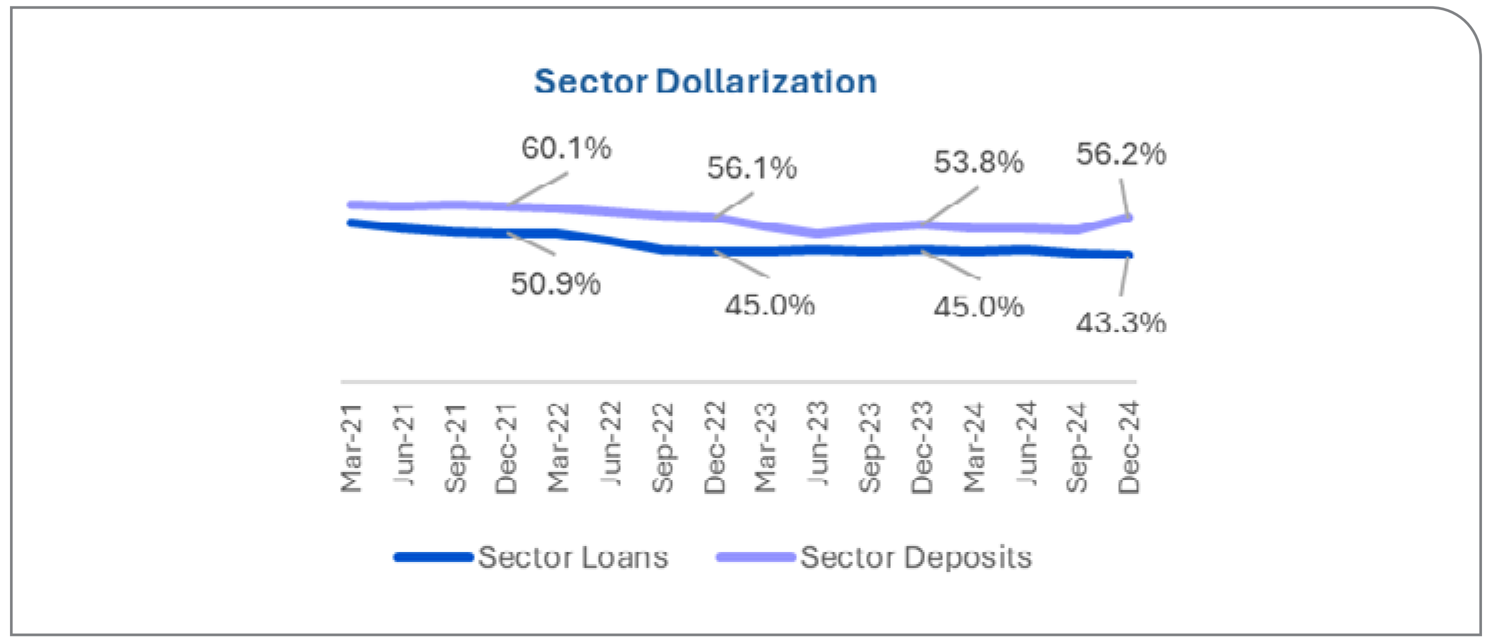
Credit-to-GDP gap is the deviation of Credit-to-GDP ratio from its long-run trend. The trend is estimated using HP filter in line with the Basel recommendations.

Loans portfolio quality remains robust and shows positive dynamics on an annual basis. The share of non-performing loans decreased by 0.01 pp to 1.47%. While the share of non-performing loans uncovered by reserves decreased by 0.22 pp and amounted to 3.58% of regulatory capital.

In 2024, loans portfolio of the banking sector increased by 18% y/y (+15.9% y/y fx free). Total deposits portfolio increased by 13% y/y (+10.4% y/y fx free). The sector operates with strong capital and liquidity buffers. By the end of 2024, the total capital adequacy ratio amounted to 22.73%. Liquidity buffers were solid throughout the year for short-term as well as for long-term purposes. Liquidity coverage ratio (LCR) amounted to 135.7% as of December 2024, well-above the minimum requirement of 100%, which estimates short-term liquidity position of the banking sector. Meanwhile, the net stable funding ratio (NSFR) averaged at 128.3%, indicating the solid long-term liquidity position of the sector.

Dollarization: Despite a gradual decline, Georgia still faces a relatively high dollarization of the banking sector. Dollarization of the financial sector remains a significant challenge for financial stability.

The National Bank continues to actively work to reduce the structural risks caused by the high level of dollarization. Against the background of the measures taken by the NBG, dollarization has significantly decreased.



Regulatory Updates

To mitigate the impact of globally tightened financial conditions on the local economy, based on the NBG's decision in November 2023, the countercyclical capital buffer will be accumulated gradually. According to the Financial Stability Committee decision, banks are required to accumulate neutral countercyclical capital buffer according to the following schedule: 0.25 percent by March 15, 2024; 0.5 percent by March 15, 2025; 0.75 percent by March 15, 2026; 1 percent by March 15, 2027.

The National Bank, in coordination with the industry, considering the macroeconomic environment and risks, continues to implement the long-term de-dollarization plan. By decision of the Financial Stability Committee in November 2024, the limit for unhedged foreign currency loans has increased from 400,000 to 500,000 GEL. The change will come into force on January 1, 2025. This change will positively affect reducing the dollarization in the retail loans portfolio.

The NBG is also actively monitoring the dynamics of deposit dollarization, the level of which increased lately against the background of uncertainty and contributed to the accumulation of excess foreign currency liquidity in the financial system. To prevent excess liquidity from turning into increased dollarization of loans, in November 2024, the Monetary Policy Committee decided to increase the upper limit of the reserve ratio on foreign currency liabilities by 5 percentage points. So now the reserve requirement for funds attracted in foreign currency will be not in the range of 10% to 20%, but in the range of 10% to 25%. This change will increase the cost of US dollar resources for banks, which will reduce the interest rate on dollar deposits and increase interest rate on loans denominated in the US dollars. This will have a positive effect on de-dollarization.

In order to promote and strengthen responsible financing practices in the capital market, in 1Q 2024, the NBG released a draft regulation for public consultation on granting, maintenance, and cancellation of green, social, sustainable, or sustainability-linked bond status. It introduces regulatory measures for publicly offered corporate bonds with environmental and social objectives, with a focus on enhancing investor confidence and interest in these bonds. Additionally, it aims to prevent and eliminate misleading advertising practices, known as greenwashing. The regulation is aligned with the International Capital Markets Association (ICMA) principles and international best practices in sustainable finance. It also reflects the European Green Bond Standard Regulation approved by the European Parliament and Council on November 22, 2023.

In 1H24 the NBG published a draft of Amendments to the Open Banking Regulation, allowing micro-banks to participate in Open Banking, together with commercial banks. In addition, the minimum criteria that a bank must meet when presenting a guarantee in the National Bank of Georgia, have been added to the regulation. Open Banking involves the immediate exchange of information between financial institutions using electronic technologies. Open banking can bring positive results to both consumers and the financial sector in general. Open Banking paves the way to the efficient use of new technologies, significantly improves access to finance, promotes sound competition, serving as the basis for the development of data-driven Fintech business models.

The Georgian banking sector remains committed to complying with relevant anti-money laundering (AML) regulations and the sanctions adopted by the UK, US, and EU. In 2024 Basisbank continued enhancing its sanctions compliance framework by strengthening due diligence measures, refining transaction screening capabilities, and improving risk assessment methodologies. According to the regulatory requirements, the Bank developed and implemented Internal Regulation related to execution payments in compliance with trade restrictions according to the international sanctions' regimes. The Regulation defines the mandatory documentary requirements to be provided by the customer during import/export transactions execution. To stay ahead of evolving sanctions regimes, the Bank continues investing in advanced monitoring technologies and providing specialized trainings to employees.

FINANCIAL OVERVIEW

Financial Overview

In 2024, the Group continued its strong growth trajectory and met key financial targets. The performance reflects the resilience and strategic direction of the company, demonstrating solid profitability and efficiency across core business areas. The Group continued its growth in all key areas and delivered the main group targets at the bank as well as at the group level, supported by resilience and continued business momentum in line with its targets and capital objectives.

Profitability

In Thousand Gel INCOME STATEMENT HIGLIGHTS	YE24	YE23	Change y-o-y
Net interest income	156,939	136,614	14.88%
Net non-interest income	46,789	36,564	27.96%
In which: income/expenses from subsidiaries	12,705	6,956	82.65%
Operating revenue	203,728	173,178	17.64%
Operating expenses	-100,192	-82,651	21.22%
Operating Profit Before Impairment	103,536	90,527	14.37%
Credit Impairment Charges	-4,464	-4,355	2.50%
Profit Before Income Tax	99,072	86,172	14.97%
Income tax	-11,649	-9,286	25.45%
Net Profit for the Period	87,423	76,886	13.70%
Other comprehensive income	5,139	-3,673	-239.91%
Total comprehensive income	92,562	73,213	26.43%
Return on Assets	2.37%	2.39%	-0.02pp
Return on Equity	15.03%	15.80%	-0.77pp
Cost to Income	49.18%	47.73%	+1.45pp

The Bank and the Group continued its positive course, delivering solid financial results across all key metrics. The Operating Profit before Impairment amounted to GEL 104 million, plotting a 14.4% increase compared to 2023. The Group's profit before tax reached GEL 99.07 million for 2024, up from GEL 86.17 million in 2023, driven by higher revenues, lower impairment changes, partially offset by increased operating expenses, resulting in a 15.0% year-on-year increase in performance.

Net profit for the period increased by 13.7% year-on-year to Gel 87.42 million, fueled by a 15.0% rise in interest income and a 27.0% boost in non-interest income. Total comprehensive income increased significantly by 26.4% to Gel 92.56 million, benefiting from expanded financial position.

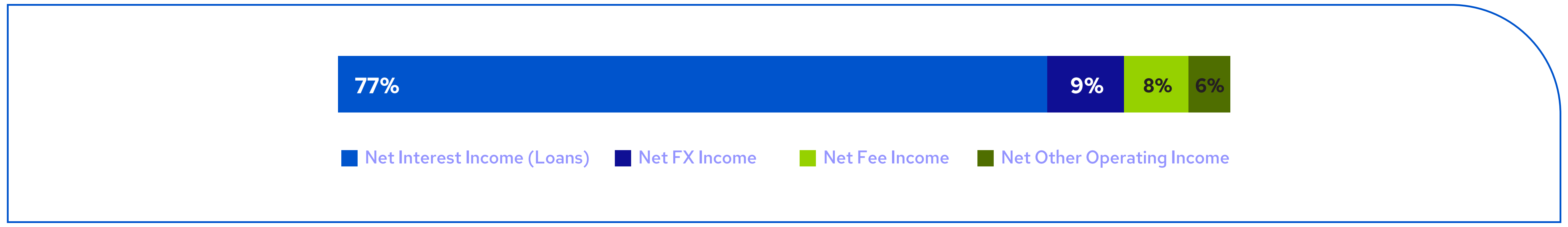
The post-tax return on average Shareholder's equity (RoAE) was 15.0%, slightly lower than year-end 2023, 15.8%, driven by higher cost-to-income ratio and increased capital. Whereas Return on Average Assets (RoAA) amounted to 2.35%, hitting exactly the same percentage as for 2023 (2.39%), reflecting an increase in foreign currency-denominated positions due to the depreciation of the Georgian Lari against major currencies (US dollar and euro) towards the end of the year.

Supported by a low cost of risk stemming from the Group's prudent risk profile and robust risk management practices, the Group recorded an improvement in the year 2024 results compared to 2023.

Operating Profit

Gross Operating Revenue for the year amounted to Gel 204 million, up 17.6% year-on-year, mainly due to a 14.9% year-on-year increase in net interest income (NII) to Gel 156.9 million, up from Gel 136.6 million in 2023.

We shall analyze Income on a net basis, which also equals the Gross Operating Revenue of the Group. It incorporates Net Interest and Non-interest income, which increased by 14.9% and 27.0% respectively.



Net interest income: Operating revenue for the year amounted to Gel 204 million, up by 17.6% year-over-year, mainly due to a 14.9% year-over-year increase in net interest income (NII) to Gel 156.9 million, up from Gel 136.6 million in 2023. NII was impacted by higher average cost of funds and tighter lending rates but benefited from a higher share of interest-earning assets and expanded lending.

In 2024, interest income increased by 14.38% year-over-year, while interest expense increased by 13.99% y-o-y. The average interest-earning assets increased by 17.07% to Gel 3,192 million, reflecting expanded income generation opportunities, while the average interest-earning liabilities increased by 13.33% to GEL 2,564 million, reflecting higher funding needs to support lending growth. Interest expenses include interest expenses on subordinated loans, raised during the year for total amount of Gel 11.7 million.

Net interest margin (NIM) remained broadly flat at 4.93%, slightly below the 2023 figure of 4.95%. Loan yields fell to 11.78% (-0.2 pp) due to tight market rates, while the cost of funds rose slightly to 6.5% (-0.04 pp), reflecting marginal decline in borrowing costs due to adjustments in basic indices in major currencies.

Despite the reduction in the lari refinancing rate from March 2023, its impact on the net interest margin was not significant due to a more significant decline in margins, mainly driven by market expectations.

NIM is highly dependent on the cost of liabilities. In 2023-2024, the Bank issued high-yield fixed income instruments, mostly denominated in foreign currencies, which coincided with the rise in the US dollar and euro indices. The Bank increased the share of deposits to maintain the benefits of deposit growth and a higher share of lower-cost funding sources.

Despite a slight change in funding costs, the bank's effective interest rate management ensured a steady net interest income.

Net Non-interest Income: The year-on-year increase of 28% in non-interest income was due to sizeable changes in Bank's franchise compared to period before acquisition in 2022.

Significant growth was recorded in all major income categories, net fee and commission income year-on-year increase by 26.3% to Gel 16.2 million driven by intensified banking operations, trade finance, settlement transactions and remote banking fees.

Net foreign currency gains rose sharply by 72.8% to Gel 18.6 million. While the subsidiaries' contribution (net income from insurance and financial leasing) increased by 87% to GEL 12.7 million from GEL 6.0 million, reflecting the growth of the franchise of these businesses and the purchase of the leasing portfolio by BB Leasing in 2024, which resulted in higher net interest income due to this one-time transaction.

Operating Expenses and efficiency

In Thousand Gel OPERATING EXPENSES AND COST EFFICIENCY	FY24	FY23	CHANGE Y-O-Y
Salaries And Other Employee Benefits	56,505	49,140	14.99%
Administrative Expenses	15,020	11,089	35.45%
Depreciation and Amortization costs	8,754	5,257	66.52%
Other Operating Expenses	19,913	17,165	16.01%
Total Operating Expenses	100,192	82,651	21.22%
Expected Credit Loss on Loans	4,815	3,851	25.03%
Expected Credit Loss on Other Assets	256	66	287.88%
Cost to income ratio	49.18%	47.73%	+1.45pp
Cost of risk on loans	0.20%	0.18%	+0.02pp

In 2024, the bank continued its expansion, which resulted in an increase in operating expenses, while maintaining cost efficiency and stable profitability indicators. Total operating expenses increased by 21.2% to GEL 100.2 million, driven by an increase in personnel costs, administrative expenses and investments in operational growth.

Despite higher expenses, the Bank maintained control over expenses, with the cost-to-income ratio modestly increasing to 49.18% compared to 47.73% in the previous year. Cost control remains a priority, in 2024 the cost-to-income ratio was close to the target of 50%, in line with the bank's strategic growth phase to ensure operational efficiency.

Progress In Figures

In Thousand Gel BALANCE SHEET HIGHLIGHTS	YE24	YE23	CHANGE Y-O-Y
Liquid assets	907,824	862,497	5.26%
Liquid assets, GEL	504,334	540,062	-6.62%
Liquid assets, FC	403,490	322,435	25.14%
Net loans to customers	2,922,676	2,493,970	17.19%
Net loans to customers, GEL	1,460,889	1,300,935	12.30%
Net loans to customers, FC	1,461,787	1,193,035	22.53%
Customer accounts	2,543,571	2,192,371	16.02%
Customer accounts, GEL	1,252,132	1,094,334	14.42%
Customer accounts, FC	1,291,439	1,098,037	17.61%
Amounts owed to credit institutions	606,759	667,210	-9.06%
Other borrowed funds	415,676	382,344	8.72%
Short-term loans from central banks	170,422	175,098	-2.67%
Due to other banks	20,661	109,767	-81.18%
Subordinated debt	163,292	106,383	53.49%
Among them Own Debt Securities	28,878	27,678	4.34%
Own Debt Securities	57,666	-	-

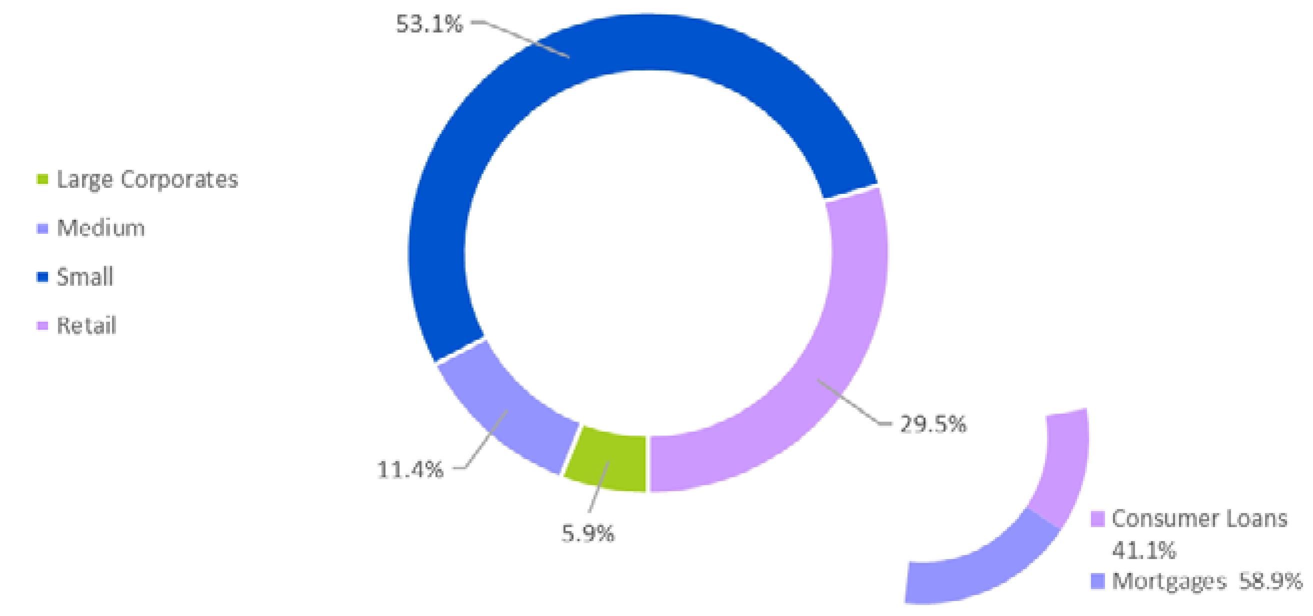
The consolidated balance sheet increased by 12% YoY to GEL 4.05 billion, supported by strong loan growth, deposit expansion and effective capital management. The bank secured 4th place in the market with all main metrics and 3rd position by Business Lending. By the end of the year, the Bank's market share in the banking sector amounted to 4.19% as assets, 4.66% as of loans and 4.22% as of deposits portfolios.

Loan Portfolio

Net loans to customers amounted to GEL 2.9 billion on 31 December 2024. The bank reported a 17.2% year-over-year growth, reflecting strong lending demand and a well-managed credit portfolio.

The loan book is diversified between business portfolio amounting to 70.5% and retail customers or households, amounting to 29.5% of GLP. Out of the total Business Portfolio of 2,084 million, 92% accounts for Loans to SME and 8% to Corporates. Loans to households are made up of 58.9% residential mortgages and 41.1% consumer loans, with about half of the latter being secured at end December 2024.

Loan Portfolio Structure



Business loans grew by 21.3% year-on-year, totaling GEL 2.08 billion, while retail loans saw an 8.0% year-on-year increase, reaching GEL 0.87 billion. In 2024, the Bank also transformed its business processes within the business segment, which yielded notable results. Loans to SMEs reached GEL 1.9 billion, while loans to large corporates grew to GEL 175 million[4].

The bank holds around 50.0% of its loan portfolio in foreign currencies (FC), which is common for the sector. The share of GEL-denominated loans decreased and stands at 49.98% on 31 December 2024 versus 52.02% on 31 December 2023. Local currency loans grew by 12.3%, while foreign currency loans expanded by 22.5%, demonstrating robust loan book diversification across different currency exposures.

At the end of 2024, the share of non-resident loans in the portfolio was 3.4%, compared to 3.8% in 2023. The share of related party loans remained stable at 0.3%. Additionally, the concentration of loans to the top 20 groups and top 20 borrowers was 25.9% and 22.0%, respectively, compared to 24.4% and 19.5% in 2023.

Loan Portfolio Quality

In Thousand Gel **PORTFOLIO QUALITY**	24-Dec	23-Dec	CHANGE Y-O-Y
Non-Performing Loans[5]	84,053	68,186	23.27%
NPLs to gross loans	2.84%	2.70%	+0.14pp
NPL coverage ratio[6]	41.77%	48.68%	-6.91pp
NPL coverage ratio adjusted for the discounted value of collateral[7]	127.57%	135.23%	-7.66pp
Stage 2 Loans share in Business loans	4.15%	4.69%	-0.54pp
Stage 3 Loans share in Retail loans	2.09%	2.56%	-0.46pp
Stage 2 Loans share in Business loans	2.76%	3.05%	-0.3pp
Stage 3 Loans share in Retail loans	6.24%	6.13%	+0.11pp

Non-performing loans (NPLs) increased by 23.3% to Gel 84,053 thousand, driven by loan book expansion, but NPL-to gross loans ratio remained low at 2.84%, reflecting stable credit risk exposure. Compared with the preceding periods over the year the NPL ratios were broadly stable across all segments.

The bank's non-performing loans (NPL) coverage ratio stood at 41.77%, with an adjusted coverage (including collateral) of 127.57%, ensuring a well-provisioned and resilient loan book.

Stage 3 loans, which represent credit-impaired exposures, decreased from 3.70% to 3.32% of total loans, indicating improved loan portfolio quality.

The quality of the Bank's loan portfolio remains outstanding within the banking sector. The Bank maintains a conservative Risk Policy and Risk Appetite, which is reflected in its low Cost of Credit Risk (CoR) Ratio, standing at 0.20% for 2024, slightly up from 0.18% past year. The expected credit loss (ECL) charge on loans amounted to GEL 4.8 million, reflecting improved asset quality, while LLP share stands at 1.19% marking a decrease of 0.13pp compared to the previous year.

COR
0.20%
2023: 0.18%

LLP Ratio
1.19%
2023: 1.32%

4 Classification of loans mentioned in this paragraph differs from the classification used to prepare Note 11 of the consolidated and separate financial statements for the year ended 31 December 2024.
5 Non-Performing Loans are loans with 90 days past due on principal or interest, or loans regarded as unlikely to be repaid by management decision.
6 NPL coverage ratio equals total expected credit loss amount for loan commitments divided by the NPL loans.
7 NPL Collateral Coverage ratio equals the sum of expected credit losses for loan portfolio and the minimum amount of NPL Loans Exposure and Discounted Collateral Amounts of those NPL Loans (after applying different haircuts for different types of collaterals 0%-100%) divided by the NPL loans

Customer Deposits and other funding

Customer Deposits

Customer accounts serve as the Bank's primary funding source, accounting for 74% of total liabilities at the close of 2024, with a loans-to-deposits ratio of 116.3%.

Total customer deposits grew by 16.0% year-on-year, reaching GEL 2.54 billion. Deposits from legal entities increased by 11.3% (GEL 128 million), while individual deposits rose by 21.1% (GEL 224 million). A key driver of this growth was the rise in term deposits from retail clients.

2024	2023
GEL **2.54** billion +16% YoY	GEL **2.19** billion

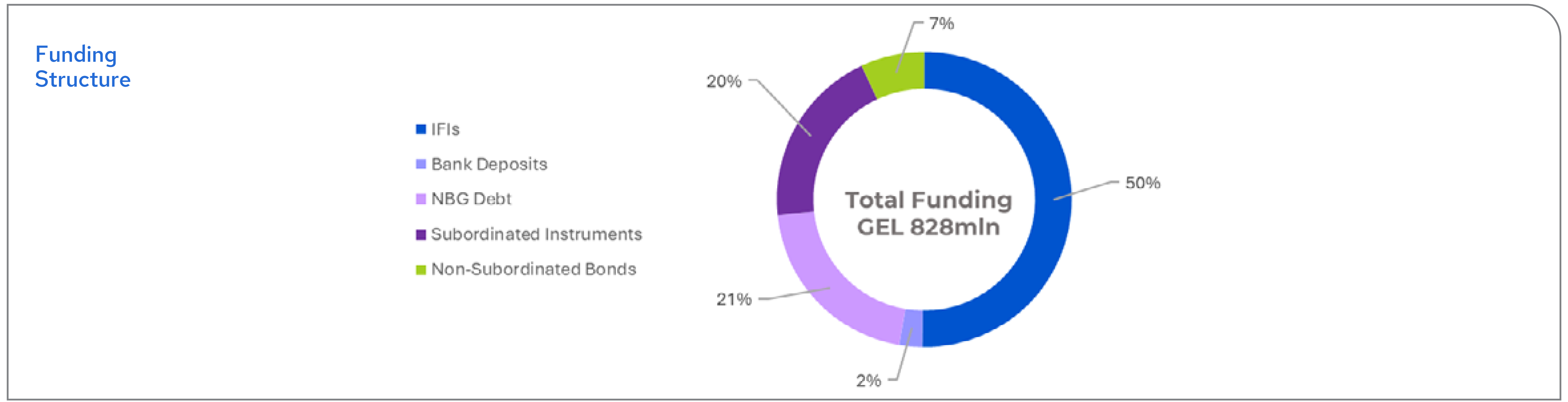
The growth in time deposits is largely attributed to market expectations and the desire for higher yields, with two-thirds of individual deposits now placed in term deposits. This fixed maturity exposure not only aids in managing the Liquidity Coverage Ratio (LCR) more effectively but also reduces the cost associated with on-demand funds, which are subject to higher run-off rates.

Customer Deposit Portfolio FX Concentration amounted to 50.8%. Local currency deposits increased by 14.42%, outpacing foreign currency deposits, which grew by 17.61%.

The Bank continues to focus on reducing reliance on high-value depositors. While concentration risk is decreasing, further efforts are needed to expand customer outreach and diversify the depositor base.
The share of non-resident deposits stood at 8.6% (2023:7.8%), while related party deposits accounted for 2.5% (2023:4.4%). As for the Top 20 Depositors, their combined share of the total customer deposit portfolio decreased to 39.67%, respectively, compared to 40.32% in 2023, signaling continued progress in diversification. These improvements in portfolio concentration contribute positively to the Bank's liquidity position.

Other Funding

The Bank continues to secure a broad range of funding sources, leveraging partnerships with prominent international financial institutions and considering issuance of financial instruments. In 2024, we saw a 7.0% rise in total funding to credit institutions, reaching GEL 828 million. The breakdown of this funding is as follows:



A diversified funding profile, encompassing various investor types, regions, products, and instruments, remains a central pillar of our funding strategy. Basisbank's funding structure has remained stable, with a notable increase in financing from our international financial institution partners.

Funds drawn from IFIs grew by 8.7% to Gel 415.7 million, ensuring a stable long-term funding base. Subordinated debt increased significantly by 29.8% to GEL 163.3 million, strengthening the bank's Tier 2 capital position and enhancing regulatory capital buffer. Non-subordinated bonds reflect a USD 20 million Sustainability Bond issued by Basisbank in August 2024, which was first of such kind on the market.

Liquidity

Total liquid assets increased by 5.3% to Gel 907.8 million, ensuring adequate liquidity to support business expansion and regulatory compliance. While local currency liquid assets declined by 6.6%, foreign currency liquid assets grew by 25.1%, highlighting a shift in liquidity composition toward foreign currency holdings. The share of liquid assets to total assets stood at 22.39% on 31 December 2024 versus 23.83% on December 2023.

Despite some slight decrease in liquid assets to total assets ratio over the period, Liquidity coverage ratio (LCR) has remained stable, well above minimum regulatory requirement (above the 100% limit set by NBG) and unchanged year-over-year (198.9% on 31 December 2024, 136.7% on 31 December 2023) indicating the bank's strong liquidity position with other liquidity metrics.

Similarly to LCR, the net stable funding ratio (NSFR) rose to 124.2%, reflecting strong long-term funding stability. Gross loans to customer deposits remained well-balanced at 116.3%, ensuring optimal funding mix. Thus, in 2024, the bank further demonstrated its ability to effectively manage liquidity and withstand potential financial shocks.

Liquidity coverage ratio

LCR 199%
2023: 137%

NSFR 124%
2023: 117%

Capital position and regulatory compliance

Basisbank's Regulatory Capital increases dynamically year-over-year. It is well supported by strong shareholder support in the form of periodic injections or Subordinated debts, as well as Tier 2 Instruments issued by the bank.

As of December 2024, the bank remained well-capitalized, ensuring financial stability and regulatory compliance.

The Basel III CET 1capital adequacy ratio improved to 15.49% (regulatory minimum: 12.03%), while the total capital adequacy ratio rose to 19.27%, well above the 17.57% requirement. The leverage ratio increased to 13.1% providing a strong capital buffer for future growth.

Capital Ratios

CET 1 CAR Ratio 15.5%
2023: 15.1%

Total CAR Ratio 19.3%
2023: 18.2%

The bank maintains Resilient capital with solid capital buffers above minimum requirements due to strong organic growth of revenues, and Shareholders support of equity. Tier 2 capital is supported by new capital instruments issued on the market during the year.

In 2024, shareholders injected USD 10 million into ordinary shares to further support the Bank's growth. Additionally, Bank issued Tier 2 Subordinated Loans to retail customers, amounting USD 3.2 million. Also, Tier 2 Subordinated Loans were received from EFSE and GGF amounting to EUR 10 million and EUR 5 million respectively.

Basisbank stays fully compliant with capital adequacy requirements stipulated by National Bank of Georgia.

Selected financial Ratios

CAPITAL AND SOLVENCY RATIOS	FY24	FY23
IFRS based NBG (Basel III) CET 1 capital adequacy ratio	15.49%	15.12%
Minimum regulatory requirement	12.03%	11.49%
IFRS based NBG (Basel III) Tier I capital adequacy ratio	15.49%	15.12%
Minimum regulatory requirement	14.41%	13.73%
IFRS based NBG (Basel III) Total capital adequacy ratio	19.27%	18.20%
Minimum regulatory requirement	17.57%	17.38%
KEY EFFICIANCY RATIOS		
ROAA	2.37%	2.39%
ROAE	15.03%	15.80%
Net interest margin	4.93%	4.95%
Cost to income ratio	49.18%	47.73%
Cost of Risk	0.20%	0.18%
KEY BALANCE SHEET RATIOS		
LCR	198.93%	136.68%
NSFR	124.23%	117.19%
Leverage	13.06%	12.40%
Gross loans to Customer Deposits	116.28%	115.27%
Customer Deposits to total Non-equity Funding	382.80%	328.59%

CORPORATE GOVERNANCE

Corporate Governance Overview

Effective corporate governance in accordance with high international standards is a part of our identity. We are committed to maintaining a best-in-class corporate governance framework, fully compliant with NBG Corporate Governance Code, in line with international standards and best practices. Framework is suitable to support efficient decision-making, to align risk and accountability on the basis of clear and consistent roles and responsibilities, putting a strong focus on enhancing a clear Governance structure ensuring value driven management and control.

NBG Corporate Governance Code on itself, is based on international standards and best practices, such as those of Basel Committee on Banking Supervision, Directive 2000/36/EU of the European Parliament and of the Council of 26 June 2013, the Organization for Economic Cooperation and Development (OECD), the UK Stock Exchange etc.

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

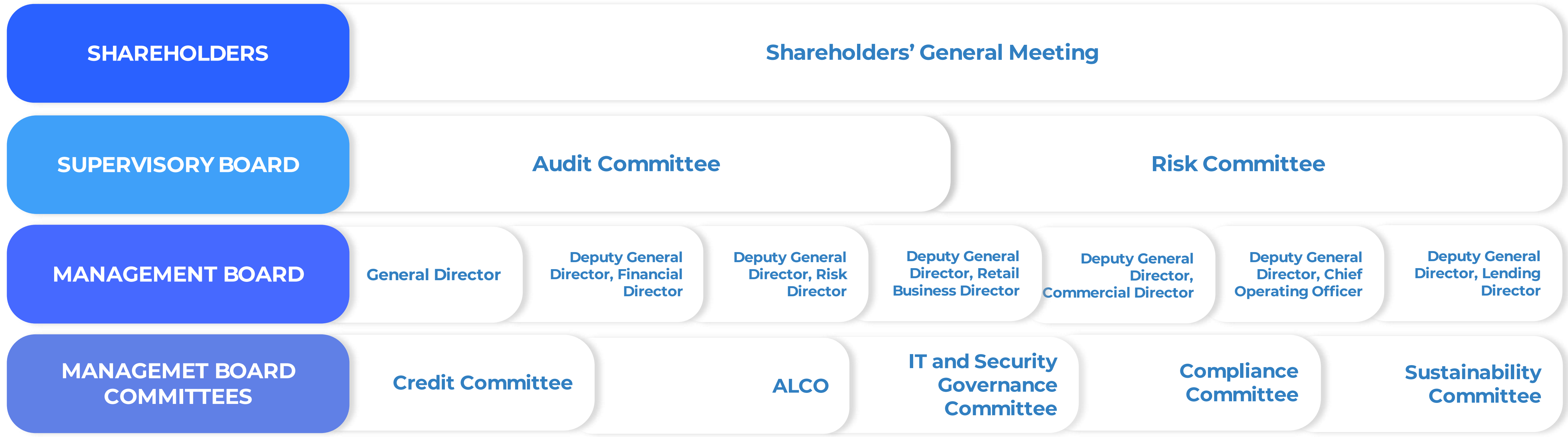
In line with the principles of above-mentioned regulations, the Bank established Corporate Governance structure suitable with the size, complexity, structure, economic significance, risk profile and business model of the Bank and its Group.

Corporate Governance Structure

Basisbank's (Bank) governance structure sets a formal framework for the Management Board to follow Bank's strategy and objectives, as well as manages the relationship between Directors and Shareholders. Bank has elaborated a thorough set of policies and systems to ensure that its ultimate objectives are met and there is an effective framework for oversight and control.

Basisbank's corporate governance structure combines three separate bodies:

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



Annual General Meeting

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

General meeting takes decisions on the most important issues - approves the bank's charter, makes decisions on issuance of shares, distribution and usage of earnings, on changes in the bank's capital and makes decision on appointment and / or dismissal of the Board members.

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

The Annual General Meeting ("AGM") for 2025 will be invited by the Bank's Directorate in observance of the procedure stipulated by law, by publication on the unified electronic portal of the National Public Registry Agency, and the bank's official webpage www.bb.ge.

Supervisory Board

The Supervisory Board of Basisbank appoints, supervises and advises the Management Board and is directly involved in decisions of fundamental importance to the bank. Supervisory Board is exercising its functions through the Supervisory Board Meetings and Supervisory Board-level Committees. The Board appoints and works closely with the Management Board, supervises and advises on important issues and is directly involved in fundamental decisions.

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

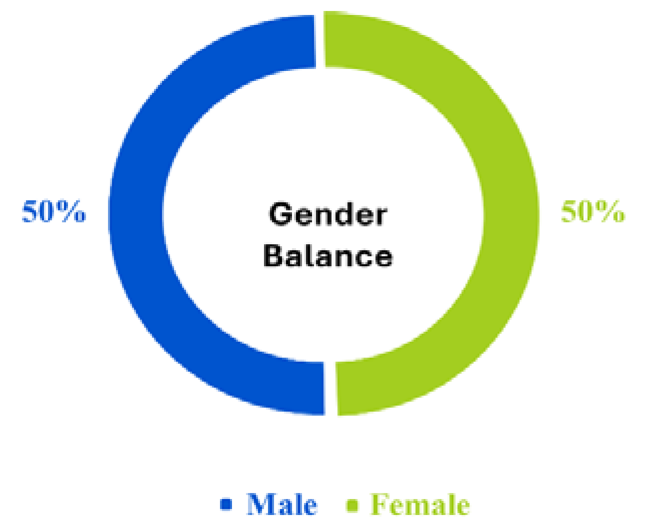
Board Meetings: Board meetings are based on the principles of open dialogue, accountability and transparency, and members have the opportunity to be fully involved in the work process. Decisions are made in a transparent manner, with all members being equally involved in the dialog and decision-making process, except for the exclusion provided by the Bank's internal regulation on the Management of Conflict of Interests. Board's decisions as well as related material are submitted to the National Bank of Georgia on an ongoing basis.

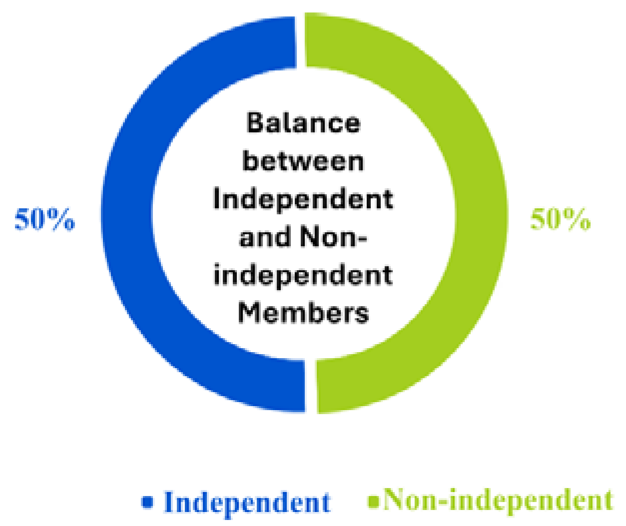
Appointment and re-appointment of Supervisory Board Members: Supervisory Board Members are appointed by AGM for the tenor of 4 years. After 4 years their authority is prolonged until new members are appointed by next AGM. Same person can be appointed for the position for unlimited number of times.

Board members can resign any time. Resignation notice shall be sent 3 months earlier. Board member can be resigned by AGM any time before the tenor. New member should be appointed within 6 months from the date of resignation of former member.

Segregation of duties: Given the corporate governance structure with its separation of the Management and Supervisory Board, a member of the Supervisory Board is excluded from being a member of the Management Board. While Management board is actively involveld in delivering strategy and day-to-day management of Bank, the role of Supervisory Board is oversight and recommendations to Management Board.

Board Diversity: Supervisory Board is diversified in terms of age, sex, nationality, background and expertise. Members contribute to Board functioning with their diverse opinions and advice on different issues. Bank believes, that this diversity brings a balanced expertise and perspectives to the matters reserved for Board and levels up decisions made by the Board. Female representation on the Board is at 50%.





Board Independence: Half of the Supervisory Board members (three out of six) are independent. Board members are independent, if they are not exposed to the influence from the Bank or third party, which can deter the member from making objective and independent decisions. They are obliged to inform Board regarding any matter, that could impair their independence. Independent members have key rolen on Board level Committees, so they provide external experience and objectivity and help to avoid conflicts of interests more effectively.

The status of an independent member is terminated after 9 (nine) years from the first appointment as a member of the Board.

Evaluation of Board Performance: The Board is required to conduct a self-assessment of its and Board level Committees performance at least once a year. It evaluates the effectiveness of the Supervisory Board as a whole, its committees and members. Additionally, the external Auditor should evaluate effectiveness ot Board's Performance every three years. The last external evaluation was conducted in 2023 for the year 2022. The last internal review was conducted in 2024, assessing performance for 2022 and Q1 of 2023.

Supervisory Board-level Committees

Supervisory Board has established two Supervisory Board level committees, Audit Committee and Risk Committee, and delegates specific areas of responsibility to them. The committees facilitate informed decisions and report regularly to Supervisory Board.

The Committees have unrestricted access to the Bank's management, internal information and documents related to any matter within the competence of the Committee. They have the right and opportunity to independently invite external consultants, and, if necessary, receive consultations and services on legal, technical, accounting, financial, risk management and other matters.

Audit Committee

Audit Committee is an independent control function established on Supervisory Board level, which supports the Supervisory Board in monitoring the implementation of Financial Reporting and Audit. Audit Committee is established by the members of Supervisory Board, where two out of the three members are independent. It directly reports to Supervisory Board.

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

The Audit Committee is responsible for:

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

The Audit Committee meetings were held twice during the year.

Risk Committee

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

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

The Committee is responsible for:

- Oversight of Bank's Risk Management Framework and functions;
- Oversight of Bank's risk strategies and policies and their effective implementation;
- Assessment and oversight of Bank's risk profile, limits and overall Risk Culture;
- Oversight of compliance with regulator and other internal and external regulations;
- Oversight of subsidiary's risk management function, risk management framework and the proper functioning of internal control systems.

The Risk Committee meetings were held twice during the year.

Committee Membership and Independence

Member	Independence	Audit Committee	Risk Committee
Zhang Jun	☐		
Sabina Dziurman	✓		◯ Committee Chairperson
Zaza Robakidze	✓	◯ Committee Chairperson	◯ Member
Zhou Ning	☐	◯ Member	
Nino Okhanashvili	✓	◯ Member	
Mia Mi	☐		◯ Member

◯ Committee Chairperson ◯ Member

Management Board

Management Board (Board) has overarching responsibility for managing Basisbank, steering Bank and setting the bank's strategic course. Along with that, Board shall be responsible for running the ultimate business objectives in line with the Bank's strategy, navigating within an effective Risk Management and Internal Control framework, and ensuring best practices for Corporate Governance are adhered to.

The Board is collectively responsible for long term success of the Bank and delivering value to shareholders. Board members have appropriate balance of experience, skills, and knowledge, as well as independence from bias, to be able to fulfill their duties and responsibilities.

The Board is composed of seven Directors, a General Director and six deputies, each covering different directions: Retail Business, Lending, Finances, Risk Management, Operations and Commercial Business.

Key Responsibilities:

- Responsibility for the day-to-day management and oversight of the Bank and its operations;
- Approval and fulfilment of the Bank's strategy, long-term objectives and budgets; monitoring performance against those;
- Creating effective systems for Financial and non-financial Risk Management, risk controls, supporting risk culture within the Bank.

Appointment and re-appointment of Directors: All members of Management Board are appointed by Supervisory Board.

Members of Management Board are appointed for 4 years. After 4 years their authority is prolonged until new member is appointed by Supervisory Board. Same person can be appointed for the position for unlimited number of times.

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

DAVID TSAAVA, GENERAL DIRECTOR

- Leading the management board
- Strategic development and management
- Marketing and strategic communications
- Business Analytics and Transformation
- Human resources management and administration

LIA ASLANIKASHVILI, DEPUTY GENERAL DIRECTOR, FINANCIAL DIRECTOR

- Accounting and financial reporting
- Strategic planning and budgeting
- Capital and asset-liability management
- Treasury Management
- Investor Relations
- Global transactions and cash management

DAVID KAKABADZE, DEPUTY GENERAL DIRECTOR, RISK DIRECTOR

- Financial and non-financial risk management
- Regulatory and Legal Compliance
- Legal support
- Problem Asset Management and Litigation
- AML and Sanctions Compliance
- Customer experience and quality

RATI DVALADZE, DEPUTY GENERAL DIRECTOR, CHIEF OPERATING OFFICER

- Technology leader, IT and software development
- Operations management and centralized back office
- Project management and business analytics
- Product and service support
- Infrastructure support and logistics

GIGI GABUNIA, DEPUTY GENERAL DIRECTOR, COMMERCIAL DIRECTOR

- Corporate financing and strategic business development
- SME banking
- Private banking
- Trade finance and factoring
- Credit analytics

HUI LEE, DEPUTY GENERAL DIRECTOR, LENDING DIRECTOR

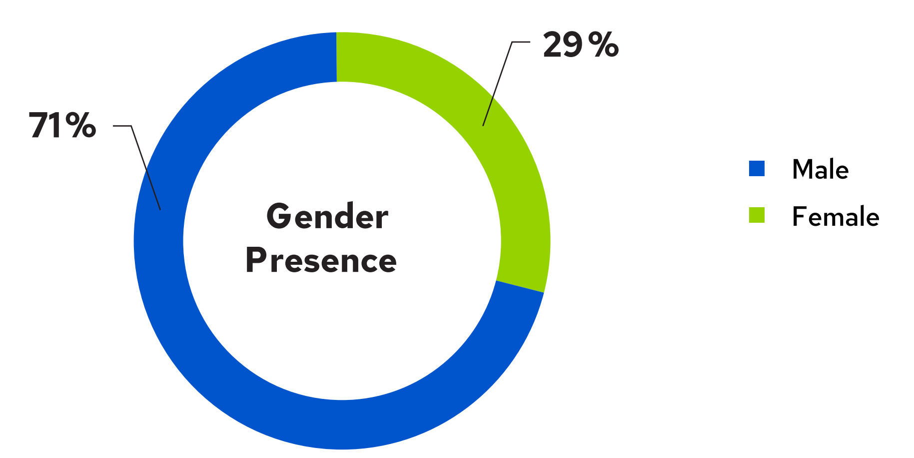
- Member of Credit Committee

LEVAN GARDAPKHADZE, DEPUTY GENERAL DIRECTOR, RETAIL BUSINESS DIRECTOR

- Retail business management
- Premium Banking
- Branch and Service Network Development
- Digital services and transformation
- Product and Service Development
- Sales Network Development

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

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



Changes in Management Board composition: In 2024, there have been no changes of Directors.

Management Board-level committees

The board delegates specific areas of responsibility to its five committees: the Credit Committee, the Informational Technologies and Security Governance Committee, the Asset and Liability Management Committee (ALCO), the Sustainability Committee, and the Compliance Committee.

Credit Committee

The credit committee evaluates potential clients' financial condition and their ability to repay the loan; makes decision within the authority delegated to the committee in compliance with internal policies and procedures.

The Credit Committee has four levels for loan approval, these levels are:

- Credit Department level;
- Risk Management Department level;
- Small committee level;
- Extended committee level.

Informational Technologies and Security Governance Committee

Information Technology and Security Governance Committee (hereinafter ITSG Committee) sets IT project priorities and ensures alignment of IT projects with the Bank's strategy, defines and analyzes appropriate IT tasks, develops new projects and ensures proper progress and implementation of those.

ITSG Committee consists of six members, Committee is headed by Deputy General Director, Risk Director.

Members of IT Development Committee are:

- Deputy General Director, Risk Director;
- General Director or deputy;
- Deputy General Director, Chief Operating Officer;
- Head of the Information Technology Department;
- Head of the Project Management and Business Analytics Department;
- Head of the Information and Cybersecurity Management Group.

ALCO

Committee reviews current and prospective liquidity positions and monitors alternative funding sources, develops parameters for the pricing and maturity distributions of deposits, loans and investments. Defines and sets limits for currency position, cash limits and limits for other financial products.

ALCO consists of seven members, Committee is headed by Deputy General Director, Financial Director.

Members of ALCO are:

- Deputy General Director –Financial Director;
- General Director;
- Head of Treasury Department;
- Deputy General Director – Risk Director;
- Deputy General Director – Chief Commercial Officer;
- Head of General Risk Management Department;
- Head of Asset-Liability Management Department.

Compliance Committee

The Compliance Committee has been established by the Board of Directors in August 2022 to promote the effective management of compliance risks by the three lines of defense of the bank within its competence.

Main objective of the committee is to support the effective management and mitigation of compliance risks. Committee consists of seven members and is headed by Deputy General Director, Risk Management.

Members of Compliance Committee:

- General Director;
- Deputy General Director –Risk Director;
- Advisor to Deputy General Director –Risk Director;
- Deputy General Director – Chief Commercial Officer;
- Deputy General Director – Financial Director;
- Head of Anti-Money Laundering and Sanctions Compliance Department;
- Head of International Sanctions Division;
- Head of Compliance Division.

Sustainability Committee

The Sustainability Committee is a key component within BasisBank, specifically focusing on ESG matters. Its primary responsibility is to support and advise the Management Board in overseeing the Bank's strategy, policies, and programs related to ESG issues. This committee ensures that the Bank's operations align with sustainable practices and is responsible for overseeing the development, implementation, and performance of the Bank's sustainability strategy. It reviews and approves major sustainability initiatives, assesses risks and opportunities, and ensures alignment with the overall business objectives. In addition, the Sustainability Committee plays a pivotal role in overseeing management of environmental impacts resulting from lending activities, positioning BasisBank as an environmentally responsible organization and enhancing its reputation.

The Sustainability Committee is composed of the following members:

- Deputy General Director – Financial Director;
- Deputy General Director –Risk Director;
- Deputy General Director – Chief Commercial Officer;
- Head of Compliance Division;
- International Relations Division;
- Advisor to Chief Commercial Officer, Strategic Business Development;
- Sustainability Manager.

Further Aspects of Governance

Conflicts of Interests

Based on the Basisbank's Group specifics, the Supervisory Board, the Management Board and other control functions strictly control the possible sources of the conflicts of interest. The bank identifies and records related parties and sets controls on the transactions with those. The Supervisory Board periodically revises the policies developed and approved by it, in order to ensure compliance with the underlying challenges. In addition, the bank closely cooperates with the National Bank of Georgia to take into consideration the regulator's guidance for the establishing and maintaining robust control system.

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

Management Board remuneration policy

In line with the regulatory requirements, in 2023 the Supervisory Board of the Bank has adopted the Remuneration Policy, to set forth the basic principles governing the remuneration of the top management, other material risk takers, staff with control functions and other staff.

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

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

Supervisory Board remuneration policy

The budget for Supervisory Board remuneration is approved by the AGM. It defines the amount of remuneration for Supervisory Board members. Remuneration for Supervisory Board members has a fixed component only.

Board Agenda for 2024

The Supervisory Board had a busy and comprehensive agenda in 2024, covering a wide range of important issues related to the bank's governance, operations, risk management and strategic direction.

During 2024, the Supervisory Board met 33 times to make decisions and discuss 47 issues, including two meetings held in Georgia, in a physical (attended) format.

During discussions and decision-making on such issues, if any member of the Supervisory Board had a connection with the discussed issue and a conflict of interest might arise, specific members did not participate in the discussion and decision-making of the issue.

Throughout 2024, the Supervisory Board discussed various issues including:

	Subject
Strategy and Budget	• Basisbank 2024 strategy and budget approval • Basisbank stress scenarios with the recovery plan
Financials	• Basisbank 2023 audited financials • Basisbank results for 6 months
Capital and Funding	• Funding lines approval • Loan and trade finance agreements
Corporate Governance	• Board and board level committees performance review • Audit and risk committee yearly reports review • Audit and risk committee semi-annual reports review • Internal audit budget and working plan approval • Collective Suitability of the Supervisory Board and Supervisory board-level committees review • Revision and approval of the Risk Management Framework • Revision and approval of the Code of Professional Ethics and Standards of Conduct • Revision and approval of the Regulation on Management of Conflict of Interests
Policies Review	• AFC policy amendment approval • ICAAP approval • ILAAP approval • Revision and approval of the Credit Policy • Revision and approval of the Regulatory Compliance Policy • Revision and approval of the Asset-Liability Management Policy
Positions Approval	• Authority prolongation for directors
Remuneration	• Management remuneration • Changes to bonus scheme
Business Operations	• New head office project advancement

AGM rights and rules

The General Meeting of Shareholders is the highest governance body of the Bank. It conducts two types of meetings: Annual General Meeting (AGM) and extraordinary General Meeting of Shareholders.

On AGM annual results, as well as other issues stipulated by the law and the agenda are discussed.

Meetings held in addition to the regular AGMs are extraordinary meetings of shareholders.

Convening the General Meeting of Shareholders:

- The General Meeting of shareholders is convened by the Bank's Directorate.
- The AGM shall be convened annually, at least once a year, no later than 3 months after the completion of the annual balance sheet audit.
- An extraordinary meeting of shareholders must be convened based on a written request of the General Director, Deputy General Directors, the Supervisory Board, or a Shareholder (Shareholders) owning at least 5% (five percent) of the Bank's shares. A decision on convening the General Meeting must be published within 10 days of receiving this request.
- The written request of the Shareholder/Shareholders to convene the General Meeting must specify the necessity, purpose and reason for convening the General Meeting, as well as its agenda outlining all the issues requested by the Shareholder/Shareholders.
- The decision to convene the General Meeting must be published on the electronic portal of the registering agency and on the Bank's website at least 21 days prior to the date of the General Meeting. It must contain at least the information defined by the legislation of Georgia.
- Each subsequent General Meeting may be convened earlier than yearly, if the General Meeting is convened due to the absence of the quorum required for convening the first General Meeting, the first General Meeting was convened in accordance with the procedure established by the legislation of Georgia and no issue has been added to its agenda. In this case, there should be at least a 10-day interval between the dates of the last and the next General Meeting.

Competence of the General Meeting of Shareholders:

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

a) making changes to the bank's Charter, approving a new edition of the Charter;

b) amendment of the Constituent Agreement of the Bank;

c) reorganization of the Bank;

d) dissolution of the Bank, appointment of liquidator, approval of interim and final liquidation balances;

e) redemption of own shares by the Bank;

f) change of the invested capital;

g) defining the composition of the Supervisory Board, the number of members, their election, early recall, the amount of compensation and the structure;

h) approval of the Bank's audit report and selection of the entity performing the audit;

i) approval of financial report and distribution of dividends;

j) determining the procedure for the General Meeting and electing the vote counting committee;

k) participation in the ongoing legal proceedings against the Bank's governing body/persons and members of the Bank's Supervisory Board, including the appointment of a representative for these proceedings;

l) purchase, alienation, exchange (interrelated transactions) or other encumbrance of the property by the Bank, the value of which is more than half of the balance sheet value of the Bank's total assets, except for those transactions related to the Bank's normal course of business;

m) determining the number of shares, nominal value, classes and rights related to them;

The Shareholders' Meeting is authorized to make decisions on other issues provided for by Charter and the law.

Decision-Making Capacity of the General Meeting of Shareholders:

The General Meeting of Shareholders is capable of making decisions and a quorum is present, if more than half of the Shareholders with voting rights are present or represented at the Meeting. If the Meeting is not capable of making decisions, a new meeting with the same agenda will be convened within the time limit approved by the Supervisory Board, following the procedures provided for above. A new meeting has decision-making capacity, if at least 25% (twenty five percent) of Shareholders with voting rights are present or represented at it. If the meeting still does not have decision-making capacity, a new meeting with the same agenda will be convened within the time limit approved by the Supervisory Board. That Meeting is capable of making decisions regardless of the number of Shareholders present or represented.

At the AGM, 1 (one) ordinary share provides 1 (one) voting right. The General Meeting of Shareholders makes decisions by a simple majority of the votes of the present or represented Shareholders, except for the decisions on the issues provided for in clauses "a" - "f" provided above, on which the AGM makes decisions by a majority of   of the votes of the Shareholders present or represented.

The cumulative voting is used to elect the members of the Supervisory Board at the Shareholders' Meeting. The cumulative voting method is as follows:

a) the Shareholder distributes all their votes to any number of candidates, so that the total number of their votes does not exceed the total number of votes at their disposal;

b) the Shareholder can only support the candidate with each of their votes (voting against them is not allowed);

c) If the number of candidates is less than or equal to the set number of members/persons to be elected, all those candidates who received at least 1 vote are considered elected. If the number of candidates exceeds the set number of members/persons to be elected, those candidates who received the majority of the votes of the participants in the voting shall be considered elected.

The work of the General Meeting of Shareholders is led by the Chairman of the Supervisory Board. One of the Co-chairmen of the Supervisory Board do so in their absence, and the General Director of the Bank or one of the Deputy General Directors-in the absence of the co-chairman. In their absence, the Chairman of the Meeting is elected at the General Meeting by a simple majority of votes. In the event that the Chairman of the General Meeting has a conflict of interests with an issue brought up for discussion at the General Meeting, another (independent) member of the Supervisory Board chairs the meeting when discussing that issue.

Internal control and risk management systems for drawing up Financial Statements

Financial Statements are prepared by Finance Department and reviewed by Deputy General Director, Finances. Afterwards, it is reviewed and approved by Management Board, Audit Committee and ultimately the Supervisory Board. One of the functions of Audit Committee is to review the integrity of the financial statements, considering the appropriateness of accounting policies and practices, and reviewing the significant issues and judgements considered in relation to the financial statements. The Committee receives detailed reporting from the Chief Financial Officer and the external auditor including key areas of management's judgements, reporting and audit process during the year. Where necessary, Audit Committee challenges the actions, estimates and judgements of management in relation to the preparation of the financial statements.

Additionally, Bank has drafted Internal Instruction on the preparation of Financial Statements. It defines roles, responsibilities and deadlines for the parties involved, as well as outlines internal controls for the preparation of Financial Statements.

Diversity and Inclusion Policy

The Bank's Diversity and Inclusion Policy applies to all employees of the Bank, all functions, all units in the Bank, and all subsidiaries with regard to age, gender, ethnicity, sexual orientation, disability and socio-economic backgrounds. It applies to the Board, committees, Management and employees – all levels of Bank. The Diversity and Inclusion Policy commits to ensuring a diverse and inclusive culture within the Bank. Our ongoing aim is to be a bank that develops and maintains diversity and inclusivity – for our employees, our customers, all our stakeholders and for society.

Whistleblowing

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

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

Policies and procedures

The Bank has adopted a thorough set of policies to ensure compliance with high Corporate Governance Standards and International Best Practice as well as provide framework for internal procedures and controls.

Policies and Procedures are reviewed annually by Management and Committees for updates. Our compliance with these policies is a process of continuous improvement.

2024 updates to policies and procedures

This year we created and updated several policies and procedures across the Bank to support Corporate Governance and day-to-day management of the bank within an appropriate risk framework.

Bank has adopted and updated following policies and procedures: revised Risk Management Framework, renewed General Risk Management and Internal Capital Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), renewed Code of Professional Ethics and Standards of Conduct, By-law as well as Regulatory Compliance Policy, revised Regulation on Management of Conflict of Interests, several internal regulations on non-financial as well as financial risk management etc.

In 2024, the Bank developed several documents relevant to Corporate Governance, including: collective Suitability of the Supervisory Board and Supervisory Board level committees, internal evaluation of the effectiveness of the Supervisory Board and Board level committees' members etc.

Supervisory Board Members

Zhang Jun
Chairman of the Supervisory Board

Appointed: 2012

Nationality: Chinese

Education

MBA degree from Tianjin University

Career

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

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

Zhou Ning
Vice Chairman of the Supervisory Board

Committee Membership: Member of Audit Committee

Appointed: 2012

Nationality: Chinese

Education

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

Career

Zhou Ning 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 Vice-chairman of the Supervisory Board.

Zaza Robakidze
Independent member of Supervisory Board

Committee Membership: Chairman of Audit Committee, member of Risk Committee

Appointed: 2018

Nationality: Georgian

Education

Master's degree of Economics

Career

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

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

Nino Okhanashvili
Independent Member of the Supervisory Board

Committee Membership: Member of Audit Committee

Appointed: 2023

Nationality: Georgian

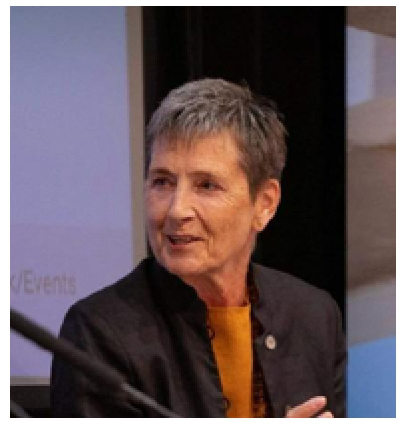
Education

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

Career

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

Sabina Dziurman
Independent Member of the Supervisory Board



Committee Membership: Chairman of Risk Committee

Appointed: 2023

Nationality: British-Polish

Education

MBA from London Business School

Career

In 2004-2015, she held high-ranking positions in the European Bank for Reconstruction and Development (EBRD) in different countries, including Georgia. In 2015-2019, she was the EBRD Director for Greece and Cyprus. In 2020-2022, Sabina Dziurman was an independent member of the Supervisory Board of Asakabank, Uzbekistan, as well as Chair of the Audit Committee and Member of the Risk Committee.

Mia Mi
Member of the Supervisory Board

Committee Membership: Member of Audit Committee

Appointed: 2018

Nationality: Chinese

Education

Bachelor's Degree in Business Administration from University of Southern California, Los Angeles.

Career

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

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

Management Board Members

David Tsaava

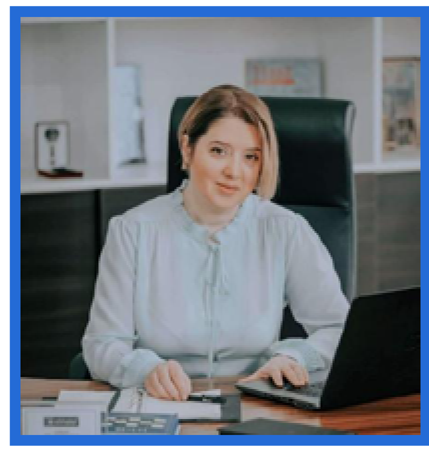
General Director

Appointed: 2011

Education
PhD in Business Administration from Technical University Georgia, MiF from Sokhumi State University, Bachelor Degree in Banking and Finance from Tbilisi State University

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

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



Lia Aslanikashvili

Deputy General Director, Financial Director

Appointed: 2008

Education
Master degree in International Economic Relations from Tbilisi State University.

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

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

David Kakabadze

Deputy General Director, Risk Director

Appointed: 2012

Education:
Master's Degree in Finance from Caucasus Business School.

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

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

Levan Gardapkhadze

Deputy General Director, Retail Director

Appointed: 2008

Education
Master's Degree in Business Management from University of Georgia; Master's Degree in law from Tbilisi University of Economics, Law and Information; Bachelor's Degree in International Economics from Technical University of Georgia.

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

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

George Gabunia

Deputy General Director, Chief Commercial Officer

Appointed: 2019

Education
Master's Degree in Banking from Tbilisi State University; Bachelor's Degree in Finance and Banking form Tbilisi State University.

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

Rati Dvaladze

Deputy General Director, Chief Operating Officer

Appointed: 2019

Education
Master's Degree in Information Technology Management from Free University; Master's Degree in Physics and Mathematics from Tbilisi State University; Bachelor's Degree in Mathematics.

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

Li Hui

Deputy General Director, Lending Director

Appointed: 2012

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

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

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

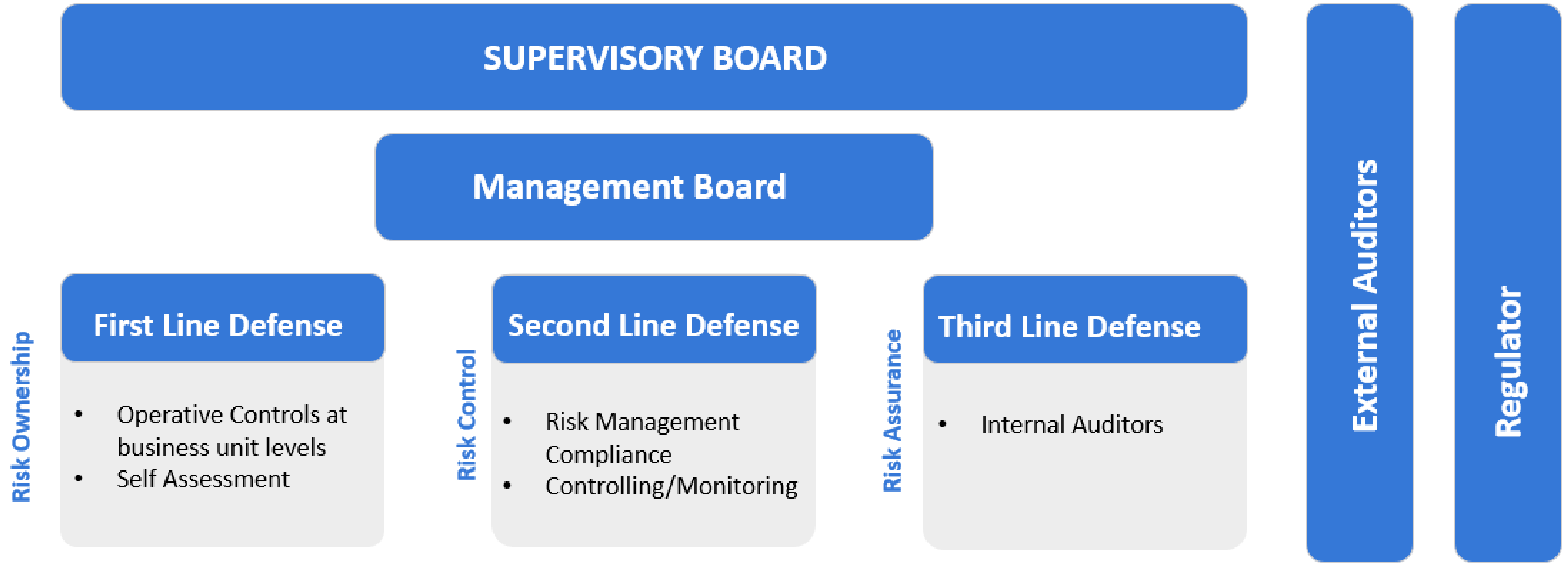
RISK GOVERNANCE

Risk Management Framework

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

Basisbank has established a comprehensive Risk Governance Framework designed to position Basisbank as a stable and reliable institution. The Framework is fully in line with the size, complexity and the risk profile of the Bank and encompasses identification, measurement, and control of relevant risk types. Supported by a dedicated Risk Governance Structure with clearly delegated authority levels, the framework ensures effective control and management of all material risks in the bank's daily operations.

The Risk Management Framework is seamlessly integrated into the bank's strategy, business planning, and day-to-day activities. Risk management is structured across three lines of defense, supported by a robust committee structure and shared responsibility from top management down to each operational unit. This division of responsibilities creates a comprehensive risk management system that mitigates risks and ultimately contributes to the bank's stability and sustainability.



First Line of Defense (Business Unit Level)

The first line of defense involves the bank's daily operational activities, including front-line staff, business units, and processes. Risk owners in this line are primarily responsible for identifying, measuring, and managing process-related risks. They possess in-depth knowledge of inherent risks associated with their processes and are accountable for regularly revealing such risks. These risk owners establish policies, procedures, and design relevant controls to ensure adequate risk management.

Second Line of Defense (Risk Department Level)

The second line of defense oversees and supports the efforts of the first line. This includes the General Risk Management Department, Non-financial Risk Management Department, AML/CFT Department, and Compliance Division. Internal control and compliance oversight is the responsibility of these functions, as well as identification and challenging the risks. They ensure that risks are managed in accordance with the risk appetite, fostering a strong risk culture across the organization. They also provide guidance, advise and expert opinion in risk-related matters.

Third Line of Defense (Internal Audit)

The third line of defense provides independent and objective assurance to senior management and the board regarding the effectiveness of the processes of First and Second lines of Defense. Internal Audit regularly checks that risk management policies and procedures are adequate and effectively implemented, ensuring all risks align with the bank's risk appetite statement and internal regulations. They also verify compliance with laws, regulations, and internal policies.

Governing Principles

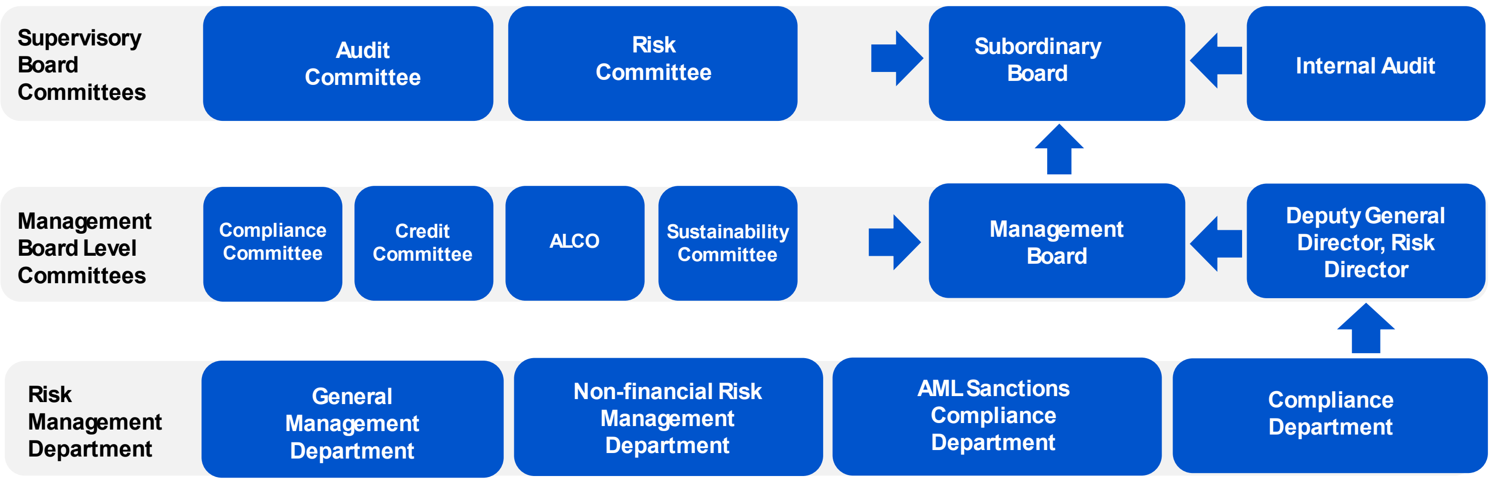
Basisbank's governing principles set the overall tone at the top on risk-taking. The key objectives are to (i) ensure risk control, (ii) increase resilience and (iii) control risk-return:

- Ensure Risk Control: Fostering a strong risk culture where risk appetite is clearly articulated, and employees take ownership of risk management, leading to risk-minded decision-making. The risk culture is continuously evolving to adapt to the changing risk environment.
- Control Risk-Return Delivering annual target operating metrics consistent with stakeholders' expectations by maintaining low earnings volatility and sustainable profitability.
- Increase Resilience: Maintaining a minimal appetite for damage to the bank's brand reputation, treat all stakeholders fairly, and act with full integrity. Ensure sound corporate governance and pursue a strategy of good corporate citizenship.

Risk Governance Structure

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

The Risk Oversight function and risk management system is divided among the following units:



Enterprise Risk Management (ERM)

To create a coordinated and consistent approach to managing risks, thereby enhancing decision-making, ensuring regulatory compliance, and protecting Basisbank's assets and reputation, Basisbank has integrated Enterprise Risk Management (hereinafter - ERM) into the organizational structure and aligned it with strategic objectives.

ERM is a comprehensive, integrated framework for managing risks across Basisbank. The goal of ERM is to create a resilient risk management environment by identification, assessment, mitigation and monitoring/reporting risks in a holistic manner to enhance Basisbank's ability to achieve its objectives, maintain compliance with regulatory requirements and ensure long-term sustainability. ERM is essential for the Basisbank to navigate the complex landscape of risks inherent in financial activities, to strike a balance between growth and risk, and build resilience to external shocks.

ERM offers number of specific benefits to Basisbank due to the unique challenges and complexities faced, especially in the following three pillars: Cross-functional approach, Single Risk Taxonomy and Integrated Risks and Controls.

In more detail, ERM supports:

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

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

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

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

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

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

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

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

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

The role of ERM group is crucial to foster continuous risk assessment of business processes and strengthen execution of high residual risk mitigation plans. The cross functional nature of the ERM group facilitates the identification of enterprise-wide issues that should be discussed.

ERM group is responsible for assisting Management Board to oversee risk. The Primary responsibility of ERM is reviewing Basisbank's Risk Appetite and Risk Profile, while overseeing the brand and reputation of the Bank and ensuring that the reputational risk is consistent with the risk appetite established.

Key Functions of Risk Governance Units

Responsibility for risk management resides at all levels within Basisbank, from the Supervisory Board and Management Board level down through to each business manager and risk specialist. However, the comprehensive list of duties and responsibilities of the above-mentioned functions are defined by the bank's charter, by-law and respective internal regulations and can be summarized below:

Unit Name	Risk Function
Supervisory Board	Description: The Supervisory Board is the ultimate authority responsible for overseeing the risk management framework, setting the general approach to risk management by approving individual risk strategies. Key Functions: • Sets the tone from the top, establishing and fostering high ethical standards across the bank. • Approves and oversees the implementation of the Bank's risk strategies. • Establishes risk appetite in cooperation with the Chief Risk Officer and other Board members; approves risk appetite. • Reviews the Bank's risk profile. • Approves the risk management framework and ICAAP and ILAAP frameworks. • Reviews the adequacy and effectiveness of Basisbank's risk management framework by approving Risk Management Policies and Procedures. • Assesses non-financial risks, including ESG risks. As part of risk management system oversight, the Supervisory Board regularly assesses ESG risks, ensuring they are identified, measured, monitored, and mitigated appropriately.
Audit Committee	Description: The Audit Committee is an independent control function established at the Supervisory Board level, supporting the Supervisory Board in monitoring the implementation of the Risk Strategy. It reports directly to the Supervisory Board. Key Functions: • Provides unbiased opinions on the adequacy of existing policies and procedures, adherence to the group's risk strategy, risk appetite, and regulatory compliance. • Regularly reviews internal controls and processes. • Oversees the bank's internal and external auditors' recommendations. • Monitors the financial accounting process and provides oversight of the effectiveness of the risk management system, particularly the internal control system and internal audit system. • Monitors the Management Board's measures to ensure compliance with legal requirements, regulations, and internal policies.
Risk Management Committee	Description: The Risk Management Committee is an independent control function established at the Supervisory Board level, supporting the Supervisory Board in monitoring the implementation of the Risk Strategy. Key Functions: • Ensures oversight of the Bank's risk strategies and policies and their effective implementation. • Assesses and oversees the Bank's risk profile, risk appetite, and limits. • Oversees the subsidiary's risk management function, risk management framework, and the proper functioning of internal control systems. • Ensures compliance with regulatory and other internal and external regulations.
Internal Audit	Description: Internal Audit is a function established under the Supervisory Board and reports directly to it. Internal Audit provides senior management and the Supervisory Board with independent and objective assurance that risk identification and mitigation measures performed by the first and second lines of defense meet the expectations. Key Functions: • Assesses the adequacy and effectiveness of Basisbank's control framework and adherence to internal policies and procedures. • Prepares periodic reports for the Supervisory Board summarizing audit activities. • Regularly checks that risk management policies and procedures are adequate and effectively implemented. • Ensures all risks are consistent with the bank's risk appetite statement and internal regulations. • Verifies compliance with laws, regulations, internal policies and procedures.

Unit Name	Risk Function
General Director	Description: General Director has a critical role in the implementation of Basisank's business strategy, respective risk management systems and risk limits, serving as the linchpin that connects risk management practices with the bank's overall strategic objectives. Involvement of General Director in risk management framework is multifaceted, encompassing leadership, oversight, strategic alignment, culture shaping and external engagement. This role is crucial in ensuring that risk management is not only a standalone function but an integral part of the bank's day-to-day operations and long-term strategic planning. Key Functions: • Ensures that Basisbank's risk management strategy is aligned with its overall strategic objectives. This involves integrating risk management into strategic planning and decision-making processes, so that risks are considered in the formulation and execution of business strategies. • Establishes the tone for risk management throughout the organization by promoting a risk-aware culture, processes and controls, emphasizing the importance of risk management and ensuring that it is embedded in the bank's corporate culture. This includes setting the risk strategy, establishing a risk-aware culture, overseeing risk assessment and monitoring processes, ensuring regulatory compliance, and making strategic decisions that consider risk implications. By articulating a clear vision for risk management, the General Director ensures that all employees understand the value of proactive risk identification, assessment, and mitigation.
Management Board	Description: The Management Board is responsible for effective business organization and adequate segregation of duties to reflect risk, ensuring the existence of adequate policies and procedures. Key Functions: • Reviews performance to streamline progress towards strategic goals. • Controls activities at division and departmental levels. • Regularly reviews the bank's strategy, risk, and capital limits to ensure compliance with exposure and capital limits. • Follows up on non-compliance issues. • Reviews evaluations of internal controls. • Ensures prompt follow-ups on recommendations and concerns expressed by auditors and supervisory authorities related to internal control weaknesses.
ALCO Committee	Description: A functional unit established by the Management Board to oversee and manage Asset, Liability and Capital Risks. Key Functions: • Reviews current and prospective liquidity positions and monitors alternative funding sources. • Reviews maturity and pricing schedules of deposits, loans, and investments. • Develops alternative strategies in response to changes in interest rate levels and trends, relevant products, and related regulations. • Reviews and validates ALM models and procedures. • Approves limit structures on counterparty risk.

Unit Name	Risk Function
Credit Committee	Description: A functional unit established by the Management Board to oversee and manage Credit Risks. Key Functions: • Evaluates potential clients' financial conditions and their ability to repay loans. • Reviews loan applications and makes decisions 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.
Compliance Committee	Description: The Compliance Committee has been established by the Management Board to promote the effective management of compliance risks by the three lines of defense of the bank within its competence. Key Functions: • To support the effective management and mitigation of compliance risks.
Deputy General Director, CRO	Description: The Deputy General Director (CRO) is a top-level executive responsible for overall risk management of all financial and non-financial risks, providing leadership, vision, and direction for Enterprise Risk Management (ERM) and developing a framework of management policies, including setting the overall risk appetite of the Bank. Key Functions: • Comprehensive control of risk, continuous development of risk measurement and mitigation methods. • Sets risk limits and creating risk maps. • Communicates a clear vision of the firm's risk profile to the board and key stakeholders. • Evaluates and manages credit, market, and operational risks, and suggests necessary structural, procedural, and policy changes. • Develops ICAAP and ILAAP frameworks. • Introduces methods of risk mitigation. • Evaluates the bank's lending performance.

Unit Name	Risk Function
General Risk Management Department	Description: A function under the CRO, responsible for managing financial risks. Key Functions: • Assesses and manages credit, market, and liquidity risks. • Develops, maintains, and updates policies and procedures relevant to those risks. • Participates in developing ICAAP and ILAAP frameworks and the bank's resolution plan, monitoring compliance with defined risk limits. • Monitors and evaluates portfolio quality, Expected Credit Losses, and collateral valuations. • Conducts regulatory stress testing of the loan portfolio. • Makes recommendations to the Executive Board on changes in lending policies to meet strategic business objectives. • Participates in developing pricing models. • Evaluates market risks and develops measures for hedging those risks with the Treasury Department. • Assesses liquidity risks and develops measures for obtaining and placing funds as part of the annual ILAAP review. • Introduces methods of risk mitigation and assesses expected credit losses (ECL).
Non-financial Risk Management Department	Description: A function under the CRO, responsible for managing non-financial risks and establishing effective non-financial risk management practices across the Bank. Key Functions: • Ensures effective risk identification, assessment, treatment, and monitoring/reporting tools and methodologies to minimize non-financial losses while supporting business development and growth. • Minimizes internal fraud incidents and establishes an environment aligned with the bank's business objectives. • Continuously improves information security and business continuity management processes to minimize risks associated with information security/cybersecurity and ensure the security of clients and partners.
AML & Sanctions Compliance Department	Description: A function under the CRO, overseeing compliance with AML/CFT and International Sanctions. It consists of three divisions: KYC quality control, Transactions monitoring and International sanctions. Key Functions: • Manages the anti-money laundering and sanctions compliance program, including supervising its development and implementation and performing ongoing monitoring. • Ensures the Bank complies with AML rules and regulations and takes required measures against financial crime.
Compliance Division	Description: A function under the CRO, responsible for regulatory compliance. Key Functions: • Enforces the corporate compliance policy. • Ensures effective functioning of compliance risk management. • Evaluates the impact of legislative and regulatory changes as part of formal risk identification and assessment processes. • Anticipates, detects, assesses, and controls significant risks related to non-compliance.

Unit Name	Risk Function
Treasury Department	Description: A function under the CFO, responsible for managing Treasury operations, liquidity, funding positions, Interest Rate risk, and Foreign Exchange risk. It reports to the CFO and ALCO Committee. Key Functions: • Daily controls liquidity, maturity transformation, and structural interest rate exposure. • Manages Basisbank's liquidity and interest rate maturity mismatch. • Controls and manages foreign exchange risk exposure.
Asset-Liability Management Department	Description: A function under the CFO, responsible for aligning assets and liabilities, liquidity, and capital management. Key Functions: • Aligns assets and liabilities to reduce financial risks and increase profitability. • Prices assets and liabilities. • Develops and manages the transfer pricing system. • Participates in medium and long-term liquidity management. • Participates in capital management.

Risk Management Model

Risk Strategy

The risk strategy, derived from the bank's business strategy, encompasses the Bank's risk appetite and the Risk Governance Framework, ensuring proper risk control. It defines the group's approach and priorities in Risk Management, sets targets, and addresses changes in the economic, social, and regulatory environment, considering regulatory expectations and market best practices. A medium-low risk profile is maintained across the bank as required by the Risk Appetite framework.

The risk strategy is updated at least annually and upon any update of the Bank Strategy, and is accessible to all employees. It outlines Basisbank's approach to risk management, including methodologies to identify, assess, mitigate, report and monitor relevant risks, supported by a robust risk governance structure. Management of each material risk type is detailed in the subsequent section.

The pillars of Basisbank's risk strategy are:

Risk Awareness: Promote an organizational culture of risk awareness where all members are vigilant and mindful of potential risks;

Risk Appetite: Clearly define and communicate the bank's risk appetite, aligning it with strategic objectives;

Proactive Risk Management: Employ proactive and forward-thinking risk management practices to foresee and address potential risks;

Compliance and Ethics: Ensure strict adherence to regulatory standards and uphold high ethical practices in every aspect of our operations.

Basisbank's Risk Strategy sets principles about risk management and risk taking which are reflected in the internal rules, policies, procedures and instructions and are applied consistently throughout the organization.

These general principles are the following:

- Alignment with strategy by ensure that all risk-taking activities are consistent with Basisbank's overall strategic objectives and business goals;
- Prudent risk-taking with comprehensive risk assessment and control environment;
- Maintaining transparency in risk-taking activities, ensuring that all stakeholders are informed about the risks being assumed and how they are managed;
- Defined risk ownership with the three lines of defense principle by clearly assigning responsibility and accountability for managing specific risks, ensuring that risk owners have the necessary knowledge, authority, and resources to identify, assess, treat and monitor risks;
- Maintaining proper risk control hierarchy, independent from business activities to avoid conflict of interest;
- Taking into consideration risk perspective upon the launch of new activities, business lines or products;
- Continuously monitoring and reviewing risk exposures and the effectiveness of risk management practices, adapting strategies as needed;
- Adopting and fulfilment of all the regulatory requirements and guidelines available and using best practices in compliance with the international standards;
- Learning from past experiences and near-misses to improve risk-taking and risk management processes continuously.

Risk Management

The Risk Management Process within Basisbank is a structured and continuous cycle that involves several interconnected stages designed to identify, assess, manage, and monitor risks across the Bank. This process ensures that risks are effectively managed according to the Risk Strategy, within the bank's Risk Appetite and regulatory requirements. It is integral to the Basisbank's overall business strategy and operations, providing a systematic approach to managing potential threats and opportunities.

Risk Management processes are designed to support the execution of the risk strategy in daily operations and to serve as an effective tool for risk governance. Basisbank is committed to mitigating potential risks through a well-elaborated business strategy and managing inherent risks via early risk detection systems and internal policies and procedures, ensuring risk-aware decisions and actions in daily business activities.

Basisbank's principles for risk-taking and risk management, reflected in internal rules and policies, are consistently applied throughout the organization.

These principles include:

- Prudent risk-taking with comprehensive risk assessment and control environment.
- Proper quantification of risks using methodologies aligned with the Bank's size and complexity.
- Adopting and fulfilling all regulatory requirements and guidelines, using best practices in compliance with international standards.
- Maintaining a proper risk control hierarchy, independent from business activities to avoid conflicts of interest.
- Considering risk perspectives when launching new activities, business lines, or products.

Risk Management is fundamental to Basisbank's business activities and planning process. To keep risk management central to the executive agenda, it is embedded in everyday business management. Basisbank ensures it has the functional capacity to manage risks in new and existing businesses.

At a strategic level, our risk management objectives are:

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

In pursuit of these objectives, risk management is segregated into four discrete processes: identification, assessment, treatment/mitigation and reporting/monitoring.

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

Risk Appetite

Risk Appetite Framework (RAF) of Basisbank is intended to create a robust operational environment, where all the material risks faced by the Bank as well as any risk-taking activities that are beyond basisbank's risk appetite are identified, reported and managed in a timely manner. The objective of Risk Apetite Framework in Basisbank is to provide a structured and comprehensive approach for defining, communicating, and managing the levels and types of risks that Basisbank is willing to accept in pursuit of its strategic and business objectives.

The RAF ensures that risk-taking is aligned with the bank's capacity to absorb potential losses, regulatory requirements, and stakeholder expectations, thereby supporting sustainable growth and stability.

- Risk Appetite - The aggregate level and types of risk the bank is willing to accept, decided in advance and within the Bank's risk capacity, considering regulatory capital, risk management, control mechanisms of the bank, and other regulatory restrictions, to achieve its strategic objectives and business plan.
- Risk Appetite Framework - The overall approach through which risk appetite is established, communicated, and monitored. It includes a risk appetite statement, risk thresholds, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring of the Risk Apetite Framework
- Risk Appetite Statement - The articulation of risk appetite in written form. It includes quantitative metrics, qualitative statements and Risk Thresholds. Ris Apetite Statement is communicated throughout the Bank and is embedded in the daily decision-making processes
- Risk Capacity - The maximum level of risk the Bank can assume before breaching constraints determined by regulatory capital and liquidity needs and its obligations to depositors, lenders, shareholders, customers and other stakeholders
- Risk Thresholds - The restrictions prescribed by the Bank on its business activities, designed to allocate the Bank's risk appetite to specific risk categories, business units and as appropriate, to other levels
- Risk Tolerance - the degree of variability of metrics that a bank is willing to withstand while pursuing its objectives. It is essentially the bank's capacity to endure negative impacts and losses without compromising its strategic goals, financial stability, or regulatory compliance.
- Risk Profile - Point in time assessment of the Bank's gross and as appropriate, net risk exposures aggregated within and across each relevant risk category based on forward-looking assumptions.

Key Risks

The bank differentiates between financial and non-financial risks. Financial risks include credit risk, liquidity risk, market risk, capital risk, maturity risk, foreign currency risk, and other financial risks. Non-financial risks encompass operational, cyber-security, information security, and third-party risks. At the bank level, the group monitors the following risk exposures:

Credit Risk

Risk Definition	The Group is exposed to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet its obligations. This exposure arises from the Group's lending and other transactions with counterparties, resulting in financial assets and off-balance sheet credit-related commitments. Credit risk is the most significant type of risk for banks and their supervisory authorities.
Key Drivers of the risk	Key sources of credit risk include Counterparty Default Risk, Portfolio Concentration Risk, and Collateral Devaluation Risk. The Bank's credit strategy aims to create a diversified and profitable loan portfolio while maintaining high quality.
Risk Identification and Measurement	Estimating credit risk for risk management purposes is complex and involves the use of credit risk assessment models, as the risk varies depending on market conditions, expected cash flows, and the passage of time. Assessing credit risk for a portfolio of assets requires further estimations of the likelihood of defaults, associated loss ratios, and default correlations between counterparties. Credit Risk Management at Basisbank includes various activities embedded in daily operations.
Risk Mitigation	Establishing an appropriate credit risk management environment at Basisbank is achieved through written Credit Policies and Credit Manuals related to target markets. These documents address and outline portfolio mix, price and non-price terms, limit structures, approval authorities, exception processing, and reporting issues. Credit risk, both at portfolio and transactional levels, is managed by a system of Credit Committees to facilitate efficient decision-making. A hierarchy of credit committees is established based on the type and amount of exposure. Loan applications originating with client relationship managers are passed on to the relevant credit committee for credit limit approval. Sound credit-granting process: At Basisbank, sound credit-grantign process involves considering several factors in credit granting. Depending on the type of credit exposure and the nature of the credit relationship, these factors may include the purpose of the credit and sources of repayment, the current risk profile of the borrower or counterparty, collateral and its sensitivity to economic and market developments, the borrower's repayment history and current capacity to repay, historical financial trends, and future cash flow projections. During credit analysis, consideration is given to the borrower's business expertise, economic sector, and position within that sector. These elements are part of scoring models developed for both Retail and Corporate business lines. Corporate and Retail Credit Risk Management Departments (under the General Risk Management Division) participate in the credit risk assessment of clients. For individual borrowers, the bank has developed a scoring model that assesses the borrower's credit repayment capacity based on their financial standing and past repayment history. The scoring for retail and corporate clients is primarily used in the credit approval process for pricing purposes: each loan's pricing is risk-adjusted based on the client's scoring and the product's riskiness. Maintenance of Appropriate Credit Administration, Measurement, and Monitoring Processes involves regular monitoring of key items related to the condition of individual borrowers, including their current financial condition, compliance with existing covenants, collateral coverage, and contractual payment delinquencies. It also involves monitoring the share of exposure in the total loan portfolio to specific types of borrowers to avoid risk concentration. Such concentrations occur when there are high levels of direct or indirect loans to a single counterparty, a group of interrelated borrowers, or a particular industry or economic sector. Credit risk grading system: To measure credit risk and grade financial instruments by the amount of credit risk, the Group applies an Internal Rating System for legal entities or risk grades estimated by external international rating agencies (Standard & Poor's, Fitch, Moody's) for Central Governments, Interbank exposures, International Financial Institutions (IFIs) Securities, and other financial assets, when applicable.
	Concentration: The Group structures the levels of credit risk it undertakes by placing concentration limits on the amount of risk accepted in relation to one borrower, groups of borrowers, and geographical and industry segments. Limits on the level of credit risk by product and industry sector are approved regularly by management. These risks are monitored regularly and are subject to annual or more frequent reviews. The Bank's Credit Policy contains the limit system defined for controlling concentration risk. Single name concentration risk is limited by Georgian regulation (Regulation On Credit Concentration and Large Risks in Commercial Banks). According to Georgian regulation, the total amount of loans and other liabilities issued by the bank to a group of interconnected borrowers shall not exceed 25% of Tier 1 capital. Additional internal rules include: 1. The total amount of loans and other liabilities issued by the bank to a person shall not exceed 15% of the bank's Tier 1 capital; 2. The total amount of loans and other liabilities after mitigation issued by the bank to a group of interconnected borrowers without banks shall not exceed 15% of the bank's Tier 1 capital; 3. The total amount of loans and other liabilities after mitigation issued by the bank to a group of interconnected borrowers shall not exceed 23% of the bank's Tier 1 capital; 4. Exposures to the top 20 interconnected groups of borrowers after mitigation should not exceed 30% of the total risk position after mitigation. The limit system is regularly reviewed by Risk Management when economic sectors are analyzed based on portfolio behavior and external information to properly review the riskiness of economic sectors. Concentration limits are defined and regulated by the Credit Risk Policy. Restructuring and recovery actions : The Bank has established internal processes for managing the commitments of borrowers experiencing financial difficulties and for delinquent portfolios. The Bank may offer individual solutions to borrowers to overcome temporary difficulties, such as providing a grace period or rescheduling initial payment schedules. However, restructuring is offered only if the outlook is that the borrower will return to healthy status; otherwise, the Bank will initiate recovery proceedings. The Bank prefers to negotiate acceptable payment terms with borrowers, but if an agreement cannot be reached, collateral repossession or selling the pledged collateral through auctions may be considered as the only remaining option for recovering overdue liabilities. The performance of delinquent and restructured portfolios is reviewed regularly to ensure proper classification in risk categories. Financial assets are written off, in whole or in part, when the Group has exhausted all practical recovery efforts and concluded that there is no reasonable expectation of recovery. Indicators of no reasonable expectation of recovery include being over 270 days past due and the non-existence of collateral as of the write-off day or being more than 720 days overdue on secured loans. The Bank will also write off loans that were collateralized but where the execution process on overdue liabilities is finalized, and all existing collaterals have been sold at auctions or repossessed. The remaining unsecured liability will be written off, even if there is no overdue portion of the liability at the time of write-off. Based on expert recommendations, the Group may write off financial assets still subject to enforcement activity when there is no reasonable expectation of recovery, or the expected recovery is insignificant compared to the remaining liability. Credit Risk Related to Collateral Devaluation : Exposure to credit risk is also managed by obtaining collateral and corporate and personal guarantees to mitigate credit risks. However, these collaterals can pose additional risks (legal, documentation, and liquidity risks) that may reduce the effectiveness of risk mitigation. Issues such as problematic or time-consuming liquidation of collateral or inappropriate valuation (e.g., overvaluation) can arise. The Bank may experience credit risk due to large-scale devaluation or limited enforceability of collaterals behind credit exposures. This is the risk that recognized credit risk mitigation techniques prove less effective.
	The following types of collateral are used for credit risk mitigation: residential real estate, movable property, guarantees, inventory, cash, and other financial collaterals. Movable property and other types of collateral can also be eligible during the lending process based on the Bank's Credit Policy, but they cannot be used as eligible collateral for capital calculation and during the ECL assessment process. The Bank regulates the processes and requirements for preparing appraisals (format of appraisal, control of appraisals, etc.). To reduce potential residual risks of collaterals, the Bank applies discounts on the market value of collaterals when calculating collateral coverage during lending processes and portfolio management. The Legal Department regularly (at least annually) reviews the collateral contract template and modifies it if necessary, based on new regulatory environments or experiences in collateral execution. Minimum collateral coverage (maximum amount of unsecured portfolio) using discounted values is defined for each customer type by the Credit Policy. The following assessments are regularly conducted by Credit Risk Management to control residual risks (risks after risk mitigation): distribution of the collateral portfolio by collateral types (subtypes) and geographical location, analysis and monitoring of recoveries from collaterals by collateral types and legal construction, regular back-testing and review of collateral discounts, and re-appraisal of randomly selected collaterals by external appraisal agencies with significant differences reviewed. Provision assessment : Since January 1, 2018, the Group has assessed credit risk and allocated provisions for expected losses in accordance with IFRS 9. Loss reserves for assets and other contingent liabilities must be sufficient to cover all expected losses in the Bank's credit portfolio. Key risk parameters considered in loss allowance calculations include: (a) the probability of default (PD) by the counterparty on its contractual obligations; (b) expected losses in the event of a counterparty default (LGD); and (c) Exposure at Default (EAD). Forward-looking information is incorporated into the final Expected Credit Loss (ECL) assessment. IFRS 9 enables financial institutions to more precisely assess loan-loss provisions and allowances by incorporating forward-looking information obtainable without undue cost or effort. The ECL assessment approach under IFRS 9 considers past events, current conditions, and forecasts of future economic conditions. The Bank has integrated macroeconomic forecasts published by the National Bank of Georgia into its internal impairment models. Governance over the ECL calculation process is shared between the Financial Reporting and Risk functions. Under IFRS 9, validation and back-testing of all applied parameters and significant assumptions are integral parts of the ECL assessment process. The Group regularly reviews its methodology and assumptions to minimize discrepancies between estimates and actual credit losses. The results of back-testing the ECL measurement methodology are communicated to Group Management, and further steps for refining models and assumptions are defined through discussions among authorized personnel. In 2024, the Group conducted back-tests of the assumptions, thresholds, and risk parameters used in the IFRS 9 impairment model to assess the adequacy of forecasts for the financial year 2024, as estimated by the IFRS 9 impairment models at the end of the previous year. Based on the back-test results, no modifications to the models were deemed necessary, as the models used by the Bank adequately predict ECL. Stress Testing : The Bank actively conducts stress testing and scenario analysis to evaluate the resilience of borrowers under various stress conditions. Stress tests are performed to assess the impact of adverse macroeconomic and bank-specific events on the regulatory capital buffer and the Bank's overall performance at different levels of aggregation. Stress tests serve as an effective tool for risk assessment and management, helping to evaluate capital adequacy and, if necessary, create additional capital buffers for adverse changes. Stress tests cover a range of scenarios, including broad economic crises with recession, currency movements, decreases in employment levels, sector-specific stress tests, closure of export markets (political risks), and defaults of several large exposures.

Risk Monitoring	Maintenance of appropriate portfolio quality reporting. Portfolio quality and lending limits determined by Credit Policy are regularly followed by the Credit Risk Management in its control function and presented to the management of the Bank via portfolio reporting. Portfolio report contains information about the distribution of the portfolio over the rating classes, amounts in delays, exposures by sectors and HHI index, dynamics of PD, LGD figures, etc. In order to monitor exposure to credit risk, regular reports are produced by the dedicated staff of Financial Reporting and Risk departments based on a structured analysis focusing on the customer's business and financial performance. Any significant interaction with customers with deteriorating creditworthiness is reported to and reviewed by the Risk Committee, the Management Board and Supervisory Board. Monitoring of credit risk of loan portfolio is performed regularly. The monitoring includes full assessment against risk appetite limits, using key risk and early warning indicators, back-testing, stress testing and other tools to identify portfolio segments with increased credit risk. Board Level Risk Committee is reviews credit risk profile of the Bank's loan portfolio quarterly and portfolio quality review meetings are held at least monthly together with the representatives of commercial directorate and Problem Assets Management and Litigation Department.
Risk Appetite	The Bank has implemented Credit Policies that outline credit risk control and monitoring procedures, as well as the Bank's credit risk management systems. These policies are reviewed annually or more frequently if necessary. The credit risk appetite statement and supporting limits, approved by the Supervisory Board, help the Bank mitigate credit risk. The statement consists of quantitative limits that monitor and control the overall quality of the Bank's portfolios.

Market Risks

Risk Definition	Market risk is a current or prospective risk of losses, which arises from the mismatches in the maturity or currency of assets and liabilities, exposing them to market fluctuations. Therefore, the primary sources of market risk are interest rate risk and foreign exchange rate risk. Interest Rate Risk: This risk refers to the potential adverse impact on earnings and capital due to changes in interest rates. Interest rate risk can affect both the trading book portfolio and banking book transactions (such as loans, deposits and investment transactions). The Bank faces two main types of interest rate risks: - Re-pricing Risk: This risk arises from differences in the maturity structure of assets and liabilities and from pricing based on different interest rates or periods. It occurs when there is a mismatch between the maturity structures of assets and liabilities or when pricing occurs at different intervals or based on different interest rates (e.g., fixed-rate receivables and variable-rate liabilities). - Yield Curve Risk: This risk stems from changes in the shape and steepness of the yield curve. Foreign Exchange Risk: This risk occurs from open or imperfectly hedged positions in a particular currency, resulting from unexpected changes in exchange rates, potentially leading to losses in the local or reporting currency. The Bank's foreign exchange risk is calculated as the aggregate of open positions and is limited by the National Bank of Georgia (NBG) to 20% of regulatory capital.
Risk Identification and Measurement	Market risk is managed by the Asset and Liability Management Committee (ALCO) in coordination with the Treasury Department and the General Risk Management Department. ALCO sets limits on market risk exposures by currency and closely monitors compliance with the Bank's Risk Appetite Framework. Exposures and risk metrics are regularly tested under various scenarios. The Treasury Department conducts daily monitoring of liquidity gaps, interest rate exposures, and foreign exchange risk, holding regular meetings with operational units to gather expert insights. The core of market risk management is the Value at Risk (VaR) concept, which quantifies potential losses an investment portfolio might incur within a specific timeframe under certain market conditions. The VaR approach involves breaking down portfolio performance into its constituent risk factors for a comprehensive assessment of potential losses. To measure foreign currency risk, the Bank calculates average bootstrap VaR for any currency (10-day holding period, 99% confidence level) and portfolio 10-day VaR. To minimize interest rate risk and assess the impact of interest rate shock scenarios, interest rate risk is measured separately for Net Interest Income (NII) effect and Economic Value of Equity (EVE) effect. NII sensitivity is calculated under the assumption of parallel shifts in interest rates. Sensitivity analysis on EVE is conducted using six different interest rate movement scenarios (parallel up, parallel down, steeper, flatter, short up, and short down).
Risk Mitigation	The Bank has established segregated lines of responsibility for measuring and managing market risk. Senior management oversees market risk, ensuring that the Bank's policies and procedures, including the Asset and Liability Management Policy (ALM), for managing interest rate risk on both a long-term and day-to-day basis are adequate and aligned with the strategic plans of the business. Effective oversight of market risk requires the Treasury Department to maintain appropriate limits on risk-taking, implement adequate systems and standards for measuring risk, establish standards for valuing positions and measuring performance, and maintain a comprehensive interest rate risk reporting and management review process, along with effective internal controls. The Bank has developed market risk management policies and procedures. The ALM Policy outlines specific elements for limiting and controlling market risk, specifying the lines of responsibility and accountability of ALCO, and providing objectives, limits, and criteria for liquidity gap analysis, liquidity risk management, funding, and market risk management decisions. The FX Management Policy includes daily position limits and a limit on the aggregated open FX position, set at 5% of regulatory capital. This limit is stricter than the NBG limit, and the management is as follows: on a daily basis, the FX position can be opened up to the 20% NBG limit, but only for a maximum of 8 calendar days, and only if the Bank has sufficient additional capital at the transaction date to cover potential losses calculated using VaR. After 8 days, the limit (5%) must be maintained. The position calculation is executed in line with the Georgian Regulation Setting, Calculating, and Maintaining Overall Open Foreign Exchange Position Limit of Commercial Banks.
Risk Monitoring	Oversight and control of market risk is set out to ensure that the bank's policies and procedures for managing interest rate risk and FX risk on both, long-term and day-to-day basis are adequate and that clear lines of authority and responsibility for managing and controlling market risk are maintained. Compliance with these limits is also reported regularly to the Executive Management and periodically to the Supervisory Board and its Risk Committee. Foreign exchange positions are managed according to the FX management policy of the Bank. Monitoring and control of foreign exchange risks by each relevant foreign currency is the responsibility of the Market Risk Management.
Risk Appetite	The Bank maintains a comprehensive interest rate risk and currency risk reporting and review process, as well as effective internal controls. It sets appropriate limits on risk-taking, establishes adequate systems and standards for measuring risk and performance, valuing positions, and repricing maturity gaps. Limits are set within the Risk Appetite framework approved by the Supervisory Board.

Liquidity and Funding Risk

Risk Definition and Key Drivers	Liquidity risk refers to the Bank's ability to finance asset growth and meet its obligations within the stipulated period under normal or stressed conditions, without incurring unacceptable losses. The fundamental role of banks in transforming short-term deposits into long-term loans makes them inherently vulnerable to liquidity risk, impacting the market as a whole. Effective liquidity risk management ensures the Bank's ability to meet cash flow obligations, which are uncertain due to external events and other agents' behavior. Liquidity Risk has two components: - Funding Liquidity Risk: The risk that the Bank will not be able to raise new funding necessary for the timely fulfillment of obligations. - Market Liquidity Risk: The risk that the Bank will not be able to sell assets or convert them into cash without incurring significant losses.
Risk Identification and Measurement	Liquidity risk materializes when the liquidity obtained from both assets and liabilities is less than the need for liquidity. The main sources of liquidity risk include: - Market Risk: The risk of loss in the value of the Bank's assets due to fluctuations in interest rates, exchange rates, market prices of securities, and various commodities, leading to reduced liquidity generation potential from these assets. - Credit Risk: The risk that a counterparty will not fully fulfill its financial obligations, directly affecting expected cash flow and liquidity. Increased credit risk may prompt funding providers to reduce or withdraw funding. - Operational and Compliance Risks: These risks, in addition to directly affecting cash flows, may lead to a loss of trust by counterparties, impacting the Bank's reputation. The Bank relies on various regulatory and internal metrics to measure liquidity and funding risk and has developed an Internal Liquidity Adequacy Assessment Process (ILAAP) framework, detailing processes and limit systems connected to liquidity and funding management.

Risk Mitigation	Basisbank manages liquidity and funding risks according to the ALM Policy and Liquidity Management Regulation, which define detailed processes and limit systems for liquidity management. The Treasury Department is responsible for daily liquidity management, while Asset-Liability Management handles control and reporting to ALCO. Liquidity risk assessment is conducted under ILAAP. The liquidity management process includes establishing and regularly re-assessing liquidity requirements 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, fundraising capacity, etc.; developing and monitoring liquidity and fund management principles; forecasting liquidity under normal and stressed scenarios; and developing a contingency plan to address liquidity shortfalls in emergency situations. The Bank aims to continuously optimize liabilities by balancing the stability and cost of different funding sources. The strategy is to maintain effectively diversified funding sources and maturities. The Bank maintains strong relationships with key funding providers (both wholesale and retail) to ensure additional funds are raised when needed, preventing or reducing outflows under stress. The main funding sources of the Bank are unsecured retail and wholesale funding. Additionally, the Bank may use alternative funding sources, such as funding from the parent company, issuance of debt instruments, and asset sales. The Bank relies on various regulatory and internal metrics to measure liquidity and funding risk, including Projected Cash Flow Statements, Contractual/Behavioral/Stress Gap scenarios, Utilization of Off-Balance Sheet Liabilities, Cumulative Maturity Mismatch Limits, Liquidity Coverage Ratio (LCR), and Net Stable Funding Ratio (NSFR). The liquidity risk control system is based on the segregation of powers and a system of limits, built on the principle of three lines of defense. Frontline departments act as the first line of defense, managing risks within set limits and powers. The risk management function, IT resources, and reporting, as the second line of defense, are responsible for creating and implementing the risk management and control framework, monitoring compliance with established limits, procedures, and policies. Internal Audit, as the third line of defense, is accountable to the Audit Committee and conducts an independent assessment of the risk management and control system.

Risk Monitoring	To manage funding liquidity risk, the Bank monitors the following Basel III-based parameters: - Liquidity Coverage Ratio (LCR): A regulatory metric aimed at strengthening the Bank's short-term resilience to stress, ensuring it holds sufficient high-quality liquid assets to overcome a 30-day stress period. - Net Stable Funding Ratio (NSFR): A regulatory metric assessing mid- and long-term liquidity risk, calculated as the ratio of available stable funding to the required stable funding. The Bank also calculates and monitors an internal buffer requirement for the LCR, added to the regulatory minimum requirement. The buffer ensures protection against unexpected fluctuations, aligning with the Bank's risk appetite requirements. The liquidity buffer, consisting of high-quality liquid assets, serves as a direct hedge against short-term liquidity shortfalls. It is calibrated according to stress test results and should be sufficient to ensure the Bank's minimum survival period under stress scenarios. Additional early warning signs for increased liquidity risk are monitored to detect potential weaknesses in liquidity and funding positions that could threaten the Bank's strategy. Identifying such weaknesses leads to issue escalation and, if necessary, the implementation of appropriate corrective actions within the contingency/recovery plan. As part of ILAAP, the Bank assesses funding profile stability risks caused by the concentration of funding sources, market access risks, and potential changes in the funding risk profile based on the funding plan. Risks related to access to wholesale funding are linked to issues such as excessive short-term liquidity risks, high or uncertain credit risk, operational risk, legal risk, unclear strategy, and potential credit rating deterioration. The Bank has outlined an appropriate escalation procedure for each limit or target violation. The ability to address the Bank's liquidity deficit involves having access to excess liquidity for normal business operations in the short, medium, and long term. Gap-filling opportunities may include raising new funds, making changes to existing businesses, or other fundamental measures. This strategy ensures the Bank can meet its payment obligations.
Risk Appetite	The Bank has developed a framework of liquidity limits and targets that adequately reflect its business model, complexity, and various material risk factors. The objective is to ensure a diversified funding structure and sufficient available liquidity buffer. The limits are determined by the Asset and Liability Management Committee upon presentation by the risk unit. Calibration of risk limits and compliance with the risk appetite are monitored regularly, considering stress test results.

Capital Risk

Risk Definition and Key Drivers	Capital risk refers to the risk of failing to meet business objectives or regulatory requirements due to insufficient capital under normal or stressed conditions. The management's objectives in capital management are to maintain appropriate capital levels to support the business strategy and meet regulatory and stress testing requirements. The Bank conducts stress testing and sensitivity analysis to quantify additional capital needs under various scenarios. Capital forecasts, along with stress testing and what-if scenario results, are actively monitored with the involvement of the Bank's management to ensure prudent capital management and timely actions when necessary. In 2023, the Bank and the Group complied with all regulatory capital requirements.
Risk Identification and Measurement	The Bank has developed an Internal Capital Adequacy Assessment Process (ICAAP) framework as part of Pillar 2 within the Basel Framework. ICAAP represents the Bank's own assessment of the capital needed to operate effectively. The ICAAP framework is fully aligned with the Bank's size, complexity, and risk profile and includes the following elements: - Definition of Risk Strategy: The risk strategy, derived from the Bank's business strategy, includes the Bank's risk appetite and the risk governance framework to ensure proper risk control. - Identification, Measurement, and Control of Relevant Risk Types: Under the ICAAP framework, the Bank identifies all relevant risk types and defines quantitative and qualitative tools to measure its exposure to these risks. The goal is to assess the adequate level of capital (or liquidity) necessary to cover the Bank's risks based on its own calculations, which may differ from the Pillar 1 capital calculation. - Stress Testing: The stress testing framework assesses the Bank's vulnerability to exceptional but plausible impacts. - Capital Planning: Capital planning, part of strategic planning, includes projecting capital requirements based on the ICAAP framework and considering the potential effects of external events. The ICAAP also includes guidelines on proper internal and risk governance frameworks.
Risk Monitoring	The Bank is subject to the National Bank of Georgia's (NBG) capital adequacy regulation, based on Basel III guidelines. Current capital requirements include Pillar I requirements, the Combined Buffer (Conservation Buffer), and Pillar 2 buffers (Concentration, General Risk Assessment Program (GRAPE), Currency Induced Credit Risk (CICR), Credit Risk Adjustment (CRA), and Stress Test Buffer, currently zero). The Bank maintains an actively managed, robust capital base to cover inherent businessrisks. As part of the internal capital adequacy management framework, the Bank continuously monitors market conditions and performs stress testing to evaluate its position under adverse economic conditions and market and regulatory developments. The Bank's ability to comply with existing or amended NBG requirements may be affected by internal and external factors, including those beyond the Bank's control, such as increases in risk-weighted assets, asset quality deterioration, capital-raising challenges, expense fluctuations, and local currency depreciation. Therefore, thorough analysis of capital structure and capital planning is a priority to support the business plan.
Risk Appetite	Capital planning is performed as a part of the business planning, which is executed based on the Procedure of Business Plan and Budget preparation. Capital planning for each material risk type is prepared by the risk owners and summarized by Risk Management unit. Capital planning is also prepared using stress scenarios defined by Risk Management unit. Enterprise Risk Management function of the Bank is involved in the decision-making process about capital allocation to guarantee efficiency, optimize the use of capital by aligning it with the level of risk exposure, ensuring that sufficient capital is set aside to cover potential losses.

Financial Crime Risk

Risk Definition	Financial crime risk refers to the risk of knowingly or unknowingly facilitating unlawful activity, such as money laundering, terrorism financing, sanctions evasion, bribery and corruption.
Key Drivers of the Risk	Combatting financial crime and complying with applicable laws and regulations is vital to ensuring the stability and the integrity of the international financial system. In order to satisfy the requirements of increasingly complex national and international legislation and regulations, the Bank is continually developing its financial crime risk management and bringing this in line with current developments and challenges. The main sources of financial crime risks are: - Inherent risk related to products, services and delivery channels; - Business activities of the clients with an unacceptable level of risk exposure; - Inadequate processes and controls to identify and mitigate the risks.
Risk Identification and Assessment	The risk management process involves risk identification, which is performed regularly, incorporating input from a joint effort of the first and the second lines of defense. The assessment of risks is based on the quantitative and qualitative data and control adequacy assessment. The results of identified and assessed risks are regularly reported to senior management.

Risk Mitigation	The fight against financial crime is at the core of the Bank's strategy and risk appetite. Basisbank is committed to fight against financial crime, to set up and to implement Anti-Financial Crime risk management programme (or AFC programme) to identify, understand and mitigate the financial crime risks. The AFC Policy establishes the requirements set out by the Bank, to mitigate potential compliance, regulatory and reputational risks associated with violations of Anti-Money Laundering and Counter Terrorism Financing (AML/CTF), International Sanctions and Anti-Bribery and Corruption (ABC) laws, regulations and international standards.
	The core statements of AGC programme are:
	- The Bank develops and maintains a thorough AFC risk assessment to identify, understand, manage and mitigate inherent AFC risks. Risk mitigation measures are designed and implemented to control adequately and effectively those inherent risks. Inherent and residual risks are managed in line with the Bank's risk appetite.
	- In line with the AFC risk assessment and risk appetite, the Bank defines and implements a customer acceptance policy outlining prohibited and restricted customer types and activities.
	- The Supervisory Board has a clear understanding of the AFC risks, oversights the AFC risk management programme and its effectiveness; and is responsible for setting the proper tone from the top.
	- The Supervisory Board allocates explicit roles and responsibilities in the Executive Board, Senior Management and AFC decision making bodies. The Executive Board appoints dedicated staff members with appropriate level of responsibilities and authorities in relation to the AFC programme management and ensures that sufficient resources are provided.
	- The Bank defines and implements an AFC operating model including the internal organisation with roles and responsibilities across the three lines of defence to ensure an effective AFC risk management.
	- The Bank ensures that a robust and effective AFC programme is in place, covering:
	  - Regulatory surveillance on new or updated regulations, industry standards and trends;
	  - Documented and duly approved policies, procedures and methodologies;
	  - Effective control processes on each key requirements, with the adequate internal control systems;
	- Strong company culture, constant communication from the Board, AML& Sanctions Compliance department and Compliance Unit on AFC topics, and a regular training program on all AFC risks and requirements;
	- Monitoring via quality assurance and testing performed by the second line of defence on key processes and controls;
	- Reporting and escalation to relevant functions and committees, to ensure oversight by the Executive Board and Supervisory Board;
	- Regular audit by the third line of defence, considering all AFC inher ent risks; and
	- Adequate record-keeping processes, in line with local requirements.

Risk Monitoring	The Bank has internal organization and systems that are adequate with respect to its size, activities and complexity as well as with the AFC risks. Internal control system includes at least the following: • Systems to record and maintain Know Your Customer (KYC) information for all relevant parties; • Systems to perform and maintain the Customer Risk Assessment; • Systems to screen clients and relevant parties from AML/CTF and international sanctions standpoints; • Systems to screen deals and transactions from AML/CTF and international sanctions standpoints, including sanctions circumvention; • Systems to monitor customer activity from AML/CTF and international sanctions circumvention standpoints (monitoring of the activity a-priori or post-factum); • Systems to report and manage cases between the first and second line defenses and the AML/CTF Compliance department, and between the AML Compliance Head and the relevant authorities; • System to assess the Enterprise-wide Business Risk Assessment; • System(s) to collect and maintain quality assurance and testing.
Risk Appetite	Basisbank has adopted a holistic approach to Financial Crime and created the group-wide Anti-Financial Crime (AFC) framework, to prevent and set appropriate controls in the following key risk areas: Money Laundering (ML) and Terrorism Financing (TF); non-compliance with International Sanctions and Embargoes, and circumvention attempts; Bribery and Corruption. The Bank's Risk Appetite comprises continuous processes of developing, updating and implementing internal controls and measures to detect, prevent and mitigate the possibility of mentioned Financial Crime risk types, applying greater control over high-risk customers and transactions. This combined approach allows the Bank to better understand their risk exposure and prioritize the management focus. In line with its AFC framework, Basisbank takes a zero-tolerance approach to facilitation of money laundering and terrorism financing, including tax crimes, bribery, corruption, serious fraud, and all predicate offences as defined by the local regulation and FATF. We are committed to comply with the sanctions of the United Nations, the European Union, the United Kingdom and the United States, including on sectorial sanctions and trade restrictions. The Bank maintains zero tolerance for establishing or maintaining a client or counterparty relationship with an entity or individual designated by on any of the further mentioned lists or where otherwise prohibited by local law or regulation. Bank also has no appetite to execute transactions or any other type of business relationships with any such entity or individual. In line with above the Bank implemented an automated tool to screen customers and transactions in real time mode against the international sanctions lists: OFAC, UN, EU, UK and other applicable lists.

Compliance Risk

Risk Definition	Compliance Risk can be defined as the potential threat or danger arising from a failure to comply with laws, regulations, policies, or standards applicable to the bank. The risk of non-compliance is "the risk of legal or regulatory sanctions, material financial loss, or loss to reputation the bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities (compliance laws, rules and standards).
Key Drivers of the Risk	BasisBank, as a commercial bank, is subject to a complex and evolving regulatory environment, and compliance risk arises from the challenges of ensuring that the bank's activities align with all respective legal and regulatory requirements. The Bank identifies the following risks arising from denial/failure of compliance: - Risk of Legal and Regulatory Penalties: Non-compliance may result in fines, sanctions, and legal actions imposed by regulatory authorities, such as: restrictions, special arrangements, suspend authority of signature etc. - Financial Losses: Penalties, legal fees, and the costs associated with correcting non-compliance issues can lead to substantial financial losses for the Bank. Additionally, non-compliance may result in disruptions to business operations, impacting revenue. - Reputational Damage: Non-compliance can tarnish Bank's reputation. Negative publicity, loss of customer trust, and damage to the brand image can have long-lasting consequences and affect customer loyalty. - Increased Scrutiny: Non-compliance may trigger heightened regulatory scrutiny and monitoring, increasing the regulatory burden on the Bank and requiring additional resources for compliance efforts.
Risk Identification	BasisBank, as a commercial bank, is subject to a complex and evolving regulatory environment, and compliance risk arises from the challenges of ensuring that the bank's activities align with all respective legal and regulatory requirements. The Bank identifies the following risks arising from denial/failure of compliance: - Risk of Legal and Regulatory Penalties: Non-compliance may result in fines, sanctions, and legal actions imposed by regulatory authorities, such as: restrictions, special arrangements, suspend authority of signature etc. - Financial Losses: Penalties, legal fees, and the costs associated with correcting non-compliance issues can lead to substantial financial losses for the Bank. Additionally, non-compliance may result in disruptions to business operations, impacting revenue. - Reputational Damage: Non-compliance can tarnish Bank's reputation. Negative publicity, loss of customer trust, and damage to the brand image can have long-lasting consequences and affect customer loyalty. - Increased Scrutiny: Non-compliance may trigger heightened regulatory scrutiny and monitoring, increasing the regulatory burden on the Bank and requiring additional resources for compliance efforts. How often risks are identified: Identifying compliance risks is a critical aspect of effective risk management for the Bank. To accomplish the above-mentioned duty, first of all, the respective function identifies and catalogs all applicable laws and regulations that the Bank must adhere to. On the basis of the catalog, Bank recognizes potential areas of non-compliance within the business operations, processes, and functions. Compliance function conducts regular internal assessments of business operations, policies, and practices to ensure they align with relevant laws and regulations. Compliance Division as well as Legal Support functions monitor regulatory changes regularly and review updates from relevant regulatory bodies.
Risk Assessment and Measurement	The goal of the compliance risk assessment is to identify, evaluate, and quantify the potential risks associated with non-compliance with laws and regulations. Compliance risks are categorized as high, medium or low, based on their nature, impact, and likelihood. Risks are prioritized according to their significance and potential consequences of non-compliance. If possible, the bank utilizes quantitative methods for risk measurement to assign monetary values to potential fines or losses. Qualitative methods include expert judgment and scenario analysis.
Risk Mitigation	In order to reduce potential impact of identified and measured compliance risks, BasisBank considers steps such as: - Avoid engaging in activities or operations that pose high compliance risks; - Implement measures to reduce the likelihood or severity of compliance risks; Enhance internal controls, improve processes, and implement additional safeguards to minimize exposure.
Risk Monitoring	To systematically review key areas of compliance and track both newly identified and previously recognized risks, the Compliance Function has developed checklists and conducts periodic compliance gap assessments. The division maintains thorough documentation of compliance monitoring activities and keeps records of legal opinions, assessments, and any actions taken to address compliance issues. We are committed to comply with the sanctions of the United Nations, the European Union, the United Kingdom and the United States. The Bank maintains zero tolerance for establishing or maintaining a client or counterparty relationship with an entity or individual designated by on any of the further mentioned lists or where otherwise prohibited by local law or regulation. Bank also has no appetite to execute transactions or any other type of business relationships with any such entity or individual. In line with above the Bank implemented an automated tool to screen customers and transactions in real time mode against the international sanctions lists: OFAC, UN, EU, UK and other applicable lists.
Risk Appetite	The risk appetite is to keep Compliance risk at minimum and to stay compliant with all regulatory requirements.

ESG Risk

Risk Definition and Key Drivers of the Risk	ESG is the broad term that refers to the inclusion of environmental (E), social (S) and governance (G) criteria into investment decisions taken by the Bank as a manifestation of responsible or sustainable investment practices. ESG (risks for the Bank refer to the potential negative impacts that environmental, social, and governance factors may have on clients, borrowers, other counterparties, and the Bank itself. The Bank may face risks related to climate change, including exposure to industries vulnerable to environmental regulations, physical risks from extreme weather events, and transitioning risks associated with the shift to a low-carbon economy. The Bank may also be exposed to risks related to human rights violations, particularly when financing projects or companies operating in regions with poor human rights records, as well as risks associated with financing businesses that engage in unethical labor practices, including poor working conditions, child labor, or inadequate worker rights. Governance Risks refer to regulatory and compliance risks, including ESG compliance, corporate governance, and corporate ethics, supporting the fight against money laundering, tax evasion, and other financial crimes. Risks arising from failure to comply with evolving ESG regulations and standards can lead to legal consequences, fines, and regulatory actions. ESG noncompliance can lead to reputational damage, as stakeholders, including customers, investors, and the public, may perceive the organization as irresponsible or unethical. In order to effectively implement ESG risk management, in 2018 Basisbank made significant changes in its environmental and social risk management policy by developing the Due Diligence and E&S Risk Assessment procedures. The bank also introduced the exclusion list. It specifies the types of activities that the bank does not finance. The activities on the exclusion list can be, in some way, linked to production/trade of weapons and military materials, forced and child labor, illegal pharmaceuticals, production/trade of certain pesticides and herbicides, gambling and casinos, etc. These documents are based on the active Georgian legislative framework, best practice and recommendations of the partner international financial institutions. As part of the environmental and social risk assessment process, all business loans are subject to standard procedure of verifying the project in the exclusion list. At a later stage, based on the data and documents provided by the client, assessments after the onsite visit, and information received from independent sources, the responsibility of the potential client is assessed, along with the client's degree of environmental and social risk management.
Risk Identification and Measurement	Identifying ESG risks starts with understanding ESG factors relevant to the bank. These factors include climate change, labor practices, supply chain management, diversity and inclusion, data security, corporate governance, etc. The bank has conducted a materiality assessment to identify the ESG issues most significant to the bank and its stakeholders, including employees, customers, investors, etc. Following that, the bank has established the aforementioned ESG strategy. ESG risk identification and measurement have been integrated into the bank's risk framework and ESG risk is considered alongside traditional financial and non-financial risks. However, the bank is working on improving existing ESG risk management, including adjustment with regulatory requirements, no later than the end of 2024.
Risk Mitigation	The bank has integrated thorough due diligence processes into its business operations when entering into new investments or business relationships to assess ESG risks and ensure alignment with the bank's Environmental and Social Management System (ESMS).

Operational Risk

Risk Definition	Operational risk is defined as the bank's exposure to potential losses that may impact its profitability and capital position. Operational risk may derive from inadequate internal processes or systems, external events, inadequate employee performance or from the breaching of or non-compliance with statutory provisions, contracts and internal regulations.
Key drivers of Risk	The bank is exposed to number of operational risks, including internal and external fraudulent activities, breakdowns in processes, procedures or controls; and system failures from an external party with the intention of making the bank's supporting infrastructure unavailable to its intended users, which in turn may jeopardize sensitive information and the financial transactions of the bank, its clients, counterparties or customers. Further, the bank is subject to risks that cause disruption to systems performing critical functions arising from events beyond its control, that may result in losses or reductions in service to customers and/or financial losses to the bank. The risks discussed above are also relevant where the bank relies on outside suppliers of services, because the bank may not have direct control of the activity performed by the third party.
Risk Identification	The bank systematically identifies, analyzes, and documents potential operational risks that could affect the achievement of the bank's objectives. It involves identifying both internal and external factors that may threaten the successful completion of business goals and the execution of operational activities. The bank uses different identification tools: New products/processes - Analyzing and mapping out products and internal processes can reveal potential points of failure or vulnerabilities where operational risks may occur. This method helps in understanding dependencies, bottlenecks, and potential areas for improvement. Third-Party Risks - the risks associated with suppliers, vendors, and partners involved in the development and implementation process. Dependencies on external parties can introduce vulnerabilities that need to be managed, thus the bank maps all the processes dependent on third parties that can reveal potential failures. Root Cause Analysis - When incidents or near-misses occur, conducting root cause analysis helps in identifying the underlying causes of the problem. This method helps in uncovering systemic issues that may lead to operational risks. RCSA – Risk and Control Self-assessment involves self-assessment by first line of defense to evaluate the effectiveness of existing controls in mitigating operational risks. This method helps in identifying control weaknesses and areas for improvement. Loss Data Analysis - Analyzing historical loss data and incidents can provide valuable insights into recurring operational risks and their root causes. This data-driven approach helps in prioritizing risk mitigation efforts. By using a combination of these tools and methods the bank makes informed decisions to achieve objectives while managing uncertainty. It forms the foundation of the broader risk management process, which encompasses risk assessment, mitigation, monitoring, and control.
Risk Assessment	Considering the extent and complexity of the fast-changing environment of both banking services and associated possible operational risks, the importance of improving processes, procedures, controls and systems is crucial to ensure risk prevention. To oversee and mitigate operational risk, the bank established the operational risk management on three levels in the Bank: business units/departments level, Operational Risk Management level and Internal Audit level. The operational risk management division acts as second line of defense. The Bank's Operational Risk Methodology is an overarching document that outlines the general principles for effective operational risk principles. It has been developed in accordance with Basel Committee "Principals for Sound Management of Operational Risks", issued in July 2011, and the overall risk strategy of the bank. The policy also considers requirements of the National Bank of Georgia ("Regulation of Operational Risks Management by Commercial Banks issued in June 13, 2014). It is an integrated part of the Bank's overall risk management activities, defines major risk management principles and tools for how operational risk is to be identified, assessed, monitored, and controlled or mitigated, that should be reflected in respective risk management policy and methodology of the bank. It aims to establish sound and effective operational risk management practice across the bank activities. The methodology is responsible for implementing the operational risk policy and appropriate procedures to enable the bank to manage operational risks, as well as monitoring operational risk events, risk exposures against risk appetite and material control issues. Although the Bank calculates capital requirement for operational risk using the Basic Indicators Approach (BIA approach), some qualitative elements of more advanced risk quantification are used, which serve as a basis of more comprehensive operational risk management.
Risk Mitigation	Corresponding policies and procedures enabling effective management of operational risks are an integral part of the operational risk management policy, including a system of checks to identify strengths and weaknesses of the operational risk environment is defined and contingency and business continuity plans are in place to ensure the ability to operate as going concern and minimize losses in the event of severe business disruption. The bank identifies, assesses and treats risks arising from operational risk events and has permanent, cyclical monitoring process in place to detect unusual activities in a timely manner. The Bank exercises the risk and control self-assessment (RCSA) process, which enables to identify, analyze, assess and examine different mitigation plans for operational risks and the corresponding controls, providing reasonable assurance that all business objectives will be met. RCSA focuses on identifying and assessing residual risks in key business processes that are subject to corrective action plans. Moreover, enacting an outsourcing risk management policy, which enables the Bank to control outsourcing (vendor) risk arising from adverse events and risk concentrations due to failures in vendor selection, insufficient controls and oversight over a vendor and/or services provided by a vendor and other impacts to the vendor; Further, involving the operational risk management function in the approval process for new products and services to minimize risks relating thereto. The Operational risk is also responsible for the day-to-day management of operational risks using various techniques. It identifies potential breaches of PDP law via analyzing customer complaints, the operational risk event databases and introduces changes in operational practices to improve personal data protection and avoid leakage of personal information in the environment of rapidly increasing automation. In order to effectively measure and manage operational risk, appropriate operational risk management environment is developed through internal reporting of operational risk as a distinct risk category related to the bank's safety and soundness on one hand, and by effective and comprehensive internal audit function, carried out by operationally independent, appropriately trained and competent staff, on the other hand. To further mitigate operational risks driven by fraudulent activities, the bank has introduced sophisticated and real time digital fraud prevention system, which analyses client behavior to further minimize external fraud threats. During the unprecedented spread of covid-19, Basisbank developed a business continuity plan to ensure proper response to health issues and operational risks. The Bank has taken precautionary measures to protect the health and safety of both employees and customers, to ensure the continuity of necessary services, and to reduce all operational and financial risks. All business continuity measures are coordinated with Government of Georgia and the NBG and are based on their guidelines and instructions. Bank offices and branches operate in compliance with additional safety standards, including strict hygiene standards. The bank will continue to follow the instructions of local and international health organizations and make informed decisions.
Risk Appetite	The Bank is subject to the risk of incurring losses or undue costs due to the inadequacies or failure of internal processes or systems or human error, or from errors made during the execution or performance of operations. The Bank's complex operations also expose it to the risk of external and internal frauds. External fraud events may arise from the actions of third parties against the Bank and, most frequently, this involves events related to plastic cards and cash. Internal frauds arise from actions committed by the Bank's employees and such events happen less frequently. Nonetheless, fraudsters are adopting new techniques and approaches to exploit various possibilities to illegally obtain and exploit the Bank's assets. It is therefore important for the Bank to manage operational risks and minimize their negative effect on the financial standing. According to the operational risk appetite statement, the bank has to have an adequate operational risk tolerance to maintain low costs while fostering business growth and development efficiently, has to have a low tolerance for internal fraud and has to aim to maintain vigorous operational systems with high resilience in stressed conditions.

Information Security/ Cybersecurity Risks

Risk Definition	Information security/Cybersecurity Risk is an effect of uncertainty on information security objectives. Information security risk is associated with the potential that threats will exploit vulnerabilities of an information asset or group of information assets and thereby cause harm to the bank. It is the risk resulting from unauthorized utilization of personal data or other sensitive information, cyber-attacks, phishing and other forms of data breach. Information security, therefore, is one of BasisBank's material non-financial topics. Preserving the confidentiality, integrity, and availability of our clients' & partners' data and the bank's information assets is essential for upholding the trust placed in BasisBank by our clients, employees and stakeholders.
Risk Identification	Information Security/Cybersecurity function is in charge of continuous improvement of information security processes, in order to minimize risks associated with information security/cybersecurity and ensure security of clients and partners.
Risk Assessment	Information Security framework is established to ensure that security policies and standards mirror evolving business requirements, regulatory guidance, and emerging cyber threats. Information security/cybersecurity corresponding policies support the bank in complying with these parameters and build the foundation for actively managing and governing information security-related implementation processes. International standards and best practices are used to structure the bank's comprehensive information security policy landscape. Information Security/Cybersecurity function is mandated to ensure that the appropriate governance framework, policies, processes, and technical capabilities are in place to manage the related information security/cybersecurity risk within the bank. Information Security/CyberSecurity function works with every business division/unit and all employees of the bank to ensure the bank's systems are protected as well as used safely and securely to achieve the banks business objectives.
Risk Mitigation and Monitoring	At least once a year, a full information security and cyber security audit as well as cyber security framework analysis is performed by an external consultant to assess the efficiency of the bank's capabilities against industry best practices and real world cyber-attack scenarios, taking into consideration the relevant regional and sector specific perspectives. The audit gives the bank a broad review as well as a detailed insight, which helps to further enhance the information and cyber security systems. In addition, penetration test exercises are performed on a regular basis. Bank employees play a crucial role in information security. As a result, regular training sessions are conducted for employees, which are comprised of remote learning courses on security issues, fraud and phishing simulations as well as informative emails to further assist our employees with information security matters. These measures ensure that employees are fully aware of their responsibilities and are prepared for various security threats. As a result of the COVID-19 pandemic, the Bank activated secure remote working policies, which ensure that homeworking environments are protected against relevant cyber-threats and IT team provides effective oversight of teleworking channels.
Risk Appetite	The threat posed by cyber-attacks has increased in recent years and it continues to grow. The risk of potential cyber-attacks, which have become more sophisticated and complex, may lead to significant security breaches. Such risks change rapidly and require continued focus and implementation of best practices. No major cyber-attack attempt has targeted BasisBank in recent years. However, the banks growing dependency on complex IT systems increases its vulnerability and exposure to cyberattacks. According to the cybersecurity risk appetite statement the bank has to have a very low tolerance for disclosure of customer data, has to have a low tolerance for financial loss from cyber-attacks and has to have a zero tolerance for cyber-security related regulatory actions while aim to strengthen defence in depth strategy and work on continuous improvement.

Model Risk

Risk Definition	Model Risk refers to the potential for adverse consequences arising from the incorrect use, implementation, or interpretation of a model in decision-making processes. Model risk management has its lifecycle that refers to the systematic process of developing, pre-validating validating, implementing and monitoring models throughout their lifecycle within Basisbank. Model Risk lifecycle management is crucial for mitigating model risk and ensuring that models are accurate, reliable, and compliant with regulatory requirements. Communication with stakeholders during all steps of the process is important, all stakeholders are kept informed about the implementation process, timelines, and any changes to workflows or responsibilities.
Key Drivers of the Risk	Key drivers of model risk include poor data quality, incorrect assumptions, flawed methodologies, lack of adequate validation, and misinterpretation of model outputs. Any deviations or limitations in the inputs, processes, or outputs of a model can lead to incorrect decisions, especially when models are used in high-impact areas like finance or risk management. Models that are not updated regularly to reflect changes in the environment or market conditions are also susceptible to generating unreliable results.
Risk Identification and Measurement	Assessing model risk involves evaluating the likelihood and potential impact of model failure. This assessment should be conducted throughout the model's lifecycle, taking into account the model's complexity, scope, and use. Higher-risk models, such as those used for critical decision-making in Bassisbank (e.g., capital allocation, risk measurement), should undergo more rigorous validation and scrutiny. The assessment process ensures that models meet regulatory and business standards while aligning with the institution's overall risk management framework.
Risk Mitigation and Monitoring	Mitigation involves implementing a structured approach throughout the model's lifecycle, including development, validation, and monitoring. Key strategies include ensuring data quality, conducting rigorous testing (such as sensitivity analysis and back-testing), and having clear roles for the first and second lines of defense. The first line focuses on building the model with appropriate inputs and methodologies, while the second line independently validates and oversees compliance with risk management policies. Effective documentation and clear communication with stakeholders further reduce risk. Ongoing monitoring ensures models remain accurate and reliable, with adjustments made as needed to respond to changing conditions.

AUDIT REPORT

BasisBank Group

Consolidated and Separate Financial Statements and
Independent Auditor's Report
for the Year Ended 31 December 2024

BasisBank Group

Table of Contents

BasisBank Group

Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

Management of JSC BasisBank (the "Bank") and its subsidiaries (Collectively - the "Group") is responsible for the preparation of the consolidated and separate financial statements that present fairly the financial position of the Group and the Bank as at 31 December 2024, and the related consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and significant accounting policies and notes to the consolidated and separate financial statements (the "consolidated and separate financial statements") in compliance with International Financial Reporting Standards ("IFRS") Accounting Standards as issued by the IASB.").

In preparing the consolidated and separate financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and the Bank's financial position and financial performance; and
- Making an assessment of the Group's and the Bank's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's and the Bank's transactions and disclose with reasonable accuracy at any time the consolidated and separate financial position of the Group and the Bank, and which enable them to ensure that the consolidated and separate financial statements comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of Georgia;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated and separate financial statements for the year ended 31 December 2024 were approved by the Management Board of the Group on 19 March 2025.

On behalf of the Management Board:

David Tsaava
General Director
Tbilisi Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi Georgia

BasisBank Group

Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

Management of JSC BasisBank (the "Bank") and its subsidiaries (Collectively - the "Group") is responsible for the preparation of the consolidated and separate financial statements that present fairly the financial position of the Group and the Bank as at 31 December 2024, and the related consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and significant accounting policies and notes to the consolidated and separate financial statements (the "consolidated and separate financial statements") in compliance with International Financial Reporting Standards ("IFRS") Accounting Standards as issued by the IASB.").

In preparing the consolidated and separate financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's and the Bank's financial position and financial performance; and
- Making an assessment of the Group's and the Bank's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's and the Bank's transactions and disclose with reasonable accuracy at any time the consolidated and separate financial position of the Group and the Bank, and which enable them to ensure that the consolidated and separate financial statements comply with IFRS;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of Georgia;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated and separate financial statements for the year ended 31 December 2024 were approved by the Management Board of the Group on 19 March 2025.

On behalf of the Management Board:

____

David Tsaava
General Director
Tbilisi Georgia

____

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi Georgia

Deloitte.

Deloitte & Touche LLC
Tax ID: 204422240
City Tower Business Center
70 Vazha-Pshavela Ave.
Tbilisi, 0186, Georgia

Tel: +995 (32) 224 45 66
Fax: +995 (32) 224 45 69
deloitte.ge

INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of JSC BasisBank:

Opinion

We have audited the consolidated and separate financial statements of JSC BasisBank (the "Bank") and its subsidiaries (collectively the "Group"), which comprise the consolidated and separate statements of financial position as at 31 December 2024, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and the Bank as at 31 December 2024, and the Group's and the Bank's consolidated and separate financial performance and their cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Deloitte.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Expected credit loss allowance on loans to customers (Bank)	
Under IFRS 9, Financial Instruments, management is required to determine the ECL allowance expected to occur over either a 12-month period or the remaining life of an asset, depending on the stage allocation of the individual asset. This staging is determined by assessing whether or not there has been a significant increase in credit risk ('SICR') or default of the borrower since loan origination. We focused on this area as the management's estimates regarding the ECL allowance on loans to customers are complex, require a significant judgement and are subject to high degree of estimation uncertainty. The key area where we identified greater levels of management judgement and therefore increased levels of audit focus in the Bank's estimation of ECL is: • Model estimations- Inherently judgmental modelling and assumptions are used to estimate ECL which involves determining Probability of Default ("PD"), Loss Given Default ("LGD"), and Exposure at Default ("EAD"). ECL may be inappropriate if certain models or underlying assumptions do not accurately predict defaults or recoveries over time, become out of line with wider industry experience, or fail to reflect the credit risk of financial assets. As a result, certain IFRS 9 models and model assumptions are the key drivers of complexity and uncertainly in the Bank's calculation of the ECL estimate.	We gained an understanding and evaluated the design and implementation of the key controls over the determination of ECL allowance. We assessed whether the ECL model methodologies developed by management comply with IFRS 9. We challenged the reasonableness of the methodology on loan loss provisioning and its compliance with IFRS 9 Financial Instruments requirements. We assessed the reasonableness of the critical assumptions applied in determination of LGDs and PDs. We tested the relevant input data and the mathematical integrity of each stage used in the expected credit loss calculation. We involved our credit risk specialists in performing the above procedures. We tested, on a sample basis, the accuracy and completeness of input data in the models, including principle balances, and other model parameters, such as, restructuring events, overdue days per client and collateral values. We analysed the appropriateness of loans' staging by selecting a sample from these loans and testing whether conditions, including existence of overdue days, restructuring and current financial performance of the borrower for classification into respective stages were met. We evaluated whether the key assumptions and other judgements underlying the estimations of impairments were reasonable. Our specialists were involved in described above procedures related to models and assumptions. We evaluated adequacy of the disclosures related to ECL allowance on loans and advances to customers.

Deloitte.

Key Audit Matter	How the matter was addressed in the audit
Valuation of Insurance Liabilities in Accordance with IFRS 17	
As part of the audit, we have determined that the valuation of insurance liabilities in accordance with IFRS 17, Insurance Contracts, is a key audit matter due to its complexity and significance in the financial statements. The adoption of IFRS 17 involves complex judgments and significant assumptions related to the discount rates, expected future cash flows, contract boundaries, and risk adjustment, all of which are subject to a high degree of estimation uncertainty. The insurance liabilities are determined using actuarial models that are highly sensitive to the assumptions, which require significant judgment and expertise. These assumptions are subject to both external factors and internal data quality, which introduces a degree of estimation uncertainty. Given the complexity and subjectivity involved in the valuation process, along with the material impact of insurance liabilities on the financial statements, this area was a focus of our audit.	We obtained an understanding of the Company's process for transitioning to IFRS 17 and reviewed the documentation supporting the accounting treatment of insurance contracts under the new standard. We gained an understanding Company's control environment and tested design and implementation of the relevant controls We evaluated the actuarial models used by management to determine insurance contract liabilities, including the reasonableness of the key assumptions. We also involved our actuarial specialists to assist in assessing the reasonableness of the assumptions and the appropriateness of the models applied. We tested, on a sample basis, the accuracy and completeness of input data used in the calculation of insurance liabilities. We reviewed the Company's disclosures related to IFRS 17, ensuring that the financial statements appropriately reflected the impact of the standard and the relevant disclosures were in accordance with IFRS 17 requirements.

Deloitte.

Other Information

Management is responsible for the other information. The other information comprises the Consolidated Management Report prepared in accordance with the requirements of the Law of Georgia on Accounting, Reporting and Auditing ("the Law").

Our opinion on the consolidated and separate financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated and Separate Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, management is responsible for assessing the Group's and the Banks's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's and the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Deloitte.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Deloitte.

Report on Other Legal and Regulatory Requirements

Management is responsible for the preparation of the Management Report in accordance with the Law, and for such internal control as management determines is necessary to enable the preparation of the Management Report that is free from material misstatement, whether due to fraud or error.

We performed procedures with respect to whether the management report is prepared in accordance with the requirements of the Law and includes the information required by the Law.

We have read the Management Report and based on the work done we have concluded that:

- The information given in the Management Report for the year ended 31 December 2024 is materially consistent with the consolidated financial statements for the year ended 31 December 2024, or with our knowledge obtained in the audit; and
- The Management Report includes the Information required by Article 7 of the Law of Georgia on Accounting, Reporting and Auditing and complies with respective regulatory normative acts.

Jamal Hasanov
Engagement partner

On Behalf of Deloitte & Touche LLC

19 March 2025
Tbilisi, Georgia

BasisBank Group

Consolidated and Separate Statements of Financial Position
As at 31 December 2024

In thousands of Georgian Lari	Note	31 December 2024 Bank Separate	31 December 2024 Consolidated	31 December 2023 Bank Separate	31 December 2023 Consolidated
ASSETS					
Cash and cash equivalents	7	219,796	223,189	282,582	284,010
Mandatory cash balances with the NBG	8	277,258	277,258	184,600	184,600
Due from other banks	9	-	19,736	-	15,426
Investments in debt securities	10	386,712	387,641	378,159	378,461
Investment in subsidiaries	1	27,797	-	24,797	-
Loans and advances to customers	11	2,922,676	2,922,676	2,493,970	2,493,970
Finance lease receivables	12	-	40,802	-	26,136
Insurance and Reinsurance Contract Assets	13	-	1,470	-	74,974
Investment properties		-	1,181	-	1,299
Current income tax prepayment	29	4,006	4,006	-	-
Other financial assets		8,444	8,444	2,269	2,269
Other assets	14	31,283	36,606	28,574	33,065
Premises, equipment and intangible assets	15	116,321	116,595	107,079	107,375
Right-of-use assets	16	14,540	14,540	17,364	17,364
TOTAL ASSETS		**4,008,833**	**4,054,144**	**3,519,394**	**3,618,949**
LIABILITIES					
Due to other banks	17	180,678	191,083	277,084	284,866
Customer accounts	18	2,546,572	2,543,571	2,199,455	2,192,372
Borrowed funds	19	410,377	415,675	379,621	382,344
Lease liabilities	16	14,191	14,191	15,970	15,970
Insurance and Reinsurance Contract Liabilities	13	-	2,446	-	77,101
Other financial liabilities		7,229	7,229	3,961	3,961
Current income tax liability	29	-	-	13,518	13,518
Deferred income tax liability	29	1,155	1,155	1,996	1,996
Provisions for liabilities and charges	33	2,118	2,118	1,655	1,655
Other liabilities	20	20,749	23,302	16,903	18,041
Own Debt Securities in Issue	21	57,666	57,666	-	-
Subordinated debts	22	163,292	163,292	106,383	106,383
TOTAL LIABILITIES		**3,404,027**	**3,421,728**	**3,016,546**	**3,098,207**
EQUITY					
Share capital	23	18,212	18,212	17,319	17,319
Share premium	23	130,406	130,406	104,498	104,498
Revaluation reserve for premises		14,362	15,200	10,870	11,708
Revaluation reserve for debt securities carried at FVOCI		1,446	1,446	(201)	(201)
Retained earnings		440,380	467,152	370,362	387,418
TOTAL EQUITY		**604,806**	**632,416**	**502,848**	**520,742**
TOTAL LIABILITIES AND EQUITY		**4,008,833**	**4,054,144**	**3,519,394**	**3,618,949**

Approved for issue and signed on 19 March 2025.

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 81-138 form an integral part of these consolidated and separate financial statements.

BasisBank Group

Consolidated and Separate Statements of Financial Position
As at 31 December 2024

		31 December 2024		31 December 2023	
In thousands of Georgian Lari	Note	Bank Separate	Consolidated	Bank Separate	Consolidated
ASSETS					
Cash and cash equivalents	7	219,796	223,189	282,582	284,010
Mandatory cash balances with the NBG	8	277,258	277,258	184,600	184,600
Due from other banks	9	-	19,736	-	15,426
Investments in debt securities	10	386,712	387,641	378,159	378,461
Investment in subsidiaries	1	27,797	-	24,797	-
Loans and advances to customers	11	2,922,676	2,922,676	2,493,970	2,493,970
Finance lease receivables	12	-	40,802	-	26,136
Insurance and Reinsurance Contract Assets	13	-	1,470	-	74,974
Investment properties		-	1,181	-	1,299
Current income tax prepayment	29	4,006	4,006	-	-
Other financial assets		8,444	8,444	2,269	2,269
Other assets	14	31,283	36,606	28,574	33,065
Premises, equipment and intangible assets	15	116,321	116,595	107,079	107,375
Right-of-use assets	16	14,540	14,540	17,364	17,364
TOTAL ASSETS		**4,008,833**	**4,054,144**	**3,519,394**	**3,618,949**
LIABILITIES					
Due to other banks	17	180,678	191,083	277,084	284,866
Customer accounts	18	2,546,572	2,543,571	2,199,455	2,192,372
Borrowed funds	19	410,377	415,675	379,621	382,344
Lease liabilities	16	14,191	14,191	15,970	15,970
Insurance and Reinsurance Contract Liabilities	13	-	2,446	-	77,101
Other financial liabilities		7,229	7,229	3,961	3,961
Current income tax liability	29	-	-	13,518	13,518
Deferred income tax liability	29	1,155	1,155	1,996	1,996
Provisions for liabilities and charges	33	2,118	2,118	1,655	1,655
Other liabilities	20	20,749	23,302	16,903	18,041
Own Debt Securities in Issue	21	57,666	57,666	-	-
Subordinated debts	22	163,292	163,292	106,383	106,383
TOTAL LIABILITIES		**3,404,027**	**3,421,728**	**3,016,546**	**3,098,207**
EQUITY					
Share capital	23	18,212	18,212	17,319	17,319
Share premium	23	130,406	130,406	104,498	104,498
Revaluation reserve for premises		14,362	15,200	10,870	11,708
Revaluation reserve for debt securities carried at FVOCI		1,446	1,446	(201)	(201)
Retained earnings		440,380	467,152	370,362	387,418
TOTAL EQUITY		**604,806**	**632,416**	**502,848**	**520,742**
TOTAL LIABILITIES AND EQUITY		**4,008,833**	**4,054,144**	**3,519,394**	**3,618,949**

Approved for issue and signed on 19 March 2025.

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 81-138 form an integral part of these consolidated and separate financial statements.

BasisBank Group

Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income
As at 31 December 2024

		2024		2023	
In thousands of Georgian Lari	Note	Bank Separate	Consolidated	Bank Separate	Consolidated
Interest income calculated using the effective interest method	25	352,289	354,934	308,198	310,310
Interest expense	25	(197,100)	(197,995)	(173,227)	(173,696)
Net margin on interest and similar income		**155,189**	**156,939**	**134,971**	**136,614**
Credit loss allowance for financial assets	7, 8, 9, 10, 11, 12	(4,208)	(4,464)	(4,290)	(4,355)
Net margin on interest and similar income after credit loss allowance		**150,981**	**152,475**	**130,681**	**132,259**
Fee and commission income	26	23,220	23,219	19,058	19,052
Fee and commission expense	26	(6,987)	(6,987)	(6,195)	(6,195)
Insurance service result	27	-	(20,701)	-	(97,209)
Reinsurance service result	27	-	22,239	-	98,058
Finance income from leases		-	11,167	-	6,107
Gains less losses from financial derivatives		(2,133)	(2,133)	(2,216)	(2,216)
Gains less losses from trading in foreign currencies		18,027	17,958	11,225	11,233
Foreign exchange translation gains less losses		674	674	(452)	(452)
Expected credit loss for credit related commitments		(462)	(462)	(356)	(356)
Other operating income, net		1,799	1,815	8,366	8,542
Administrative and other operating expenses	28	(95,763)	(100,192)	(80,719)	(82,652)
Profit before tax		**89,356**	**99,072**	**79,392**	**86,171**
Income tax expense	29	(11,649)	(11,649)	(8,771)	(9,286)
PROFIT FOR THE YEAR		**77,707**	**87,423**	**70,621**	**76,885**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Gains less losses arising during the year on debt securities carried at FVOCI		1,647	1,647	(3,673)	(3,673)
Items that will not be reclassified to profit or loss:					
Change in revaluation reserve for premises		3,492	3,492	-	-
Other comprehensive income for the year		**5,139**	**5,139**	**(3,673)**	**(3,673)**
Total comprehensive income for the year		**82,846**	**92,562**	**66,948**	**73,212**

Approved for issue and signed on 19 March 2025.

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 81-138 form an integral part of these consolidated and separate financial statements.

BasisBank Group

Consolidated and Separate Statements of Profit or Loss and Other Comprehensive Income
As at 31 December 2024

		2024		2023	
In thousands of Georgian Lari	Note	Bank Separate	Consolidated	Bank Separate	Consolidated
Interest income calculated using the effective interest method	25	352,289	354,934	308,198	310,310
Interest expense	25	(197,100)	(197,995)	(173,227)	(173,696)
Net margin on interest and similar income		**155,189**	**156,939**	**134,971**	**136,614**
Credit loss allowance for financial assets	7, 8, 9, 10, 11, 12	(4,208)	(4,464)	(4,290)	(4,355)
Net margin on interest and similar income after credit loss allowance		**150,981**	**152,475**	**130,681**	**132,259**
Fee and commission income	26	23,220	23,219	19,058	19,052
Fee and commission expense	26	(6,987)	(6,987)	(6,195)	(6,195)
Insurance service result	27	-	(20,701)	-	(97,209)
Reinsurance service result	27	-	22,239	-	98,058
Finance income from leases		-	11,167	-	6,107
Gains less losses from financial derivatives		(2,133)	(2,133)	(2,216)	(2,216)
Gains less losses from trading in foreign currencies		18,027	17,958	11,225	11,233
Foreign exchange translation gains less losses		674	674	(452)	(452)
Expected credit loss for credit related commitments		(462)	(462)	(356)	(356)
Other operating income, net		1,799	1,815	8,366	8,542
Administrative and other operating expenses	28	(95,763)	(100,192)	(80,719)	(82,652)
Profit before tax		**89,356**	**99,072**	**79,392**	**86,171**
Income tax expense	29	(11,649)	(11,649)	(8,771)	(9,286)
PROFIT FOR THE YEAR		**77,707**	**87,423**	**70,621**	**76,885**
Other comprehensive income:					
Items that may be reclassified subsequently to profit or loss:					
Gains less losses arising during the year on debt securities carried at FVOCI		1,647	1,647	(3,673)	(3,673)
Items that will not be reclassified to profit or loss:					
Change in revaluation reserve for premises		3,492	3,492	-	-
Other comprehensive income for the year		**5,139**	**5,139**	**(3,673)**	**(3,673)**
Total comprehensive income for the year		**82,846**	**92,562**	**66,948**	**73,212**

Approved for issue and signed on 19 March 2025.

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 81-138 form an integral part of these consolidated and separate financial statements.

BasisBank Group

Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2024

In thousands of Georgian Lari	Note	Share capital	Share premium	Share based payments reserve	Revaluation reserve for securities at FVOCI	Revaluation reserve for premises	Retained earnings	Total Equity
Balance at 31 December 2022		**17,091**	**101,066**	**2,606**	**3,472**	**11,708**	**317,938**	**453,881**
Profit for the year		-	-	-	-	-	76,885	76,885
Other comprehensive income		-	-	-	(3,673)	-	-	(3,673)
Total comprehensive income for 2023		-	-	-	(3,673)	-	76,885	73,212
Share-based payment accruals		-	-	160	-	-	-	160
Share issue	23	228	3,432	(2,766)	-	-	-	894
Dividends declared	24	-	-	-	-	-	(7,405)	(7,405)
Balance at 31 December 2023		**17,319**	**104,498**	**-**	**(201)**	**11,708**	**387,418**	**520,742**
Profit for the year		-	-	-	-	-	87,423	87,423
Other comprehensive income		-	-	-	1,647	-	-	1,647
Change in revaluation reserve for premises		-	-	-	-	3,492	-	3,492
Total comprehensive income for 2024		-	-	-	1,647	3,492	87,423	92,562
Share issue	23	893	25,908	-	-	-	-	26,801
Dividends declared	24	-	-	-	-	-	(7,689)	(7,689)
Balance at 31 December 2024		**18,212**	**130,406**	**-**	**1,446**	**15,200**	**467,152**	**632,416**

Approved for issue and signed on 19 March 2025.

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 81-138 form an integral part of these consolidated and separate financial statements.

BasisBank Group

Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2024

In thousands of Georgian Lari	Note	Share capital	Share premium	Share based payments reserve	Revaluation reserve for securities at FVOCI	Revaluation reserve for premises	Retained earnings	Total Equity
Balance at 31 December 2022		**17,091**	**101,066**	**2,606**	**3,472**	**11,708**	**317,938**	**453,881**
Profit for the year		-	-	-	-	-	76,885	76,885
Other comprehensive income		-	-	-	(3,673)	-	-	(3,673)
Total comprehensive income for 2023		-	-	-	(3,673)	-	76,885	73,212
Share-based payment accruals		-	-	160	-	-	-	160
Share issue	23	228	3,432	(2,766)	-	-	-	894
Dividends declared	24	-	-	-	-	-	(7,405)	(7,405)
Balance at 31 December 2023		**17,319**	**104,498**	**-**	**(201)**	**11,708**	**387,418**	**520,742**
Profit for the year		-	-	-	-	-	87,423	87,423
Other comprehensive income		-	-	-	1,647	-	-	1,647
Change in revaluation reserve for premises		-	-	-	-	3,492	-	3,492
Total comprehensive income for 2024		-	-	-	1,647	3,492	87,423	92,562
Share issue	23	893	25,908	-	-	-	-	26,801
Dividends declared	24	-	-	-	-	-	(7,689)	(7,689)
Balance at 31 December 2024		**18,212**	**130,406**	**-**	**1,446**	**15,200**	**467,152**	**632,416**

Approved for issue and signed on 19 March 2025.

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 81-138 form an integral part of these consolidated and separate financial statements.

BasisBank Group

Separate Statements of Changes in Equity
As at 31 December 2024

In thousands of Georgian Lari	Note	Share capital	Share premium	Share based payments reserve	Revaluation reserve for securities at FVOCI	Revaluation reserve for premises	Retained earnings	Total Equity
Balance at 31 December 2022		**17,091**	**101,066**	**2,606**	**3,472**	**10,870**	**307,146**	**442,251**
Profit for the year		-	-	-	-	-	70,621	70,621
Other comprehensive income		-	-	-	(3,673)	-	-	(3,673)
Total comprehensive income for 2023		-	-	-	(3,673)	-	70,621	66,948
Share-based payment accruals		-	-	160	-	-	-	160
Share issue	23	228	3,432	(2,766)	-	-	-	894
Dividends declared	24	-	-	-	-	-	(7,405)	(7,405)
Balance at 31 December 2023		**17,319**	**104,498**	**-**	**(201)**	**10,870**	**370,362**	**502,848**
Profit for the year		-	-	-	-	-	77,707	77,707
Other comprehensive income		-	-	-	1,647	-	-	1,647
Change in revaluation reserve for premises		-	-	-	-	3,492	-	3,492
Total comprehensive income for 2024		-	-	-	1,647	3,492	77,707	82,846
Share issue	23	893	25,908	-	-	-	-	26,801
Dividends declared	24	-	-	-	-	-	(7,689)	(7,689)
Balance at 31 December 2024		**18,212**	**130,406**	**-**	**1,446**	**14,362**	**440,380**	**604,806**

Approved for issue and signed on 19 March 2025.

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 81-138 form an integral part of these consolidated and separate financial statements.

BasisBank Group

Separate Statements of Changes in Equity
As at 31 December 2024

In thousands of Georgian Lari	Note	Share capital	Share premium	Share based payments reserve	Revaluation reserve for securities at FVOCI	Revaluation reserve for premises	Retained earnings	Total Equity
Balance at 31 December 2022		**17,091**	**101,066**	**2,606**	**3,472**	**10,870**	**307,146**	**442,251**
Profit for the year		-	-	-	-	-	70,621	70,621
Other comprehensive income		-	-	-	(3,673)	-	-	(3,673)
Total comprehensive income for 2023		-	-	-	(3,673)	-	70,621	66,948
Share-based payment accruals		-	-	160	-	-	-	160
Share issue	23	228	3,432	(2,766)	-	-	-	894
Dividends declared	24	-	-	-	-	-	(7,405)	(7,405)
Balance at 31 December 2023		**17,319**	**104,498**	**-**	**(201)**	**10,870**	**370,362**	**502,848**
Profit for the year		-	-	-	-	-	77,707	77,707
Other comprehensive income		-	-	-	1,647	-	-	1,647
Change in revaluation reserve for premises		-	-	-	-	3,492	-	3,492
Total comprehensive income for 2024		-	-	-	1,647	3,492	77,707	82,846
Share issue	23	893	25,908	-	-	-	-	26,801
Dividends declared	24	-	-	-	-	-	(7,689)	(7,689)
Balance at 31 December 2024		**18,212**	**130,406**	**-**	**1,446**	**14,362**	**440,380**	**604,806**

Approved for issue and signed on 19 March 2025.

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 81-138 form an integral part of these consolidated and separate financial statements.

BasisBank Group

Consolidated and Separate Statements of Cash Flows
for the Year Ended 31 December 2024

		2024		2023	
In thousands of Georgian Lari	Note	Bank Separate	Consolidated	Bank Separate	Consolidated
Cash flows from operating activities					
Interest income received		346,533	349,178	304,385	306,497
Interest paid		(181,245)	(182,140)	(170,061)	(170,530)
Fees and commissions received	26	23,220	23,219	19,058	19,052
Fees and commissions paid	26	(6,987)	(6,987)	(6,195)	(6,195)
Income received from financial derivatives		(2,133)	(2,133)	(2,216)	(2,216)
Income received from trading in foreign currencies		18,027	17,958	11,225	11,233
Other operating income received		2,987	3,002	7,175	7,351
Cash inflow from insurance		-	19,578	-	12,317
Cash outflow from insurance		-	(14,353)	-	(6,485)
Income received from leases		-	11,167	-	6,107
Proceeds from disposal of foreclosed properties		2,792	2,792	10,822	10,822
Staff costs paid		(51,489)	(54,718)	(42,386)	(45,470)
Administrative and other operating expenses paid		(42,773)	(43,971)	(33,706)	(36,299)
Income tax paid		(30,853)	(30,091)	(4,315)	(4,885)
Cash flows from operating activities before changes in operating assets and liabilities		**78,079**	**92,501**	**93,786**	**101,299**
Net (increase)/decrease in:					
- Due from other banks and mandatory cash balances with NBG		(85,374)	(89,684)	32,673	29,840
- Loans and advances to customers		(391,258)	(391,514)	(397,803)	(400,992)
- Insurance assets		-	(4,837)	-	(2,915)
- Finance lease receivables		-	(14,666)	-	3,125
- Other financial assets		(5,845)	(5,845)	1,353	(7,103)
- Other assets		(4,384)	(6,436)	(67,443)	(68,294)
Net increase/(decrease) in:					
- Due to other banks		(96,573)	(93,949)	(26,562)	(26,025)
- Customer accounts		294,726	298,808	234,756	232,743
- Other financial liabilities		3,212	3,213	(1,897)	(1,897)
- Other liabilities		4,744	5,796	5,607	8,778
Net cash used in/(from) operating activities		**(202,673)**	**(206,613)**	**(125,530)**	**(131,441)**
Cash flows from investing activities					
Proceeds on disposal of debt securities held at FVOCI		48,389	48,389	71,899	72,198
Acquisition of debt securities held at FVOCI		(58,000)	(58,000)	-	-
Proceeds from disposal/redemption of debt securities		84,182	84,182	96,822	96,822
Acquisition of debt securities		(72,500)	(71,900)	(93,857)	(93,857)
Acquisition of premises and equipment		(6,825)	(6,741)	(2,067)	(2,125)
Proceeds from disposal of premises and equipment		275	320	70	70
Acquisition of intangible assets		(3,557)	(3,557)	(3,270)	(3,270)
Investment in subsidiary		(3,000)	-	(4,000)	-
Net cash from/(used in) investing activities		**(11,036)**	**(7,307)**	**65,597**	**69,838**

BasisBank Group

Consolidated and Separate Statements of Cash Flows for the Year Ended 31 December 2024 (continued)

		2024		2023	
In thousands of Georgian Lari	Note	Bank Separate	Consolidated	Bank Separate	Consolidated
Cash flows from financing activities					
Proceeds from borrowed funds	30	246,344	248,521	244,778	247,467
Repayment of borrowed funds	30	(221,397)	(221,398)	(215,905)	(215,905)
Proceeds from subordinated debts	29	53,100	53,100	46,357	46,357
Proceeds from Own Debt Securities in Issue		54,019	54,019	-	-
Repayment of principal of lease liabilities	16	(3,624)	(3,624)	(3,335)	(3,335)
Issuance of ordinary shares	23	26,801	26,801	3,660	3,660
Dividends paid	24	(7,689)	(7,689)	(7,405)	(7,405)
Net cash from financing activities		**147,554**	**149,730**	**68,150**	**70,839**
Effect of exchange rate changes on cash and cash equivalents		**3,369**	**3,369**	**(3,294)**	**(3,294)**
Net increase in cash and cash equivalents		**(62,786)**	**(60,821)**	**4,923**	**5,942**
Cash and cash equivalents at the beginning of the year	7	**282,582**	**284,010**	**277,659**	**278,068**
Cash and cash equivalents at the end of the year	7	**219,796**	**223,189**	**282,582**	**284,010**

During the years ended December 31, 2024 and December 31, 2023 the Group performed the following non-cash transactions:

- In 2024, loans to customers were settled by means of collateral repossession in the amount of GEL 8,555 thousand (2023: GEL 4,281 thousand);

Approved for issue and signed on 19 March 2025.

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 81-138 form an integral part of these consolidated and separate financial statements.

BasisBank Group

Consolidated and Separate Statements of Cash Flows for the Year Ended 31 December 2024

		2024		2023	
In thousands of Georgian Lari	Note	Bank Separate	Consolidated	Bank Separate	Consolidated
Cash flows from operating activities					
Interest income received		346,533	349,178	304,385	306,497
Interest paid		(181,245)	(182,140)	(170,061)	(170,530)
Fees and commissions received	26	23,220	23,219	19,058	19,052
Fees and commissions paid	26	(6,987)	(6,987)	(6,195)	(6,195)
Income received from financial derivatives		(2,133)	(2,133)	(2,216)	(2,216)
Income received from trading in foreign currencies		18,027	17,958	11,225	11,233
Other operating income received		2,987	3,002	7,175	7,351
Cash inflow from insurance		-	19,578	-	12,317
Cash outflow from insurance		-	(14,353)	-	(6,485)
Income received from leases		-	11,167	-	6,107
Proceeds from disposal of foreclosed properties		2,792	2,792	10,822	10,822
Staff costs paid		(51,489)	(54,718)	(42,386)	(45,470)
Administrative and other operating expenses paid		(42,773)	(43,971)	(33,706)	(36,299)
Income tax paid		(30,853)	(30,091)	(4,315)	(4,885)
Cash flows from operating activities before changes in operating assets and liabilities		**78,079**	**92,501**	**93,786**	**101,299**
Net (increase)/decrease in:					
- Due from other banks and mandatory cash balances with NBG		(85,374)	(89,684)	32,673	29,840
- Loans and advances to customers		(391,258)	(391,514)	(397,803)	(400,992)
- Insurance assets		-	(4,837)	-	(2,915)
- Finance lease receivables		-	(14,666)	-	3,125
- Other financial assets		(5,845)	(5,845)	1,353	(7,103)
- Other assets		(4,384)	(6,436)	(67,443)	(68,294)
Net increase/(decrease) in:					
- Due to other banks		(96,573)	(93,949)	(26,562)	(26,025)
- Customer accounts		294,726	298,808	234,756	232,743
- Other financial liabilities		3,212	3,213	(1,897)	(1,897)
- Other liabilities		4,744	5,796	5,607	8,778
Net cash used in/(from) operating activities		**(202,673)**	**(206,613)**	**(125,530)**	**(131,441)**
Cash flows from investing activities					
Proceeds on disposal of debt securities held at FVOCI		48,389	48,389	71,899	72,198
Acquisition of debt securities held at FVOCI		(58,000)	(58,000)	-	-
Proceeds from disposal/redemption of debt securities		84,182	84,182	96,822	96,822
Acquisition of debt securities		(72,500)	(71,900)	(93,857)	(93,857)
Acquisition of premises and equipment		(6,825)	(6,741)	(2,067)	(2,125)
Proceeds from disposal of premises and equipment		275	320	70	70
Acquisition of intangible assets		(3,557)	(3,557)	(3,270)	(3,270)
Investment in subsidiary		(3,000)	-	(4,000)	-
Net cash from/(used in) investing activities		**(11,036)**	**(7,307)**	**65,597**	**69,838**

BasisBank Group

Consolidated and Separate Statements of Cash Flows
for the Year Ended 31 December 2024 (continued)

In thousands of Georgian Lari	Note	2024 Bank Separate	2024 Consolidated	2023 Bank Separate	2023 Consolidated
Cash flows from financing activities					
Proceeds from borrowed funds	30	246,344	248,521	244,778	247,467
Repayment of borrowed funds	30	(221,397)	(221,398)	(215,905)	(215,905)
Proceeds from subordinated debts	29	53,100	53,100	46,357	46,357
Proceeds from Own Debt Securities in Issue		54,019	54,019	-	-
Repayment of principal of lease liabilities	16	(3,624)	(3,624)	(3,335)	(3,335)
Issuance of ordinary shares	23	26,801	26,801	3,660	3,660
Dividends paid	24	(7,689)	(7,689)	(7,405)	(7,405)
Net cash from financing activities		**147,554**	**149,730**	**68,150**	**70,839**
Effect of exchange rate changes on cash and cash equivalents		**3,369**	**3,369**	**(3,294)**	**(3,294)**
Net increase in cash and cash equivalents		**(62,786)**	**(60,821)**	**4,923**	**5,942**
Cash and cash equivalents at the beginning of the year	7	**282,582**	**284,010**	**277,659**	**278,068**
Cash and cash equivalents at the end of the year	7	**219,796**	**223,189**	**282,582**	**284,010**

During the years ended December 31, 2024 and December 31, 2023 the Group performed the following non-cash transactions:

- In 2024, loans to customers were settled by means of collateral repossession in the amount of GEL 8,555 thousand (2023: GEL 4,281 thousand);

Approved for issue and signed on 19 March 2025.

David Tsaava
General Director
Tbilisi, Georgia

Lia Aslanikashvili
Deputy General Director, Finances
Tbilisi, Georgia

The notes set out on the pages 81-138 form an integral part of these consolidated and separate financial statements.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

1 Introduction

The BasisBank JSC (hereinafter – the "Bank") was incorporated and is domiciled in Georgia, registered at Krtsanisi Mtatsminda court and registration number is 4/5-44, Tax code 203841833. The Bank is a joint stock company and was set up in accordance with Georgian regulations. As of 31 December 2024 and 2023 the year end the Bank's immediate and ultimate parent company was Xinjiang Hualing Industry & Trade (Group) Co Ltd incorporated in People's Republic of China.

Shareholders	% of ownership interest held as at 31 December 2024	2023
Xinjiang Hualing Industry & Trade (Group) Co Ltd	91.891%	91.548%
Mr. Mi Zaiqi	6.144%	6.461%
Other minority shareholders	1.965%	1.991%

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

The details of ownership structure of Ownership in Xinjiang Hualing Industry & Trade (Group) Co Ltd is as give below:

Shareholders	% of ownership interest held as of 31 December 2024 – Ownership in Xinjiang Hualing Industry & Trade (Group) Co
Hualing Group Investment Holding (xinjiang) Co. (100% owned by Mi Zaiqi)	54.545%
Mi Enhua	45.436%
Other minority shareholder	0.018%
Total	**100.00%**

Principal activity. The Group's principal business activity is commercial and retail banking operations within Georgia. The Bank has operated under a full banking licence issued by the National Bank of Georgia ("NBG") since 1993.

The Bank participates in the state deposit insurance scheme, which was introduced by the Law of Georgia on "Deposits insurance system" dated 17 May 2017. Staritng from January 1, 2022 the legal entities were added to insurance system. The Deposit Insurance Agency guarantees repayment of 100% of individual and legal deposits amounts up to GEL 30,000 per depositor in both lari and foreign currency on occurrence of insurance case – liquidation, insolvency or bankruptcy process in accordance with the law of Georgia on Commercial Banks.

The Group had 905 employees as at 31 December 2024 (2023: 926 employees), of which 857 are the Bank's employees and 48 of the subsidiaries (2023: 881 related to the Bank and 45 to the subsidiaries).

Registered address and place of business. The Bank's registered address is: #1 Ketevan Tsamebuli Avenue, Tbilisi 0103, Georgia.

Presentation currency. These consolidated and separate financial statements are presented in Georgian lari ("GEL"), unless otherwise stated.

Subsidiaries. These consolidated financial statements include the following principal subsidiaries:

Name	Country of incorporation	Principal activities	Ownership % at 31 December 2024	Ownership % at 31 December 2023
Basis Asset Management – Holding LLC	Georgia	Asset management	100%	100%
BB Insurance JSC	Georgia	Insurance	100%	100%
BB Leasing JSC	Georgia	Leasing	100%	100%

Basis Asset Management – Holding LLC. The Company was incorporated and is domiciled in Georgia. Registering body is Revenue Service of Georgia, Tax code 404417984. The Company is Limited Liability Company and was set up in accordance with Georgian regulations. The company's principal business activity is holding property for lease. The registered address is: #1 Ketevan Tsamebuli Avenue, Tbilisi 0103, Georgia. The share capital of Basis Asset Management – Holding LLC as at 31 December 2024 was GEL 3.8 million (2023 GEL 3.8 million).

BB Insurance JSC (former Hualing Insurance JSC) was incorporated in December 2017 and is domiciled in Georgia. The Company is a joint stock company limited by shares and was set up in accordance with Georgian regulations. Registering body is Revenue Service of Georgia, Tax code 406232214. The Company's principal business activity is insurance business operations within Georgia. The share capital of BB Insurance as at 31 December 2024 was GEL 6 million (2023: GEL 6 million).

The Company has life and non-life licenses issued by the Insurance State Supervision Service of Georgia since 27 December 2017.

The registered address is: #1 Ketevan Tsamebuli Avenue, Tbilisi 0103, Georgia.

BB Leasing JSC (former BHL Leasing JSC) was incorporated and is domiciled in Georgia. Registering body is Revenue Service of Georgia, Tax code 406233534. The Company is Limited Liability Company and was set up in accordance with Georgian regulations. The registered address is: #1 Ketevan Tsamebuli Avenue, Tbilisi 0103, Georgia. The Bank established the leasing subsidiary in December 2018. In 2024 the share capital of BB Leasing increased to GEL 18 million (2023: GEL 15 million). The offers the customers financial leasing products in:

- Vehicle leasing
- Leasing of fixed assets (equipment, technic etc.)
- Preferential agricultural leasing (APMA)
- Leasing provided under the program "Produce in Georgia"
- Sale-and-leaseback

Abbreviations. A glossary of various abbreviations used in this document is included in Note 37.

2 Operating Environment of the Group

The Group carries out its operations in Georgia. Consequently, the Group is exposed to the changes in economic and business environment and challenges prevailing on the Georgian financial market, which displays the characteristics of an emerging market. Operations in Georgia may involve risks that are not typically associated with those in developed markets. The legal, tax and regulatory frameworks continue development, that positively affect the overall investment climate of the country and mitigate risks of doing business in Georgia.

Georgia has remained resilient to multiple shocks, stemming from the highly uncertain global environment. Continued strong macroeconomic fundamentals, underpinned by prudent policies and structural reforms, has strengthened resilience, and contributed to more inclusive, job-rich growth. The stability of Georgia's economy

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

largely depends on these reforms and the effectiveness of economic, financial, and monetary measures undertaken by the Government.

The consolidated and separate financial statements reflect the management's assessment of the impact of the Georgian business environment on the operations and the financial position of the Group. The future business environment may differ from the management's assessment.

3 Summary of Accounting Policies

Basis of preparation. These consolidated and separate financial statements (hereafter the "Financial Statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments at fair value, and by the revaluation of premises, financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 5.

Management have, at the time of approving these consolidated and separate financial statements, a reasonable expectation that the Group and the Bank have adequate resources to continue in operational existence for the foreseeable future.

The Bank's and the Group's ability to continue as a going concern has been reviewed by the Management. In adopting the going concern basis for preparing the consolidated and separate financial statements, the Management have considered the Group's and the Bank's business activities, strategy, principal risks and uncertainties in achieving its objectives, and performance. The Management have performed an assessment of the Group's and the Bank's financial forecasts and testing of key positions including financial plan and strategy implementation, profitability, capital and solvency, liquidity.

Based on this, the Management confirm that they have a reasonable expectation that the Bank and the Group have adequate resources to continue in operational existence for the 12 months from the date the approval of these financial statements. The management is not aware of any material uncertainties related to events or conditions that may cast significant doubt upon the Bank's and the Group's ability to continue as a going concern.

Thus they continue to adopt the going concern basis of accounting in preparing the consolidated and separate financial statements.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns.

The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Group, and are deconsolidated from the date on which control ceases.

The acquisition method of accounting is applied if the acquired entity represents a business: it has inputs and a substantive process that together significantly contribute to the ability to create outputs. This definition is also applied to early stage companies that have not yet generated outputs. When assessing whether the acquired entity is a business, the Group may apply a 'concentration test' whereby the acquired assets are not considered a business if substantially all of the fair value of gross assets is concentrated in a single asset or a group of similar assets

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless the cost cannot be recovered. The Bank and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Investments in subsidiaries. Investments in subsidiaries are accounted for under the cost method in the separate financial statements of the Bank. When there is objective evidence that the carrying amount of the investment in subsidiary has impaired the impairment loss is calculated as a difference between the carrying amount of the investment and its recoverable amount. The recoverable amount is determined as the higher of its fair value less costs to sell and its value in use. An impairment loss recognised in prior periods can be reversed only if there has been a change in the estimates used to determine the investment's recoverable amount since the last impairment loss was recognised.

Financial instruments – key measurement terms. *Fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date. This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the Group's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the Group's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 34.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the consolidated and separate statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

The Group uses discounted cash flow valuation techniques to determine the fair value of foreign exchange forwards that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique with level 3 inputs. If any differences remain after calibration of model inputs, such differences are initially recognised within other assets or other liabilities and are subsequently amortised on a straight line basis over the term of the foreign exchange forwards. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on: (i) the Group's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 4 for critical judgements applied by the Group in determining the business models for its financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Group in performing the SPPI test for its financial assets.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The entity did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the seprate and consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated and separate statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 31 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 31. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 31 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

For financial guarantees and credit commitments, provision for ECL is reported as a liability in Provisions for Liabilities and Charges.

Significant increase in credit risk ("SICR"). In order to determine whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Group considers all reasonable and supportable forward-looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Group identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. Refer to Note 31.

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in Stage 1 measured at 12-months ECL), the expected credit loss allowance would be higher by GEL 1,092 thousand as of 31 December 2024 (31 December 2023: higher by GEL 2,663 thousand).

Business model assessment. The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Group considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the "hold to collect" business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the "hold to collect" business model, provided that they are infrequent or insignificant in value, both individually and in aggregate.

The Group assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Group's control, is not recurring and could not have been anticipated by the Group, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

The "hold to collect and sell" business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model's objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

Assessment whether cash flows are solely payments of principal and interest ("SPPI"). Determining whether a financial asset's cash flows are solely payments of principal and interest required judgement.

The time value of money element may be modified. The effect of the modified time value of money was assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets. The Group applied a threshold of 10% to determine whether differences against a benchmark instruments are significantly different. In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument's cash flows are not SPPI and the instrument is then carried at FVTPL.

The Group identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset's principal is the fair value at initial recognition less subsequent principal repayments, i.e. instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual par amount and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

The instruments that failed the SPPI test are measured at FVTPL.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Group exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a 270 days and non-existence of collateral as of write off day. The Bank will also write off those loans, which were collateralized, but the execution process on overdue liability is finalized and all existing collaterals have been sold on auctions or repossessed. The remaining unsecured liability will be written off, even if there is no overdue portion of the liability at the moment of write off.

Based on expert recommendation, the Group may write-off financial assets that are still subject to enforcement activity when the Group seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery, or the expected recovery is insignificant compared to the remaining liability.
For finance lease receivables determining that there are no reasonable expectation of recovery through cash flows are based on management judgment considering the characteristics of individual customers.

Financial assets – derecognition. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets.

When financial assets are contractually modified (e.g. renegotiated), the Group assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Group applies judgment in deciding whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications.

When as a result of qualitative analysis, the Bank did not identify any criteria that leads to derecognition, additional quantitative test needs to be performed. Doing so, a modification is generally deemed to be substantial if the net present value of the cash flows under the modified terms, including any fees paid or received, is at least 10 per cent different from the net present value of the remaining cash flows of the financial asset prior to the modification, both discounted at the original effective interest rate of the financial asset prior to the modification.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset and recognises a modification gain or loss in profit or loss. The gross carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial asset's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred.

Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assess whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change considerably, the modified asset is not substantially different from the original asset and the modification does not result in derecognition.

The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in consolidated and separate statements of profit or loss.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered.

If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Cash and cash equivalents. Cash and cash equivalents are items which are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents, both in the consolidated and separate statement of financial position and for the purposes of the consolidated and separate statement of cash flows. Cash and cash equivalents are carried at AC.

Mandatory cash balances with the NBG. Mandatory cash balances with the NBG are carried at AC and represent non-interest bearing mandatory reserve deposits, which are not available to finance the Group's day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated and separate statement of cash flows.

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks or places deposits with other banks. Amounts due from other banks are carried at AC.

Investments in debt securities. Based on the business model and the cash flow characteristics, the Group classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Group may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Group classifies loans and advances to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL.

Impairment allowances are determined based on the forward-looking ECL models. Note 31 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Repossessed collateral. Repossessed collateral represents non-financial assets acquired by the Group in settlement of overdue loans. The assets are initially recognised at cost when acquired and included in premises and equipment, investment properties, assets held for sale or inventories within other assets depending on their nature and the Group's intention in respect of recovery of these assets, and are subsequently remeasured and accounted for in accordance with the accounting policies for these categories of assets. Inventories of repossessed assets are recorded at the lower of cost or net realizable value. The Group applies its accounting policy for non-current assets held for sale or disposal groups to repossessed collateral where the relevant conditions for such classification are met at the end of the reporting period.

Loan commitments. The Group issues commitments to provide loans. These commitments are irrevocable or revocable only in response to a material adverse change. Such commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at (i) the remaining unamortised balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability. For contracts that include both a loan and an undrawn commitment and where the Group cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognised as a liability.

BasisBank Group

**Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024**

Financial guarantees. Financial guarantees require the Group to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee.

At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the consolidated and separate statement of financial position as an asset.

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts transfer non-financial performance risk in addition to credit risk. Performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of impairment amount. Where the Group has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as an asset upon transfer of the loss compensation to the guarantee's beneficiary. These fees are recognised within fee and commission income in profit or loss.

Investment property. Investment property is property held by the Group to earn rental income or for capital appreciation, or both and which is not occupied by the Group. Investment property includes assets under construction for future use as investment property.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required.

Premises and equipment. Premises and equipment are stated at cost or revalued amounts, as described below, less accumulated depreciation and provision for impairment, where required.

Premises are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Increases in the carrying amount arising on revaluation are credited to other comprehensive income and increase the revaluation surplus in equity. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and decrease the previously recognised revaluation surplus in equity; all other decreases are charged to profit or loss for the year. The revaluation reserve for premises included in equity is transferred directly to retained earnings when the revaluation surplus is realised on the retirement or disposal of the asset.

If there is no market based evidence of fair value, fair value is estimated using an income approach.
Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

Leasehold improvements are alterations made to rented properties by the Group to customise it to its particular business needs and preferences. Office equipment, vehicles, leasehold improvements stated are at cost, net of accumulated depreciation and accumulated impairment losses, if any.

At the end of each reporting period management assesses whether there is any indication of impairment of premises and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year to the extent it exceeds the previous revaluation surplus in equity.

An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income, net).

Intangible assets. The Group's intangible assets have definite useful life and primarily include capitalised computer software and licences. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceed costs is probable. Capitalised costs include costs for the software development service provided by external contractors and payrolls to employees involved in the development. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software and licences is amortised on a straight line basis over expected useful lives as determined by internal judgment.

Depreciation. Land and construction in progress are not depreciated. Depreciation of other items of premises and equipment and right-of-use assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives:

	Useful lives in years
Premises	50
Office and computer equipment	5
ATM	5-10
Leasehold improvements	1 to 7
Motor vehicles	5
Right-of-use assets	1 to 10
Computer software without functional maturity	10
Licenses without functional maturity	8

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Accounting for leases by the Group as a lessee. The Group leases office and premises. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The right-of-use asset is recognised at cost and depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payment that are based on an index or a rate;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs, and
- restoration costs.

As an exception to the above, the Group accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight line basis.

In determining the lease term, management of the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee.

Accounting for operating leases by the Group as a lessor. When assets are leased out under an operating lease, the lease payments receivable are recognised as rental income on a straight-line basis over the lease term.

Finance lease receivables. Where the Group is a lessor in a lease which transfers substantially all the risks and rewards incidental to ownership to the lessee, the assets leased out are presented as a finance lease receivable and carried at the present value of the future lease payments. Finance lease receivables are initially recognised at commencement (when the lease term begins) using a discount rate determined at inception (the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease).

The difference between the gross receivable and the present value represents unearned finance income. This income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Incremental costs directly attributable to negotiating and arranging the lease are included in the initial measurement of the finance lease receivable and reduce the amount of income recognised over the lease term. Finance income from lease is recorded as a separate line in the consolidated profit or loss and other comprehensive income statement.

Credit loss allowance is recognised in accordance with the general ECL model using a simplified approach at lifetime ECL. The ECL is determined in the same way as for loans and advances measured at AC and recognised through an allowance account to write down the receivables' net carrying amount to the present value of expected cash flows discounted at the interest rates implicit in the finance leases.

The estimated future cash flows reflect the cash flows that may result from obtaining and selling the assets subject to the lease.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Group by counterparty banks for a short period of time. Due to other banks are carried at AC.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at AC.

Borrowed funds. Borrowed funds include long-term lending from international and other financial institutions that are carried at AC.

Subordinated debts. Subordinated debts include debts and issued securities. No prepayment of the subordinated debts can be made except in the case of the occurrence of bankruptcy and/or liquidation proceedings. In such instances, repayment of the subordinated debts will be made only after covering depositors and unsecured creditors obligations. Subordinated debts are carried at AC

Debt securities in issue. Debt securities in issue include bonds issued by the Group. Debt securities are stated at AC. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains arising from retirement of debt.

Accounting for subordinated loans from Shareholder. The shareholder ("Xinjiang Hualing Industry & Trade (Group) Co Ltd') provided two subordinated loans to the group of USD 4,900 thousand and USD 2,588 thousand respectively, both bearing a fixed interest rate of 7%, maturing August 2026 and September 2030 respectively.
The loans were originally recognised and is subsequently carried on the consolidated and separate statements of financial position at amortised contractual value. Terms and conditions of related party balances are disclosed in Note 35.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, currency and interest rate swaps, are carried at their fair value.

The Group may also enters into offsetting loans with its counterparty banks to exchange currencies. Such loans, while legally separate, are aggregated and accounted for as a single derivative financial instrument (currency swap) on a net basis where (i) the loans are entered into at the same time and in contemplation of one another, (ii) they have the same counterparty, (iii) they relate to the same risk and (iv) there is no apparent business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction.

All derivative instruments are carried as assets when fair value is positive, and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses on derivatives). The Group does not apply hedge accounting.

Fair value of derivatives and certain other instruments. Information about fair values of instruments that were valued using assumptions that are not based on observable market data is disclosed in Note 34.

Income taxes. Income taxes have been provided for in the consolidated and separate financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge credit comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

On January 1, 2023, important changes in the Tax Code of Georgia came into force. Certain changes were made to the regime of taxation of banking institutions, credit unions, microfinance organizations, lending entities, including determining of the standards of accounting of the interest income and reserves for the potential losses. According to other important changes:

- The object of profit tax for commercial banks, credit unions, microfinance organizations, and loan issuers is the difference between gross income received during the calendar year and deductions stipulated under the Tax Code.
- Commercial banks, credit unions and microfinance organizations will recognize interest accrued on loans as income and deduct reserves for possible loan losses from gross income according to IFRS.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

- The corporate income tax rate for commercial banks, credit unions, microfinance organizations, and loan issuers is 20%.
- Dividends issued by commercial banks, credit unions, insurance organizations, microfinance organizations, and loan issuers from 2023 profits and subsequent periods are not taxed at the source of payment and should not be included in the gross income of the recipient of dividends.
- In 2024 the profit tax for insurance organizations shifted to so-called Estonian Model, which means that profit tax arises in cases of withdrawal of money from the business

Taxable profits or losses are based on estimates if the financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within administrative and other operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group.

Tax deduction for lease payments is allocated to depreciation of right of use asset and interest cost on the lease liability. As a result, no temporary differences arise upon initial recognition of a new lease where the Group is a lessee.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Uncertain tax positions. The uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period, and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

Dividends. Dividends are recorded in equity in the period in which they are declared. The statutory accounting reports of the Bank are the basis for profit distribution and other appropriations. Any dividends declared after the end of the reporting period and before the consolidated and separate financial statements are authorised for issue. Refer Note 24.

Interest income and expense recognition. Interest income and expense are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.
If the credit risk on the financial asset classified in Stage 3 subsequently improves so that the asset is no longer credit-impaired and the improvement can be related objectively to an event occurring after the asset had been determined as credit-impaired (ie the asset becomes cured), the asset is reclassified from stage 3 and the interest revenue is calculated by applying the EIR to the gross carrying amount. The additional interest income, which was previously not recognised in P&L due to the asset being in stage 3 but it is now expected to be received following the asset's curing, is recognised as a reversal of impairment.

Fee and commission income. Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes recurring fees for account maintenance, account servicing fees, etc. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, fees for cash settlements, collection or cash disbursements, as well as, commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses.

Loan syndication fees are recognised as income when the syndication has been completed and the Group retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Sales and purchases of foreign currencies and currency conversion. The Group sells and purchases foreign currencies in the cash offices and through the bank accounts, as well as exchanges foreign currencies. The transactions are performed at the exchange rates established by the Group, which are different from the official spot exchange rates at the particular dates. The differences between the official rates and Group rates are recognised as gains less losses from trading in foreign currencies at a point in time when a particular performance obligation is satisfied.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

Foreign currency translation. The functional currency of each of the Group's consolidated entities is the currency of the primary economic environment in which the entity operates. The functional currency of the Bank and its subsidiaries, and the Group's presentation currency, is the national currency of Georgia, Georgian Lari ("GEL").

Monetary assets and liabilities are translated into each the Group's functional currency at the official exchange rate of the NBG at the end of the respective reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into the Group's each functional currency at year-end official exchange rates of the NBG, are recognised in profit or loss for the year (as foreign exchange translation gains less losses).

Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.
Non-monetary items measured at fair value in a foreign currency, including equity investments, are translated using the exchange rates at the date when the fair value was determined.

Effects of exchange rate changes on non-monetary items measured at fair value in a foreign currency are recorded as part of the fair value gain or loss.
Loans between group entities and related foreign exchange gains or losses are eliminated upon consolidation.

At 31 December 2024 and 2023, the principal rate of exchange used for translating foreign currency balances were:

	December 31, 2024	December 31, 2023
USD 1 = GEL	2.8068	2.6894
EUR 1 = GEL	2.9306	2.9753

Offsetting. Financial assets and liabilities are offset and the net amount reported in the consolidated and separate statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Staff costs and related contributions. Wages, salaries, contributions to the Pension scheme, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Insurance and reinsurance contracts classification and accounting treatment: The Group issues insurance contracts in the normal course of business, under which it accepts significant insurance risk from its policyholders. The Group also issues reinsurance contracts in the normal course of business to compensate other entities for claims arising from one or more insurance contracts issued by those entities. The Group does not issue any contracts with direct participating features.

Separating components from insurance and reinsurance contracts: Currently, the Group's products do not include any distinct components that require separation under IFRS 17.

Aggregation of contracts: The level of aggregation for the Group is determined firstly by dividing the business written into portfolios. Portfolios comprise groups of contracts with similar risks which are managed together. Portfolios are further divided based on expected profitability at inception into three categories: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder. The portfolios are further divided by year of issue and profitability for recognition and measurement purposes.

The profitability of groups of contracts is assessed by actuarial valuation models that take into consideration existing and new business. The Group assumes that no contracts in the portfolio are onerous at initial recognition unless facts and circumstances indicate otherwise.

The Group divides portfolios of reinsurance contracts held applying the same principles set out above, except that the references to onerous contracts refer to contracts on which there is a net gain on initial recognition.
Recognition and derecognition: A group of insurance contracts (or reinsurance contracts issued) is recognised from the earliest of the following dates: the beginning of the period of coverage of the group of contracts, the date on which the first payment of a policyholder in the group becomes due (or, in the absence of such a date, when the first payment is received) and, in the case of a group of onerous contracts, the date on which the group becomes onerous.

A group of reinsurance contracts held is recognised from the beginning of the period of coverage of the group of reinsurance contracts held or, if the reinsurance was contracted in anticipation of the coverage of an underlying group of onerous insurance contracts, on the first recognition of that onerous group.
The Group adds new contracts to the group in the reporting period in which that contract meets one of the criteria set out above.
An insurance contract shall be derecognised when the obligation it covers is extinguished, by payment or maturity, or if the terms of the contract are amended in such a way that the accounting treatment of the contract would have been substantially different if those amendments had originally existed. The derecognition of a contract entails the adjustment of the fulfilment cash flows, the contractual services margin and the coverage units of the group in which it was included

Premium Allocation Model ("PAA"): The Group applies PAA to all the insurance contracts that it issues and reinsurance contracts that it holds, as the eligibility criteria set out in IFRS 17 have been met.
For a group of contracts that is not onerous at initial recognition, the Group measures the liability for remaining coverage as:

- The premiums, if any, received at initial recognition
- Minus any insurance acquisition cash flows at that date, with the exception of contracts which are one year or less where this is expensed,
- Plus or minus any amount arising from the derecognition at that date of the asset recognised for insurance acquisition cash flows and
- Any other asset or liability previously recognised for cash flows related to the group of contracts that the Group pays or receives before the group of insurance contracts is recognised.

The Group measures its reinsurance assets for a group of reinsurance contracts that it holds on the same basis as insurance contracts that it issues. However, they are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts issued, for example the generation of expenses or reduction in expenses rather than revenue.
The Group measures the carrying amount of the liability for remaining coverage at the end of each reporting period as the liability for remaining coverage at the beginning of the period:

- Plus premiums received in the period
- Minus insurance acquisition cash flows, with the exception of property insurance product line for which the Group chooses to expense insurance acquisition cash flows as they occur
- Plus any amounts relating to the amortisation of the insurance acquisition cash flows recognised as an expense in the reporting period for the group
- Plus any adjustment to the financing component, where applicable
- Minus the amount recognised as insurance revenue for the services provided in the period
- Minus any investment component paid or transferred to the liability for incurred claims

The Group estimates the liability for incurred claims as the fulfilment cash flows related to incurred claims. The fulfilment cash flows incorporate, in an unbiased way, all reasonable and supportable information available without undue cost or effort about the amount, timing and uncertainty of those future cash flows,

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

they reflect current estimates from the perspective of the Group, and include an explicit adjustment for non-financial risk (the risk adjustment).

Where, during the coverage period, facts and circumstances indicate that a group of insurance contracts is onerous, the Group recognises a loss in profit or loss for the net outflow, resulting in the carrying amount of the liability for the group being equal to the fulfilment cash flows. A loss component is established by the Group for the liability for remaining coverage for such onerous group depicting the losses recognised.
Insurance acquisition cash flows are allocated on a straight-line basis as a portion of premium to profit or loss (through insurance revenue).

The subsequent measurement of reinsurance contracts held follows the same principles as those for insurance contracts issued and has been adapted to reflect the specific features of reinsurance held.

The insurance revenue for the period is the amount of expected premium receipts (excluding any investment component) allocated to the period. The Group allocates the expected premium receipts to each period of insurance contract services on the basis of the passage of time. But if the expected pattern of release of risk during the coverage period differs significantly from the passage of time, then the allocation is made on the basis of the expected timing of incurred insurance service expenses. The Group changes the basis of allocation between the two methods above as necessary, if facts and circumstances change. The change is accounted for prospectively as a change in accounting estimate.

The Group presents separately on the face of the statement of profit or loss and other comprehensive income, the amounts expected to be recovered from reinsurers, and an allocation of the reinsurance premiums paid. The Group treats reinsurance cash flows that are contingent on claims on the underlying contracts as part of the claims that are expected to be reimbursed under the reinsurance contract held.

Initial recognition of related party transactions. In the normal course of business the Group enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values.

Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions.

The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 35.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

Presentation of statement of financial position in order of liquidity. The Group does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in accordance with contractual maturity. Refer to Note 31 for analysis of financial instruments by their maturity. The following table provides information on amounts expected to be recovered or settled before and after twelve months after the reporting period for items of the consolidated statement of financial position that are not analysed in Note 31.

	December 31, 2024			December 31, 2023		
	Amounts expected to be recovered or settled			Amounts expected to be recovered or settled		
They are In thousands of Georgian Lari	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**
ASSETS						
Cash and cash equivalents	223,189	-	223,189	284,010	-	284,010
Mandatory cash balances with the NBG	277,258	-	277,258	184,600	-	184,600
Due from other banks	11,004	8,732	19,736	6,342	9,084	15,426
Investments in debt securities	284,533	103,108	387,641	136,143	242,318	378,461
Loans and advances to customers	1,048,635	1,874,041	2,922,676	829,803	1,664,167	2,493,970
Finance leases to customers	28,054	12,748	40,802	2,559	23,577	26,136
Insurance and Reinsurance contract assets	1,470	-	1,470	74,974	-	74,974
Investment properties	-	1,181	1,181	-	1,299	1,299
Current income tax prepayment	4,006	-	4,006			
Other financial assets	8,444	-	8,444	2,269	-	2,269
Other assets	9,523	27,083	36,606	6,651	26,414	33,065
Premises and equipment	-	116,595	116,595	-	107,375	107,375
Right of use assets	-	14,540	14,540	-	17,364	17,364
TOTAL ASSETS	**1,896,116**	**2,158,028**	**4,054,144**	**1,527,351**	**2,091,598**	**3,618,949**
LIABILITIES						
Due to other banks	191,083	-	191,083	284,866	-	284,866
Customer accounts	2,157,632	385,939	2,543,571	1,780,439	411,933	2,192,372
Own Debt Securities in Issue	-	57,666	57,666			
Other borrowed funds	213,811	201,864	415,675	224,975	157,369	382,344
Lease Liabilities	3,613	10,578	14,191	3,559	12,411	15,970
Insurance and Reinsurance contract liabilities	2,446	-	2,446	77,101	-	77,101
Other financial liabilities	7,229	-	7,229	3,961	-	3,961
Current income tax liability	-	-	-	13,518	-	13,518
Deferred income tax liability	-	1,155	1,155	-	1,996	1,996
Provisions for liabilities and charges	2,118	-	2,118	1,655	-	1,655
Other liabilities	23,302	-	23,302	18,041	-	18,041
Subordinated debts	-	163,292	163,292	-	106,383	106,383
TOTAL LIABILITIES	**2,601,234**	**820,494**	**3,421,728**	**2,408,115**	**690,092**	**3,098,207**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

The Group makes estimates and assumptions that affect the amounts recognised in the financial statements, and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

ECL measurement and incorporation of forward-looking information in ECL models. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 31. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default ("PD"), exposure at default ("EAD"), and loss given default ("LGD"), as well as models of macro-economic scenarios. It is worth noting that macro-economic parameters are very volatile, thus their impact on ECL might change significantly depending on the given situation and specific macroeconomic forecasts. The group incorporates forward-looking macroeconomic information two most critical components for ECL estimation: PD and LGD. Note 31 provides information about inputs, assumptions and estimation techniques used in PD and LGD models for ECL estimation, including an explanation of how the Group incorporates forward-looking information in the ECL models.

The assessment of SICR and the calculation of ECLs both incorporate supportable forward-looking information. Forecasts of economic variables (the "base economic scenario", "Upside economic scenario" and "downside economic scenario") are published by the National Bank of Georgia and provide the best estimate of the expected macro-economic development. The Group identified certain key economic variables that correlate with developments in credit risk and ECLs. The impact of the relevant economic variables on the PD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates. Final PD models have been adjusted with relevant macroeconomic variables, with significant impact on Default rates GDP Growth for Retail PD Models and Unemployment for Corporate PD Models).

The Group has incorporated macroeconomic variables in the formulas for LGD, in particular in LGD2 formulas, via incorporating adjustment by real estate price index on the collateral value. In 2024 no adjustment is done for EAD, as the impact has been assessed as insignificant.

Currently the Group uses only scenarios published by the National Bank of Georgia for macroeconomic adjustment in impairment model. In the final model, Scenario weights are according to the weights determined in the NBG's publication: 50% for baseline scenario, 25%-25% for upside and downside scenarios.

As with any economic forecast, the projections and likelihoods of occurrence are subject to a high degree of inherent uncertainty, and therefore the actual outcomes may be significantly different to those projected.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

The most significant forward looking assumptions that correlate with ECL level and their assigned weights were as follows at 31 December 2024:

Variable	Scenario	Assigned weight	Assumption for: 2025	2026	2027
Real GDP Growth rate %	Base	50%	4.90%	5.80%	5.70%
	Upside	25%	7.00%	6.00%	6.00%
	Downside	25%	2.00%	3.00%	5.00%
Real Estate price index in GEL (YoY	Base	50%	106.00	106.50	105.50
	Upside	25%	107.50	106.50	106.00
	Downside	25%	105.00	105.00	105.50
GEL/USD Nominal Exchange Rate (YoY)	Base	50%	100.00	100.00	100.00
	Upside	25%	98.00	97.00	100.00
	Downside	25%	115.00	100.00	95.00
Unemployment (%)	Base	50%	14.25	14.00	13.75
	Upside	25%	13.50	13.00	13.00
	Downside	25%	15.50	17.00	16.00

In 2024 the Group assesses ECL individually for Stage 3 loans, taking into consideration expected cash flows from selling of underlying collaterals, hence Real Estate price index in GEL and GEL/USD Nominal Exchange Rate are relevant macroeconomic variables with high statistical significance. In 2024 GDP is the macroeconomic variable with the highest statistical significance on PD in retail Segment and Unemployment is the macroeconomic variable with the highest statistical significance on PD in business Segment

The assumptions and assigned weights were as follows at 31 December 2023:

Variable	Scenario	Assigned weight	Assumption for: 2024	2025	2026
Real GDP Growth rate %	Base	50%	5.00%	4.50%	5.00%
	Upside	25%	6.50%	5.50%	5.00%
	Downside	25%	3.00%	4.00%	5.00%
Real Estate price index in GEL (YoY	Base	50%	106.00	105.50	105.50
	Upside	25%	106.50	105.75	105.50
	Downside	25%	106.00	105.75	105.50
GEL/USD Nominal Exchange Rate (YoY)	Base	50%	100.00	100.00	100.00
	Upside	25%	97.00	98.00	100.00
	Downside	25%	115.00	100.00	95.00
Unemployment (%)	Base	50%	16.71	16.71	16.46
	Upside	25%	16.46	16.21	15.96
	Downside	25%	17.96	18.46	17.96

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

A change in the weight assigned to base forward looking macro-economic set of assumptions by 10% towards the immediate downside level assumptions would result in an increase in ECL by GEL 462 thousand at 31 December 2024 (31 December 2023: by GEL 23 thousand). A corresponding change towards the upside assumptions would result in a decrease in ECL by GEL 1,184 thousand at 31 December 2023 (31 December 2023: by GEL 35 thousand).

A 10% increase in PD estimates would result in an increase in total expected credit loss allowances of GEL 341 thousand at 31 December 2024 (31 December 2023: by GEL 347 thousand). A 10% decrease in PD estimates would result in a decrease in total ECL of GEL 341 thousand at 31 December 2024 (31 December 2023: by GEL 358 thousand).

A 10% increase in LGD estimates would result in an increase in total ECL of GEL 5,010 thousand at 31 December 2024 (31 December 2023: by GEL 4,316 thousand). A 10% decrease in LGD estimates would result in a decrease in ECL of GEL 4,552 thousand at 31 December 2024 (31 December 2023: by GEL 3,985 thousand).

The Bank applies LGD floor to estimated LGD value. A 10% increase in LGD floor value would result in an increase in total ECL of GEL 357 thousand at 31 December 2024 (31 December 2023: by GEL 326 thousand). A 10% decrease in LGD floor value would result in a decrease in total ECL of GEL 354 thousand at 31 December 2024 (31 December 2023: by GEL 303 thousand).

Premises valuation. Premises are stated revalued amounts and are subject to revaluation with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Premises have been revalued at fair value in December 2024 by an independent firm of valuers. The fair value of premises were estimated based on comparable sales approach.

Repossessed assets valuation. All repossessed assets is measured at the lower of cost or net realisable value. The Group performs regular internal and external valuations to make sure that the carrying amount is not higher than the net realisable value. Valuations are based on available information on market prices, for repossessed real estate on market prices per square meter.

IFRS 17 Accounting Policy. The Group adopts IFRS 17 using the full retrospective approach and the Premium Allocation Approach (PAA) for insurance contracts.

The Group assesses whether insurance contracts contain distinct components which must be accounted for under another IFRS instead of under IFRS 17. Currently, no such components exist.

Contracts are grouped into portfolios based on similar risks which are managed together. Groups are divided according to underwriting year (annual cohorts). Hence, within each year of issue, portfolios of contracts are divided into three groups: onerous, non-onerous, and remaining contracts.

Insurance contracts are recognized at the earliest of the coverage period start, when the first payment is due, or when a group becomes onerous. The Group recognizes a group of reinsurance contracts by the beginning of the coverage period.

The Group includes in the measurement of a group of insurance contracts all the future cash flows within the boundary of each contract in the group. A liability or asset relating to expected premiums or claims outside the boundary of the insurance contract is not recognized. Such amounts relate to future insurance contracts. The Group applies the PAA for contracts with coverage of one year or less or where the measurement is not materially different from the General Measurement Model (GMM). For a group of contracts that is not onerous at initial recognition, the Group measures the liability for remaining Coverage (LFRC) as the premiums, if any, received at initial recognition. Where facts and circumstances indicate that contracts are onerous at initial recognition, the Group performs additional analysis to determine if a net outflow is expected from the contract. Onerous contracts are grouped separately, and losses are recognized immediately.

For subsequent measurement, liabilities for remaining coverage are adjusted for premiums received (plus) and the amount recognized as insurance revenue for the services provided (minus). The Group does not consider the time value of money and the effect of financial risk if, at initial recognition, the entity expects that the time between providing each part of the services and the related premium due date is no more than a year. Acquisition costs are expensed as incurred. Derecognition occurs when the rights and obligations are extinguished or when contract modifications require new recognition.

The Group presents separately, in the balance sheet: portfolios of insurance contracts issued that are assets, portfolios of insurance contracts issued that are liabilities, portfolios of reinsurance contracts held that are assets and portfolios of reinsurance contracts held that are liabilities.The Group presents in the income statement insurance revenue and insurance service expense. The Group does not disaggregate the change in risk adjustment for non-financial risk between a financial and non-financial portion and includes the entire change as part of the insurance service result. The Group presents the income or expenses from a group of reinsurance contracts held other than insurance finance income or expenses, as a single amount.

A risk adjustment for non-financial risk is determined to reflect the compensation that the Group would require for bearing non-financial risk and its degree of risk aversion. It is determined at portfolio level and allocated to groups of contracts based on the size of their reserves. The risk adjustment for non-financial risk is be determined using a confidence interval technique. The target confidence level equals 80th percentile

5 Adoption of New or Revised Standards and Interpretations

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after January 1, 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these consolidated and separate financial statements, as discussed below.

Amendments to IAS 1—Non-current Liabilities with Covenants

The group has adopted the amendments to IAS 1, published in November 2022, for the first time in the current year.

The amendments specify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date (and therefore must be considered in assessing the classification of the liability as current or non-current). Such covenants affect whether the right exists at the end of the reporting period, even if compliance with the covenant is assessed only after the reporting date (e.g. a covenant based on the entity's financial position at the reporting date that is assessed for compliance only after the reporting date).

The IASB also specifies that the right to defer settlement of a liability for at least twelve months after the reporting date is not affected if an entity only has to comply with a covenant after the reporting period. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period.

This would include information about the covenants (including the nature of the covenants and when the entity is required to comply with them), the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

The amendments did not have an impact on the group's statement of financial position, which is presented in order of liquidity.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The Bank has adopted the amendments to IAS 1, published in January 2020. The amendments affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items. The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services. The amendments did not have an impact on Bank's statement of financial position, which is presented in order of liquidity

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures titled Supplier Finance Arrangements

The group has adopted the amendments to IAS 7 and IFRS 7 titled Supplier Finance Arrangements for the first time in the current year.

The amendments add a disclosure objective to IAS 7 stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, IFRS 7 is amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

Amendments to IFRS 16 Leases—Lease Liability in a Sale and Leaseback

The group has adopted the amendments to IFRS 16 for the first time in the current year.

The amendments to IFRS 16 add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 Revenue from Contracts with Customers to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained by the seller-lessee, after the commencement date.

The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease. Without these new requirements, a seller-lessee may have recognised a gain on the right of use it retains solely because of a remeasurement of the lease liability (for example, following a lease modification or change in the lease term) applying the general requirements in IFRS 16. This could have been particularly the case in a leaseback that includes variable lease payments that do not depend on an index or rate

6 New Accounting Pronouncements

At the date of authorisation of these financial statements, the Group and the Bank have not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	Disclosure of Sustainability-related Financial Information
IFRS S2 — Climate-related Disclosures	Climate-related Disclosures
Amendments to IAS 21	Lack of exchangeability
IFRS 18	Presentation and Disclosures in Financial Statements
IFRS 19	Subsidiaries without Public Accountability: Disclosures

The Management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group and the Bank in future periods, unless such transactions arise in future periods.

BasisBank Group

**Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024**

7 Cash and Cash Equivalents

In thousands of Georgian Lari	**December 31, 2024**	**December 31, 2023**
Cash on hand	55,028	58,337
Cash balances with the NBG (other than mandatory reserve deposits)	65,041	57,122
Correspondent accounts and overnight placements with other banks	102,100	167,762
Placements with other banks with original maturities of less than three months	1,060	1,134
Less: credit loss allowance	(40)	(345)
Total cash and cash equivalents	**223,189**	**284,010**

The cash balances with the NBG (other than mandatory reserve deposits) represent balances with the NBG related to settlement activity and were available for withdrawal at year end.

The cash and cash equivalent balances under the Bank's separate financial statement as at 31 December 2024 amount GEL 219,796 thousand (2023: GEL 282,582 thousand). Subsidiaries attributed GEL 3,393 thousand to the Group's balance at 31 December 2024 (2023: GEL 1,428 thousand).

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2024. Refer to Note 31 for the description of the Group's credit risk grading system. Amounts are presented net of credit loss allowance:

In thousands of Georgian Lari	**Cash balances with the NBG, excluding mandatory reserves**	**Correspondent accounts and overnight placements**	**Placements with other banks, with maturity of less than three months**	**Total**
- Excellent	-	77,219	-	77,219
- Good	65,035	21,839	1,059	87,933
- Satisfactory	-	-	-	-
- Special monitoring	-	3,009	-	3,009
- Unrated	-	-	-	-
Total cash and cash equivalents, excluding cash on hand	**65,035**	**102,067**	**1,059**	**168,161**

The credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2023 is as follows:

In thousands of Georgian Lari	**Cash balances with the NBG, excluding mandatory reserves**	**Correspondent accounts and overnight placements**	**Placements with other banks, with maturity of less than three months**	**Total**
- Excellent	-	152,198	-	152,198
- Good	57,001	13,405	1,132	71,538
- Satisfactory	-	730	-	730
- Special monitoring	-	1,207	-	1,207
- Unrated	-	-	-	-
Total cash and cash equivalents, excluding cash on hand	**57,001**	**167,540**	**1,132**	**225,673**

7 Cash and Cash Equivalents (Continued)

At 31 December 2024 the Group had 1 counterparty bank (2023: 1 counterparty bank) with aggregated cash amount of GEL 64,747 thousand or 38.5% of the cash equivalent balance above 10% of equity (2023: aggregate amount of GEL 149,456 thousand or 66.1% of the cash and cash equivalents)

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. Refer to Note 31 for the ECL measurement approach.

Interest rate analysis of cash and cash equivalents is disclosed in Note 31. Information on related party balances is disclosed in Note 35.

8 Mandatory cash balances with the National Bank of Georgia

Mandatory cash balances with the National Bank of Georgia ("NBG") represent amounts deposited with the NBG. Georgian financial institutions are required to maintain an obligatory reserve with the NBG, availability of these funds are restricted and the amount depends on the level of funds attracted by a financial institution.

On December 6, 2024 Fitch Ratings has affirmed Georgia's Long-Term Foreign-Currency Issuer Default Rating (IDR) at 'BB' with a Negative Outlook.

Interest rate analysis of Mandatory cash balances with the NBG is in Note 31.

For the purpose of ECL measurement Mandatory cash balances with the NBG are included in Stage 1. As at 31 December 2024, ECL for the Mandatory cash balances with the NBG amounts to GEL 288 thousand (2023: GEL 392 thousand). Refer to Note 31 for the ECL measurement approach.

9 Due from Other Banks

In thousands of Georgian Lari	December 31, 2024	December 31, 2023
Placements with other banks with original maturities of more than three months	19,836	15,470
Less: credit loss allowance	(100)	(44)
Total due from other banks	**19,736**	**15,426**

Due from Other Banks represent term placements of the Bank's subsidiaries with other Georgian banks.

For the purpose of ECL measurement due from other banks balances are included in Stage 1. Refer to Note 31 for the ECL measurement approach.

The credit quality of due from other bank balances based on credit risk grades are as follows:

In thousands of Georgian Lari	December 31, 2024	December 31, 2023
- Excellent	-	-
- Good	19,736	15,426
- Not rated	-	-
Total due from other banks	**19,736**	**15,426**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

10 Investments in Debt Securities

In thousands of Georgian Lari	December 31, 2024	December 31, 2023
Debt securities at AC	155,886	220,735
Debt securities at FVOCI	231,755	157,726
Total investments in debt securities	**387,641**	**378,461**

The table below discloses investments in debt securities at 31 December 2024 by measurement categories and classes:

In thousands of Georgian Lari	Debt securities at FVOCI	Debt securities at AC	Total
Georgian government treasury bonds	231,755	59,801	291,556
Georgian government treasury bills	-	24,097	24,097
Corporate bonds	-	72,378	72,378
Total investments in debt securities at 31 December 2024 (fair value or gross carrying value)	**231,755**	**156,276**	**388,031**
Credit loss allowance	-	(390)	(390)
Total investments in debt securities at 31 December 2024 (carrying value)	**231,755**	**155,886**	**387,641**

The table below discloses investments in debt securities at 31 December 2023 by measurement categories and classes:

In thousands of Georgian Lari	Debt securities at FVOCI	Debt securities at AC	Total
Georgian government treasury bonds	157,726	109,515	267,241
Georgian government treasury bills	-	52,373	52,373
Corporate bonds	-	59,321	59,321
Total investments in debt securities at 31 December 2023 (fair value or gross carrying value)	**157,726**	**221,209**	**378,935**
Credit loss allowance	-	(474)	(474)
Total investments in debt securities at 31 December 2023 (carrying value)	**157,726**	**220,735**	**378,461**

For the purpose of ECL measurement as at 31 December 2024 and 2023 the securities at FVOCI and AC belong to stage 1. Refer to Note 31 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to debt securities at FVOCI and AC. Total allowance for ECL recognized for debt securities at FVOCI amounted to GEL 226 thousand as at 31 December 2024 (2023: GEL 334 thousand).

The credit quality of debt securities at FVOCI and AC at 31 December 2024 and 2023 is classified as Good. The debt securities at FVOCI and AC as at 31 December 2024 are not collateralised (2023: not collateralised).

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

At 31 December 2024 debt securities with a gross carrying value of GEL 250,185 thousand have been pledged for the short-term loans received NBG as collateral (2023: GEL 125,218 thousand). Refer to Note 17. The counterparty is not allowed to sell further or repledge the investments.

11 Loans and Advances to Customers

In thousands of Georgian Lari	December 31, 2024	December 31, 2023
Gross carrying amount of loans and advances to customers at AC	2,957,789	2,527,164
Less: credit loss allowance	(35,113)	(33,194)
Total carrying amount of loans and advances to customers at AC	**2,922,676**	**2,493,970**

As at 31 December 2024 and 2023 the Group identified 100% of portfolio of loans and advances to customers to meet the SPPI requirement for AC classification under IFRS 9.

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes at 31 December 2024 and 31 December 2023 are disclosed in the table below:

	December 31, 2024			December 31, 2023		
In thousands of Georgian Lari	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Standard lending	**2,084,007**	**(16,621)**	**2,067,386**	**1,718,340**	**(14,887)**	1,703,453
Loans to Large entities	1,719,895	(11,274)	1,708,621	1,260,692	(5,124)	1,255,568
Loans to SME	364,112	(5,347)	358,765	457,648	(9,763)	447,885
Retail Lonas	**873,782**	**(18,492)**	**855,290**	**808,824**	**(18,307)**	**790,517**
Mortgage loans	514,751	(6,190)	508,561	512,847	(8,774)	504,073
Consumer loans	337,303	(11,489)	325,814	268,522	(8,596)	259,926
Credit cards	21,728	(813)	20,915	27,455	(937)	26,518
Total loans and advances to customers at AC	**2,957,789**	**(35,113)**	**2,922,676**	**2,527,164**	**(33,194)**	**2,493,970**

The explanation of classes of standard loans to legal entities is provided below:

- Loans issued to large business entities under the standard terms, mainly for working capital financing and investment projects; and
- Loans to SME – loans issued to small and medium-sized enterprises, where the Group defines such as loans issued to a client up to USD 2 million;

No Mortgage loans are pledged for the short term loan from NBG at 31 December 2024 (2023: mortgage loans GEL 88,066 thousand). Refer to Note 17.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

The following tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting and comparative periods:

	December 31, 2024			December 31, 2023		
In thousands of Georgian Lari	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Standard lending	**1,953,925**	**86,430**	**43,652**	**1,593,898**	**80,511**	**43,931**
Loans to Retail Sector	**795,136**	**24,085**	**54,561**	**734,522**	**24,689**	**49,613**
Mortgage loans	465,836	15,181	33,734	459,726	19,267	33,854
Consumer loans	308,971	8,019	20,314	248,347	4,831	15,344
Credit cards	20,329	885	513	26,449	591	415
Less: Provision for loan	(8,127)	(961)	(26,025)	(6,002)	(739)	(26,453)
Total loans and advances to customers at AC	**2,740,934**	**109,554**	**72,188**	**2,322,418**	**104,461**	**67,091**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

The following tables tables disclose the changes in the credit loss allowance and gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting and comparative periods:

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Loans to Legal entities								
At 31 December, 2023	**(2,968)**	**(561)**	**(11,358)**	**(14,887)**	**1,593,898**	**80,511**	**43,931**	**1,718,340**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	285	(285)	-	-	(54,447)	54,447	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	688	126	(814)	-	(9,724)	(12,889)	22,613	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(300)	68	232	-	15,377	(14,274)	(1,103)	-
-to lifetime (from Stage 3 credit impaired to Stage 2)	-	(530)	530	-	-	2,870	(2,870)	-
New originated or purchased	(2,647)	-	-	(2,647)	1,373,537	-	-	1,373,537
Net Repayments	1,438	176	3,870	5,484	(997,983)	(25,605)	(18,687)	(1,042,275)
Other movements	(981)	(131)	(1,735)	(2,847)	486	(14)	(1,174)	(702)
Net remeasurement due to change in credit risk	288	402	(2,155)	(1,465)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(1,229)**	**(174)**	**(72)**	**(1,475)**	**327,246**	**4,535**	**(1,221)**	**330,560**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	152	152	-	-	(152)	(152)
Foreign exchange gains and losses and other movements	(55)	(16)	(340)	(411)	32,781	1,384	1,094	35,259
At 31 December, 2024	**(4,252)**	**(751)**	**(11,618)**	**(16,621)**	**1,953,925**	**86,430**	**43,652**	**2,084,007**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Georgian Lari	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Loans to Legal entities								
At 31 December, 2022	**(2,253)**	**(432)**	**(8,091)**	**(10,776)**	**1,260,305**	**66,696**	**34,002**	**1,361,003**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	110	(110)	-	-	(75,615)	75,615	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	1,261	369	(1,630)	-	(9,102)	(18,025)	27,127	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(184)	174	10	-	38,750	(38,750)	-	-
-to lifetime (from Stage 3 credit impaired to Stage 2)	-	(1,373)	1,373	-	-	10,256	(10,256)	-
New originated or purchased	(3,406)	-	-	(3,406)	1,026,840	-	-	1,026,840
Net Repayments	1,013	227	976	2,216	(653,958)	(15,231)	(7,538)	(676,727)
Other movements	380	98	(1,408)	(930)	(698)	(511)	763	(446)
Net remeasurement due to change in credit risk	106	484	(2,629)	(2,039)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(720)**	**(131)**	**(3,308)**	**(4,159)**	**326,217**	**13,354**	**10,096**	**349,667**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	16	16	-	-	(16)	(16)
Foreign exchange gains and losses and other movements	5	2	25	32	7,376	461	(151)	7,686
At 31 December, 2023	**(2,968)**	**(561)**	**(11,358)**	**(14,887)**	**1,593,898**	**80,511**	**43,931**	**1,718,340**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

In thousands of Georgian Lari	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Mortgage loans								
At 31 December, 2023	**(602)**	**(48)**	**(8,124)**	**(8,774)**	**459,726**	**19,267**	**33,854**	**512,847**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	29	(29)	-	-	(25,761)	25,761	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	511	41	(552)	-	(3,680)	(15,985)	19,665	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(39)	39	-	-	16,085	(16,085)	-	-
-to lifetime (from Stage 3 credit impaired to Stage 2)	-	(1,221)	1,221	-	-	7,965	(7,965)	-
New originated or purchased	(682)	-	-	(682)	164,168	-	-	164,168
Net Repayments	197	11	2,229	2,437	(146,793)	(5,902)	(10,306)	(163,001)
Other movements	158	(1)	2,466	2,623	(986)	64	(1,340)	(2,262)
Net remeasurement due to change in credit risk	22	1,188	(3,358)	(2,148)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**196**	**28**	**2,006**	**2,230**	**3,033**	**(4,182)**	**54**	**(1,095)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	393	393	-	-	(393)	(393)
Foreign exchange gains and losses and other movements	(3)	-	(36)	(39)	3,077	96	219	3,392
At 31 December, 2024	**(409)**	**(20)**	**(5,761)**	**(6,190)**	**465,836**	**15,181**	**33,734**	**514,751**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

In thousands of Georgian Lari	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Mortgage loans								
At 31 December, 2022	**(996)**	**(98)**	**(9,969)**	**(11,063)**	**449,355**	**22,037**	**35,344**	**506,736**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	126	(126)	-	-	(44,864)	44,864	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	211	469	(680)	-	(2,118)	(23,577)	25,695	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(739)	259	480	-	38,586	(36,753)	(1,833)	-
-to lifetime (from Stage 3 credit impaired to Stage 2)	-	(3,591)	3,591	-	-	17,583	(17,583)	-
New originated or purchased	(816)	-	-	(816)	156,460	-	-	156,460
Net Repayments	235	37	2,171	2,443	(139,752)	(5,255)	(7,828)	(152,835)
other movements	810	138	2,490	3,438	379	174	85	638
Net remeasurement due to change in credit risk	558	2,864	(6,202)	(2,780)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**385**	**50**	**1,850**	**2,285**	**8,691**	**(2,964)**	**(1,464)**	**4,263**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	1	1	-	-	(1)	(1)
Foreign exchange gains and losses and other movements	9	-	(6)	3	1,680	194	(25)	1,849
At 31 December, 2023	**(602)**	**(48)**	**(8,124)**	**(8,774)**	**459,726**	**19,267**	**33,854**	**512,847**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

In thousands of Georgian Lari	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Consumer loans								
At 31 December, 2023	**(1,857)**	**(54)**	**(6,685)**	**(8,596)**	**248,347**	**4,831**	**15,344**	**268,522**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	180	(180)	-	-	(23,167)	23,167	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	2,387	184	(2,571)	-	(6,049)	(16,036)	22,085	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(68)	68	-	-	5,896	(5,896)	-	-
to lifetime (from Stage 3 credit impaired to Stage 2)	-	(2,480)	2,480	-	-	5,012	(5,012)	-
New originated or purchased	(4,067)	-	-	(4,067)	314,684			314,684
Net Repayments	1,545	39	2,099	3,683	(233,432)	(3,561)	(4,645)	(241,638)
Other movements	(1,235)	(44)	(4,535)	(5,814)	897	474	411	1,782
Net remeasurement due to change in credit risk	27	2,373	(7,007)	(4,607)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(1,231)**	**(40)**	**(9,534)**	**(10,805)**	**58,829**	**3,160**	**12,839**	**74,828**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	-	-	7,911	7,911	-	-	(7,910)	(7,910)
Foreign exchange gains and losses and other movements	1	-	-	1	1,794	28	41	1,863
At 31 December, 2024	**(3,087)**	**(94)**	**(8,308)**	**(11,489)**	**308,970**	**8,019**	**20,314**	**337,303**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

In thousands of Georgian Lari	Credit loss allowance Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Gross carrying amount Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Consumer loans								
At 31 December, 2022	**(1,621)**	**(146)**	**(7,606)**	**(9,373)**	**199,579**	**9,901**	**12,695**	**222,175**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	176	(176)	-	-	(25,998)	25,998	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	1,201	249	(1,450)	-	(5,368)	(16,697)	22,065	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	2,986	218	(3,204)	-	17,253	(16,991)	(262)	-
to lifetime (from Stage 3 credit impaired to Stage 2)	-	67	(67)	-	-	6,141	(6,141)	-
New originated or purchased	(2,553)	-	-	(2,553)	238,261	-	-	238,261
Net Repayments	1,054	56	8,168	9,278	(173,599)	(4,025)	(11,212)	(188,836)
Other movements	(3)	126	(7,676)	(7,553)	(2,068)	450	10,813	9,195
Net remeasurement due to change in credit risk	(3,104)	(447)	(7,432)	(10,983)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**(243)**	**93**	**(11,661)**	**(11,811)**	**48,481**	**(5,124)**	**15,263**	**58,620**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	7	(1)	12,593	12,599	(7)	1	(12,593)	(12,599)
Foreign exchange gains and losses and other movements	-	-	(11)	(11)	294	53	(21)	326
At 31 December, 2023	**(1,857)**	**(54)**	**(6,685)**	**(8,596)**	**248,347**	**4,831**	**15,344**	**268,522**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

In thousands of Georgian Lari	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Credit cards								
At 31 December, 2023	**(575)**	**(76)**	**(286)**	**(937)**	**26,449**	**591**	**415**	**27,455**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	48	(48)	-	-	(2,199)	2,199	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	228	139	(367)	-	(542)	(980)	1,522	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(185)	129	56	-	1,072	(1,006)	(66)	-
to lifetime (from Stage 3 credit impaired to Stage 2)		(209)	209	-		294	(294)	-
New originated or purchased	(668)	-	-	(668)	31,665	-	-	31,665
Net Repayments	458	30	154	642	(36,068)	(242)	(225)	(36,535)
Other movements	149	(5)	(321)	(177)	(46)	29	26	9
Net remeasurement due to change in credit risk	163	(58)	(643)	(538)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**193**	**(22)**	**(912)**	**(741)**	**(6,118)**	**294**	**963**	**(4,861)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	1	-	864	865	(1)	-	(864)	(865)
Foreign exchange gains and losses and other movements	-	-	-	-	-	-	-	-
At 31 December, 2024	**(381)**	**(98)**	**(334)**	**(813)**	**20,330**	**885**	**514**	**21,729**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

In thousands of Georgian Lari	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Credit cards								
At 31 December, 2022	**(2,066)**	**(506)**	**(629)**	**(3,201)**	**28,267**	**2,068**	**941**	**31,276**
Movements with impact on credit loss allowance charge for the period:								
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	301	(301)	-	-	(5,498)	5,498	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	82	276	(358)	-	(620)	(1,404)	2,024	-
- to 12-months ECL (from Stage 2 and Stage 3 to Stage 1)	(716)	989	(273)	-	5,676	(5,331)	(345)	-
to lifetime (from Stage 3 credit impaired to Stage 2)	-	158	(158)	-	-	392	(392)	-
New originated or purchased	(663)	-	-	(663)	28,889	-	-	28,889
Net Repayments	848	126	1,081	2,055	(30,405)	(610)	(1,624)	(32,639)
Other movements	1,124	(29)	(870)	225	177	38	1,408	1,623
Net remeasurement due to change in credit risk	480	(848)	(677)	(1,045)	-	-	-	-
Total movements with impact on credit loss allowance charge for the period	**1,456**	**371**	**(1,255)**	**572**	**(1,781)**	**(1,417)**	**1,071**	**(2,127)**
Movements without impact on credit loss allowance charge for the period:								
Write-offs	35	59	1,600	1,694	(35)	(59)	(1,600)	(1,694)
Foreign exchange gains and losses and other movements	-	-	(2)	(2)	(2)	(1)	3	-
At 31 December, 2023	**(575)**	**(76)**	**(286)**	**(937)**	**26,449**	**591**	**415**	**27,455**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

Movements in provision for impairment in 2024 were as follows:

In thousands of Georgian Lari	Loans to legal entities	Mortgage loans	Consumer loans	Credit cards	Total
Provision for loans as at 1 January 2024	**14,887**	**8,774**	**8,596**	**937**	**33,194**
Total movements with impact on credit loss allowance charge for the period	1,233	(2,390)	5,300	672	4,815
Foreign exchange gains and losses and other movements	424	16	51	7	498
Write-offs	(152)	(393)	(7,910)	(865)	(9,320)
Recovery	229	183	5,452	62	5,926
Provision for loans as at 31 December 2024	**16,621**	**6,190**	**11,489**	**813**	**35,113**

Significant changes that contributed to the changes in loss allowance charges were:

- Out of total write-off amount of GEL 9,320 thousand, GEL 7,620 thousand were unsecured loans and GEL 1,700 thousand secured loans. These loans were written off throughout the year based on the management quarterly assessment and since September'2024 on a monthly basis in line with Bank's write-off policy.
- Recovery of loans previously written-off in the total amount of GEL 5,926 thousand. Out of the total recovery amount GEL 5,009 thousand was attributed to recovery of unsecured written-off loans and GEL 917 thousand to recovery of secured written-off loans.

Movements in provision for impairment in 2023 were as follows:

In thousands of Georgian Lari	Loans to legal entities	Mortgage loans	Consumer loans	Credit cards	Total
Provision for loans as at 1 January 2023	**10,776**	**11,063**	**9,373**	**3,201**	**34,413**
Total movements with impact on credit loss allowance charge for the period	904	(3,075)	6,914	(672)	4,071
Foreign exchange gains and losses and other movements	(32)	(3)	11	2	(22)
Write-offs	(16)	(1)	(12,599)	(1,694)	(14,310)
Recovery	3,255	790	4,897	100	9,042
Provision for loans as at 31 December 2023	**14,887**	**8,774**	**8,596**	**937**	**33,194**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

The details of ECL measurement are provided in Note 31.

The following tables contain analyses of the credit risk exposure of loans and advances to customers measured at AC and for which an ECL allowance is recognised. The carrying amount of loans and advances to customers below also represents the Group's maximum exposure to credit risk on these loans.

The credit quality of loans to Legal entities carried at amortised cost is as follows at 31 December 2024:

In thousands of Georgian Lari	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Standard lending				
- Excellent	1,282,711	-	-	1,282,711
- Good	671,214	-	-	671,214
- Satisfactory	-	86,376	-	86,376
- Special monitoring	-	54	-	54
- Default	-	-	43,652	43,652
Gross carrying amount	**1,953,925**	**86,430**	**43,652**	**2,084,007**
Credit loss allowance	(4,252)	(751)	(11,618)	(16,621)
Carrying amount	**1,949,673**	**85,679**	**32,034**	**2,067,386**

The credit quality of Legal entities carried at amortised cost is as follows at 31 December 2023:

In thousands of Georgian Lari	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Standard lending				
- Excellent	44,554	-	-	44,554
- Good	1,549,344	-	-	1,549,344
- Satisfactory	-	78,692	-	78,692
- Special monitoring	-	1,819	-	1,819
- Default	-	-	43,931	43,931
Gross carrying amount	**1,593,898**	**80,511**	**43,931**	**1,718,340**
Credit loss allowance	(2,968)	(561)	(11,358)	(14,887)
Carrying amount	**1,590,930**	**79,950**	**32,573**	**1,703,453**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

The credit quality of loans to individuals carried at amortised cost is as follows at 31 December 2024:

In thousands of Georgian Lari	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Mortgage loans				
- Excellent	440,039	-	-	440,039
- Good	25,797	-	-	25,797
- Satisfactory	-	14,095	-	14,095
- Special monitoring	-	1,086	-	1,086
- Default	-	-	33,734	33,734
Gross carrying amount	**465,836**	**15,181**	**33,734**	**514,751**
Credit loss allowance	(407)	(22)	(5,761)	(6,190)
Carrying amount	**465,429**	**15,159**	**27,973**	**508,561**
Consumer loans				
- Excellent	129,211	-	-	129,211
- Good	179,759	-	-	179,759
- Satisfactory	-	6,694	-	6,694
- Special monitoring	-	1,323	-	1,323
- Default	-	-	20,316	20,316
Gross carrying amount	**308,970**	**8,017**	**20,316**	**337,303**
Credit loss allowance	(3,087)	(92)	(8,310)	(11,489)
Carrying amount	**305,883**	**7,925**	**12,006**	**325,814**
Credit cards				
- Excellent	566	-	-	566
- Good	19,761	-	-	19,761
- Satisfactory	-	858	-	858
- Special monitoring	-	27	-	27
- Default	-	-	516	516
Gross carrying amount	**20,327**	**885**	**516**	**21,728**
Credit loss allowance	(379)	(98)	(336)	(813)
Carrying amount	**19,948**	**787**	**180**	**20,915**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

The credit quality of loans to individuals carried at amortised cost is as follows at 31 December 2023:

In thousands of Georgian Lari	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Mortgage loans				
- Excellent	726	-	-	726
- Good	459,000	-	-	459,000
- Satisfactory	-	15,570	-	15,570
- Special monitoring	-	3,697	-	3,697
- Default	-	-	33,854	33,854
Gross carrying amount	**459,726**	**19,267**	**33,854**	**512,847**
Credit loss allowance	(602)	(48)	(8,124)	(8,774)
Carrying amount	**459,124**	**19,219**	**25,730**	**504,073**
Consumer loans				
- Excellent	23,465	-	-	23,465
- Good	224,882	-	-	224,882
- Satisfactory	-	3,548	-	3,548
- Special monitoring	-	1,283	-	1,283
- Default	-	-	15,344	15,344
Gross carrying amount	**248,347**	**4,831**	**15,344**	**268,522**
Credit loss allowance	(1,857)	(54)	(6,685)	(8,596)
Carrying amount	**246,490**	**4,777**	**8,659**	**259,926**
Credit cards				
- Satisfactory	26,449	575	-	27,024
- Special monitoring	-	16	-	16
- Default	-	-	415	415
Gross carrying amount	**26,449**	**591**	**415**	**27,455**
Credit loss allowance	(575)	(76)	(286)	(937)
Carrying amount	**25,874**	**515**	**129**	**26,518**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

For description of the credit risk grading used in the tables above refer to Note 31.

Economic sector risk concentrations within the customer loan portfolio are as follows:

	December 31, 2024		December 31, 2023	
In thousands of Georgian Lari	Amount	%	Amount	%
Individuals	873,782	29.54%	808,823	32.01%
Construction Development, Land Developme	250,252	8.46%	168,115	6.65%
Energy	249,170	8.42%	147,758	5.85%
Hotels, Tourism	206,735	6.99%	159,184	6.30%
Real Estate Management	199,377	6.74%	174,332	6.90%
Service	158,155	5.35%	156,348	6.19%
Agro	154,314	5.22%	134,539	5.32%
Trade of Consumer Foods and Goods	127,445	4.31%	106,596	4.22%
Health Care	122,702	4.15%	108,340	4.29%
Financial Institutions	91,369	3.09%	79,679	3.15%
Production &Trade of Construct Materia	88,023	2.98%	74,743	2.96%
Production of Consumer Foods and Goods	74,869	2.53%	87,180	3.45%
Construction Companies	64,227	2.17%	118,763	4.70%
Restaurants	64,166	2.17%	38,509	1.52%
Other Production	63,956	2.16%	7,000	0.28%
Loans to Oil Importers and Retailers	61,499	2.08%	7,160	0.28%
Other	107,748	3.64%	150,095	5.94%
Total loans and advances to customers carried at AC	**2,957,789**	**100%**	**2,527,164**	**100%**

As two economic sectors, particularly “Trade(Other)” and “State” had experienced deacrease in volume in 2024, (“Trade(Other)’s share in total loans and advances to customers has decreased from 1.59% to 0.49% while “State”’s exposure was fully covered), the Group’s decision was to combine those sectors with “Other” category for the year 2023 as well.

At 31 December 2024 the Group had 5 borrowers’ groups (2023: 5 borrowers) with aggregated loan amounts above 5% of the Bank’s regulatory capital. The total aggregate amount of these loans was GEL 294,436 thousand (2023: GEL 166,191 thousand) or 10% of the gross loan portfolio (2023: 7%).

The Group's policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Group since the prior period.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

The table below summarises carrying value of loans to customers analysed by type of collateral obtained by the Group as at 31 December 2024:

In thousands of Georgian Lari	Loans to legal entities	Mortgage loans	Consumer loans	Credit cards	Total
Loans collateralised by:					
- real estate	1,592,148	495,990	148,524	633	2,237,295
- cash deposits	40,918	1,327	73,376	-	115,621
- Transport and equipment	113,460	-	2,664	-	116,124
- other assets	117,523	2,153	4,730	-	124,406
Total	**1,864,049**	**499,470**	**229,294**	**633**	**2,593,446**
Unsecured exposures	219,958	15,281	108,009	21,095	364,343
Total carrying value loans and advances to customers at AC (amount representing exposure to credit risk for each class of loans at AC)	**2,084,007**	**514,751**	**337,303**	**21,728**	**2,957,789**

Information about collateral for loans to customers is as follows at 31 December 2023:

In thousands of Georgian Lari	Loans to legal entities	Mortgage loans	Consumer loans	Credit cards	Total
Loans collateralised by:					
- real estate	1,199,393	493,422	121,315	435	1,814,565
- cash deposits	29,680	767	24,155	-	54,602
- Transport and equipment	78,833	-	6,419	-	85,252
- other assets	86,281	4,649	744	-	91,674
Total	**1,394,187**	**498,838**	**152,633**	**435**	**2,046,093**
Unsecured exposures	324,153	14,009	115,889	27,020	481,071
Total carrying value loans and advances to customers at AC (amount representing exposure to credit risk for each class of loans at AC)	**1,718,340**	**512,847**	**268,522**	**27,455**	**2,527,164**

The carrying value of loans was allocated based on the type of collateral taken in following order: cash deposit, real estate, transport and equipment, other assets. Other assets mainly include securities and inventory. Part of mortgage loans issued for purchases of real estate with status of construction in progress is not secured with real estate before completion of legal registration procedures by the construction company. Until completion of these legal procedures the loans are secured by the construction company’s guarantee. After completion of the registration procedures, the collateral will be replaced with real estate.

The disclosure above represents the lower of the carrying value of the loan or fair value collateral taken; the remaining part is disclosed within the unsecured exposures.

11 Loans and Advances to Customers (Continued)

The extent to which collateral and other credit enhancements mitigate credit risk for financial assets carried at amortised cost that are credit impaired, is presented by disclosing collateral values separately for (i) those assets where collateral and other credit enhancements are equal to or exceed carrying value of the asset ("over-collateralised assets") and (ii) those assets where collateral and other credit enhancements are less than the carrying value of the asset ("under-collateralised assets").

The effect of collateral on credit impaired assets at 31 December 2024 is as follows.

	Under-collateralised Loans		Over-collateralised Loans	
In thousands of Georgian Lari	Carrying value of the loans	Value of collateral	Carrying value of the loans	Value of collateral
Credit impaired assets:				
Loans to legal entities carried at AC	64	-	43,587	150,760
Loans to individuals carried at AC				
Mortgage loans	3,501	2,928	30,233	56,608
Consumer loans	8,129	73	12,186	32,808
Credit cards	500	-	13	48

The effect of collateral on credit impaired assets at 31 December 2023 is as follows.

	Under-collateralised Loans		Over-collateralised Loans	
In thousands of Georgian Lari	Carrying value of the loans	Value of collateral	Carrying value of the loans	Value of collateral
Credit impaired assets:				
Loans to legal entities carried at AC	2,206	1,684	41,727	131,488
Loans to individuals carried at AC				
Mortgage loans	5,423	4,645	28,430	51,601
Consumer loans	7,050	296	8,290	21,206
Credit cards	415	-	-	-

The Group obtains collateral valuation at the time of granting loans and at any significant event or modification occurring after loan origination, i.e. the Group requests re-evaluation of the pledged real-estate collaterals if a new loan is disbursed under the pledge of the given collateral or in case of restructuring of the given commitment in case the last valuation is more than 1 year ago. Where there are indications that the carrying value of the loan might exceed fair value of collateral, the Group discretionally obtains valuations for collateral for the affected properties.

The Group usually re-evaluates real estate properties pledged for the loans which are included in top 100 borrower group list by carrying amount as at reporting date. For financial reporting year 2024 the Group performed internal analysis of the Real Estate Market transactions available through public sources, with the result that the increasing trend of real estate market values is still persistent in 2024, but unlike sharp increase seen in 2022, the tempo is moderate in 2023 and 2024.The findings are in line with the Real-Estate Market Researches published for Georgian Real Estate Market. With the realistic possibility that demand will shrink after the current spike, the Group has refrained to re-evaluating underlying collaterals for the loans of top-100 borrower groups, in order to avoid over-valuation of collaterals in the light of current significant increase of real estate prices in the country. It is to note that, the Group has continued to re-evaluate properties for all borrowers according to internal valuation policy in case of a new loan was issued or modification of initial contractual terms was requested by the Commercial Department, the Group has re-evaluated all the real-estate collaterals for all borrowers with significant exposure, for which ECL was assessed individually.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

Refer to Note 34 for the estimated fair value of each class of loans and advances to customers. Interest rate analysis of loans and advances to customers is disclosed in Note 31. Information on related party balances is disclosed in Note 35.

Analysis by credit quality of loans to standard lending as at December 31, 2024 is presented as follows:

Standard lending As at December 31, 2024	**Gross loans**	**Provision for expected credit losses**	**Net loans**	**Provision for expected credit losses to gross loans**
Collectively assessed				
Not past due	2,033,432	(7,191)	2,026,241	0%
Overdue:				
up to 30 days	15,111	(540)	14,571	4%
31 to 60 days	898	(10)	888	1%
61 to 90 days	5,997	(342)	5,655	6%
91 to 180 days	2,196	(684)	1,512	31%
over 180 days	9,210	(2,307)	6,903	25%
Total collectively assessed loans	**2,066,844**	**(11,074)**	**2,055,770**	**1%**
Individually assessed				
Not past due	10,923	(4,221)	6,702	39%
Overdue:				
91 to 180 days	4,267	(649)	3,618	15%
over 180 days	1,973	(677)	1,296	34%
Total individually assessed loans	**17,163**	**(5,547)**	**11,616**	**32%**
Total Standard Lending	**2,084,007**	**(16,621)**	**2,067,386**	**1%**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans to standard lending as at December 31, 2023 is presented as follows:

Standard lending As at December 31, 2023	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	1,674,060	(5,801)	1,668,259	0%
Overdue:				
up to 30 days	9,239	(130)	9,109	1%
31 to 60 days	2,012	(64)	1,948	3%
61 to 90 days	2,185	(378)	1,807	17%
91 to 180 days	4,013	(760)	3,253	19%
over 180 days	4,607	(951)	3,656	21%
Total collectively assessed loans	**1,696,116**	**(8,084)**	**1,688,032**	**1%**
Individually assessed				
Not past due	13,733	(4,645)	9,088	34%
Overdue:				
31 to 60 days	1,944	(618)	1,326	32%
91 to 180 days	3,574	(1,175)	2,399	33%
over 180 days	2,973	(365)	2,608	12%
Total individually assessed loans	**22,224**	**(6,803)**	**15,421**	**31%**
Total Standard Lending	**1,718,340**	**(14,887)**	**1,703,453**	**1%**

Analysis by credit quality of loans to mortgage loans as at December 31, 2024 is presented as follows:

Mortgage loans As at December 31, 2024	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	475,814	(1,529)	474,285	0%
Overdue:				
up to 30 days	12,737	(158)	12,579	1%
31 to 60 days	2,022	(67)	1,955	3%
61 to 90 days	2,029	(199)	1,830	10%
91 to 180 days	3,807	(633)	3,174	17%
over 180 days	18,342	(3,604)	14,738	20%
Total collectively assessed loans	**514,751**	**(6,190)**	**508,561**	**1%**
Total mortgage loans	**514,751**	**(6,190)**	**508,561**	**1%**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans to mortgage loans as at December 31, 2023 is presented as follows:

Mortgage loans As at December 31, 2023	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	470,616	(2,106)	468,510	0%
Overdue:				
up to 30 days	13,411	(577)	12,834	4%
31 to 60 days	6,665	(295)	6,370	4%
61 to 90 days	1,436	(138)	1,298	10%
91 to 180 days	3,468	(826)	2,642	24%
over 180 days	17,251	(4,832)	12,419	28%
Total collectively assessed loans	**512,847**	**(8,774)**	**504,073**	**2%**
Total mortgage loans	**512,847**	**(8,774)**	**504,073**	**2%**

Analysis by credit quality of loans to consumer loans as at December 31, 2024 is presented as follows:

Consumer loans As at December 31, 2024	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	314,895	(5,645)	309,250	2%
Overdue:				
up to 30 days	6,001	(656)	5,345	11%
31 to 60 days	2,450	(351)	2,099	14%
61 to 90 days	1,387	(203)	1,184	15%
91 to 180 days	4,302	(2,049)	2,253	48%
over 180 days	8,268	(2,585)	5,683	31%
Total collectively assessed loans	**337,303**	**(11,489)**	**325,814**	**3%**
Total consumer loans	**337,303**	**(11,489)**	**325,814**	**3%**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans to consumer loans as at December 31, 2023 is presented as follows:

Consumer loans As at December 31, 2023	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	252,391	(4,372)	248,019	2%
Overdue:				
up to 30 days	5,426	(467)	4,959	9%
31 to 60 days	1,594	(320)	1,274	20%
61 to 90 days	1,261	(290)	971	23%
91 to 180 days	3,778	(1,621)	2,157	43%
over 180 days	4,072	(1,526)	2,546	36%
Total collectively assessed loans	**268,522**	**(8,596)**	**259,926**	**3%**
Total consumer loans	**268,522**	**(8,596)**	**259,926**	**3%**

Analysis by credit quality of loans to credit cards as at December 31, 2024 is presented as follows:

Credit cards As at December 31, 2024	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	20,331	(381)	19,950	2%
Overdue:				
up to 30 days	689	(50)	639	7%
31 to 60 days	196	(47)	149	24%
61 to 90 days	29	(19)	10	66%
91 to 180 days	159	(106)	53	67%
over 180 days	324	(210)	114	65%
Total collectively assessed loans	**21,728**	**(813)**	**20,915**	**4%**
Total credit cards	**21,728**	**(813)**	**20,915**	**4%**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

11 Loans and Advances to Customers (Continued)

Analysis by credit quality of loans to credit cards as at December 31, 2023 is presented as follows:

Credit cards As at December 31, 2023	Gross loans	Provision for expected credit losses	Net loans	Provision for expected credit losses to gross loans
Collectively assessed				
Not past due	26,446	(573)	25,873	2%
Overdue:				
up to 30 days	523	(57)	466	11%
31 to 60 days	70	(18)	52	26%
61 to 90 days	190	(132)	58	70%
91 to 180 days	178	(123)	55	69%
over 180 days	48	(34)	14	71%
Total collectively assessed loans	**27,455**	**(937)**	**26,518**	**3%**
Total credit cards	**27,455**	**(937)**	**26,518**	**3%**

12 Finance Lease Receivables

Finance lease payments receivable (gross investment in the leases) and their present values are as follows:

In thousands of Georgian Lari	December 31, 2024	December 31, 2023
Present value of lease payments receivable	41,289	26,345
Impairment loss allowance	(487)	(209)
Net investment in the lease	**40,802**	**26,136**
Amounts receivable under finance leases		
Year 1	26,207	15,166
Year 2	16,468	10,483
Year 3	9,354	7,054
Year 4	4,169	3,204
Year 5	1,445	695
Onwards	-	-
Total undiscounted lease payments	**57,643**	**36,602**
Undiscounted lease payments analysed as:		
Recoverable within 12 months	31,437	21,436
Recoverable after 12 months	26,206	15,166
Less: unearned finance income	(16,354)	(10,257)
Total	**41,289**	**26,345**
Net investment in the lease analysed as:		
Recoverable within 12 months	15,105	13,422
Recoverable after 12 months	25,697	12,714
Total	**40,802**	**26,136**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

12 Finance Lease Receivables (Continued)

Finance lease receivables relate to leases of car and equipment. Estimated collateral held as at 31 December 2024 amount to GEL 60,326 thousand (2023: 38,832 thousand).

Estimates of collateral value are based on the value of collateral assessed at the time of lease origination. Risks related to the leased asset such as damage caused by various reasons and theft in majority cases are insured.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables.

The following tables disclose the changes in the credit loss allowance and gross carrying amount for finance lease receivables carried at amortised cost between the beginning and the end of the reporting and comparative periods:

In thousands of Georgian Lari	December 31, 2024	December 31, 2023
Finance lease receivables before credit loss allowance	**41,289**	**26,345**
- Stage 1	35,060	19,627
- Stage 2	2,589	6,582
- Stage 3	3,640	136
Less: credit loss allowance	**(487)**	**(209)**
- Stage 1	(112)	(137)
- Stage 2	(15)	(61)
- Stage 3	(360)	(11)
Total finance lease receivables	**40,802**	**26,136**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts

The roll-forward between the beginning and the end of the reporting and comparative periods of the net asset or liability for insurance contracts issued, showing the liability for remaining coverage and the liability for incurred claims is disclosed in the table below:

	Liabilities for remaining coverage		Liabilities for incurred claims		
In thousands of Georgian Lari	Excluding loss component	Loss Component	Incured claim	Non-financial risk adjustment	Total
Insurance contract assets as at 1 January 2024	136	-	-	-	136
Insurance contract liabilities as at 1 January 2024	(1,491)	-	(75,303)	(140)	(76,934)
Net insurance contract (assets)/liabilities as at 1 January 2024	**(1,355)**	**-**	**(75,303)**	**(140)**	**(76,798)**
Insurance revenue	(21,021)	-	-	-	(21,021)
Insurance service expenses	-	-	-	-	-
- Incurred claims	-	-	(4,948)	(122)	(5,070)
- Directly attributable expenses	-	-	(362)	-	(362)
- Changes that relate to past service - adjustments to LfIC	-	-	(36,748)	122	(36,626)
- Net foreign exchange income or expense	11	-	-	-	11
Total changes in statement of profit and loss and OCI	**(21,010)**	**-**	**(42,058)**	**-**	**(63,068)**
Premiums received	23,919	-	-	-	23,919
Claims paid	-	-	114,003	-	114,003
Directly attributable expenses paid	-	-	349	-	349
Net insurance contract (assets)/liabilities as at 31 December 2024	**1,554**	**-**	**(3,009)**	**(140)**	**(1,595)**
Insurance contract assets as at 31 December 2024	2,327	-	(1,821)	-	506
Insurance contract liabilities as at 31 December 2024	(773)	-	(1,188)	(140)	(2,101)

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (Continued)

In thousands of Georgian Lari	Liabilities for remaining coverage: Excluding loss component	Liabilities for remaining coverage: Loss Component	Liabilities for incurred claims: Incured claim	Liabilities for incurred claims: Non-financial risk adjustment	Total
Insurance contract liabilities as at 1 January 2023	(1,277)	-	(1,787)	(128)	(3,192)
Insurance contract assets as at 1 January 2023	-	-	-	-	-
Net insurance contract (assets)/liabilities as at 1 January 2024	**(1,277)**	**-**	**(1,787)**	**(128)**	**(3,192)**
Insurance revenue	15,674	-	-	-	**15,674**
Insurance service expenses	-	-	-	-	-
- Incurred claims	-	-	(111,586)	(93)	**(111,679)**
- Directly attributable expenses	-	-	(406)	-	**(406)**
- Changes that relate to past service - adjustments to LfIC	-	-	265	81	**346**
- Net foreign exchange income or expense	32	-	-	-	**32**
Total changes in statement of profit and loss and OCI	**15,706**	**-**	**(111,727)**	**(12)**	**(96,033)**
Premiums received	(15,784)	-	-	-	(15,784)
Claims paid	-	-	38,211	-	38,211
Directly attributable expenses paid	-	-	-	-	-
Net insurance contract (assets)/liabilities as at 31 December 2024	**(1,355)**	**-**	**(75,303)**	**(140)**	**(76,798)**
Insurance contract asset as at 31 December 2024	136	-	-	-	136
Insurance contract liability as at 31 December 2024	(1,491)	-	(75,303)	(140)	(76,934)

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (Continued)

The roll-forward between the beginning and the end of the reporting and comparative periods of the net asset or liability for reinsurance contracts held showing assets for remaining coverage and amounts recoverable on incurred claims is disclosed in the table below:

In thousands of Georgian Lari	Asset/(Liability) for remaining coverage: Excluding loss-recovery component	Asset/(Liability) for remaining coverage: Loss-recovery component	Asset/(Liability) for Incurred Claims: Reinsurance share in incured claim	Asset/(Liability) for Incurred Claims: Non-financial risk adjustment	Total
Reinsurance contract assets as at 1 January 2024	(852)	-	75,617	73	74,838
Reinsurance contract liabilities as at 1 January 2024	(167)	-	-	-	(167)
Net reinsurance contract assets/(liabilities) as at 1 January 2024	**(1,019)**	**-**	**75,617**	**73**	**74,671**
Reinsurance expenses	(17,618)	-	-	-	(17,618)
Result from reinsurance contracts held	-	-	-	-	-
- Reinsurance share in incurred claim	-	-	2,567	69	2,636
- Changes that relate to past service - adjustments to AfIC	-	-	37,284	(64)	37,220
- Net foreign exchange income or expense	(19)	-	-	-	(19)
Total changes in statement of profit and loss and OCI	**(17,637)**	**-**	**39,851**	**5**	**22,219**
Reinsurance premiums paid	16,801	-	-	-	16,801
Reinsurance share in incured claim paid	-	-	(113,072)	-	(113,072)
Net reinsurance contract assets/(liabilities)as at 31 December 2024	**(1,855)**	**-**	**2,396**	**78**	**619**
Reinsurance contract assets as at 31 December 2024	(1,258)	-	2,144	78	964
Reinsurance contract liabilities as at 31 December 2024	(597)	-	252	-	(345)

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

13 Insurance and Reinsurance Contracts (Continued)

	Asset/(Liability) for remaining coverage		Asset/(Liability) for Incurred Claims		
In thousands of Georgian Lari	**Excluding loss-recovery component**	**Loss-recovery component**	**Reinsurance share in incured claim**	**Non-financial risk adjustment**	**Total**
Reinsurance contract assets as at 1 January 2023	269	-	2,129	76	2,474
Reinsurance contract liabilities as at 1 January 2023	-	-	-	-	-
Net reinsurance contract assets/(liabilities) as at 1 January 2023	**269**	**-**	**2,129**	**76**	**2,474**
Reinsurance expenses	(11,762)	-	-	-	(11,762)
Result from reinsurance contracts held		-	-	-	
- Reinsurance share in incurred claim	-	-	109,992	53	110,045
- Changes that relate to past service	-	-			
- adjustments to AfIC			(169)	(56)	(225)
- Net foreign exchange income or expense	51	-	39	-	90
Total changes in statement of profit and loss and OCI	**(11,711)**	**-**	**109,862**	**(3)**	**98,148**
Reinsurance premiums paid	10,423	-	-	-	10,423
Reinsurance share in incured claim paid	-	-	(36,374)	-	(36,374)
Net reinsurance contract assets/(liabilities)as at 31 December 2023	**(1,019)**	**-**	**75,617**	**73**	**74,671**
Reinsurance contract assets as at 31 December 2023	(852)	-	75,617	73	74,838
Reinsurance contract liabilities as at 31 December 2023	(167)	-	-	-	(167)

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

14 Other Assets

In thousands of Georgian Lari	**December 31, 2024**	**December 31, 2023**
Repossessed collateral	27,076	22,041
Prepayments for services	6,359	4,748
Input and withholding taxes	1,418	1,034
Prepayments for litigations	-	1,855
Other	1,753	3,387
Total other assets	**36,606**	**33,065**

Repossessed collateral represents real estate assets acquired by the Group in settlement of overdue loans. The Group expects to dispose of the assets in the future. The Bank initiates special offers and marketing actions to sell collateral, including brokers' services and advertising on locations (such as lands, offices, etc.)

As of 31 December 2024 the value of repossessed collateral attributable to the Bank was GEL 25,510 thousand (2023: GEL 18,839).

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

15 Premises, Equipment and Intangible Assets

In thousands of Georgian Lari	Note	Premises	Office and computer Equipment	Vehicles	Leasehold improvements	Construction in progress	Total premises and equipment	Computer software licences	Total
As at 31 December 2022									
Cost or valuation		59,773	18,929	575	4,885	28,042	112,204	11,596	123,800
Accumulated depreciation/amortization		(510)	(12,256)	(288)	(2,511)	-	(15,565)	(3,012)	(18,577)
Carrying amount at 31 December 2022		**59,263**	**6,673**	**287**	**2,374**	**28,042**	**96,639**	**8,584**	**105,223**
Additions		169	1,347	54	326	333	2,229	5,232	7,461
Disposals		-	(98)	(37)	(85)	-	(220)	(961)	(1,181)
Depreciation									
Depreciation charge	28	(558)	(2,206)	(71)	(680)	-	(3,515)	(1,742)	(5,257)
Disposals		-	44	37	85	-	166	963	1,129
As at 31 December 2023									
Cost or valuation		59,942	20,178	592	5,126	28,375	114,213	15,867	130,080
Accumulated depreciation/amortization		(1,068)	(14,418)	(322)	(3,106)	-	(18,914)	(3,791)	(22,705)
Carrying amount at 31 December 2023		**58,874**	**5,760**	**270**	**2,020**	**28,375**	**95,299**	**12,076**	**107,375**
Additions		22	1,568	317	722	4,315	6,944	6,646	13,590
Disposals		(69)	(16)	(47)	(424)	-	(556)	(3,523)	(4,079)
Revaluation		4,365	-	-	-	-	4,365	-	4,365
Depreciation									
Depreciation charge	28	(559)	(2,194)	(135)	(623)	-	(3,511)	(3,242)	(6,753)
Disposals		-	10	47	181	-	238	1,859	2,097
As at 31 December 2024									
Cost or valuation		64,260	21,730	862	5,424	32,690	124,966	18,990	143,956
Accumulated depreciation/amortization		(1,627)	(16,602)	(410)	(3,548)	-	(22,187)	(5,174)	(27,361)
Carrying amount at 31 December 2024		**62,633**	**5,128**	**452**	**1,876**	**32,690**	**102,779**	**13,816**	**116,595**

The Construction in Progress amount represents the renovation works for the new Head Office of the Group.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

15 Premises, Equipment and intaginble Assets (Continued)

Premises have been valued at fair value in December 2024 by an independent firm of valuers. In 2022 the significant addition was made to PPE from an entity under common control, and the transaction price (ie. Cost of the PPE) was also determined by an independent valuer. For 2024 the premises fully depreciated amounting to GEL 14,014 thousand.

The input to which the fair value estimate for premises is most sensitive is price per square meter: the higher the price per square meter, the higher the fair value.

If the premises of the Group were measured using cost model, their carrying amount would be as follows:

In thousands of Georgian Lari	December 31, 2024	December 31, 2023
Cost	50,616	50,663
Accumulated depreciation	4,358	3,984
Premises at cost less accumulated depreciation	**46,258**	**46,679**

If the premises of the Bank were measured using cost model, their carrying amount would be as follows:

In thousands of Georgian Lari	December 31, 2024	December 31, 2023
Cost	50,494	50,494
Accumulated depreciation	4,358	3,984
Premises at cost less accumulated depreciation	**46,136**	**46,510**

As at December 31, 2024 and 2023 included in property and equipment were fully depreciated assets amounting GEL 14,014 thousand and GEL 11,212 thousand, respectively.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

16 Right-of-use Assets and Lease Liabilities

The right of use assets by class of underlying items is analysed as follows:

In thousands of Georgian Lari	Premises
Carrying amount at 1 January 2023	**21,582**
Additions	803
Modification Effect	51
Depreciation charge	(5,072)
Carrying amount at 31 December 2023	**17,364**
Additions	1,853
Modification Effect	(369)
Depreciation charge	(4,181)
Termination Effect	(127)
Carrying amount at 31 December 2024	**14,540**

The movement in lease liabilities are analysed as follows:

In thousands or Georgian Lari	2024	2023
Lease liability as at 1 January	**15,970**	**18,576**
Recognition of lease liabilities	24	834
Interest expense on lease liabilities	687	749
Foreign exchange effect	494	(162)
Modifications	1,459	58
Termination of lease contract	(132)	-
Repayment of interest expense	(687)	(749)
Repayment of lease liabilities	(3,624)	(3,336)
Lease liability as at 31 December	**14,191**	**15,970**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

16 Right-of-use Assets and Lease Liabilities (Continued)

Amounts recognised in statement of profit and loss:

In thousands or Georgian Lari	December 31, 2024	December 31, 2023
Depreciation expense on right-of-use assets	4,181	5,072
Interest expense on lease liabilities	687	749
Expenses recognized in profit or loss statement related to low-value asset leases	150	153
Expenses recognized in profit or loss statement related short-term leases	166	265
Total	**5,184**	**6,239**

17 Due to Other Banks

In thousands of Georgian Lari	December 31, 2024	December 31, 2023
Short-term placements from NBG	170,421	175,098
Short-term placements of/loans from other banks	20,606	109,767
Correspondent accounts and overnight placements of other banks	56	1
Total due to other banks	**191,083**	**284,866**

The Group pledged debt securities as collateral with carrying amount of GEL 232,335 thousand for short-term loan with NBG at the end of reporting period (2023: debt securities GEL 118,327 thousand, mortgage loans GEL 88,066 thousand). Refer to Note 33.

Refer to Note 34 for the disclosure of the fair value of each class of amounts due to other banks. Interest rate analysis of due to other banks is disclosed in Note 31. Information on related party balances is disclosed in Note 35.

18 Customer Accounts

In thousands of Georgian Lari	December 31, 2024	December 31, 2023
State and public organisations		
- Current/settlement accounts	153,438	212,965
- Term deposits	450,243	270,743
Other legal entities		
- Current/settlement accounts	291,888	264,370
- Term deposits	367,017	386,825
Individuals		
- Current/demand accounts	290,197	296,118
- Term deposits	990,788	761,351
Total customer accounts	**2,543,571**	**2,192,372**

State and public organisations exclude government-owned profit orientated businesses. The customer accounts balances under the Bank's separate statement as at 31 December 2024 amount to GEL 2,546,572 thousand (2023: GEL 2,199,455 thousand).

Economic sector concentrations within customer accounts are as follows:

	December 31, 2023		December 31, 2023	
In thousands of Georgian Lari	Amount	%	Amount	%
Individuals	1,280,985	49%	1,057,469	47%
Energy	201,650	8%	179,542	8%
Financial Institutions	199,685	8%	145,554	7%
State	191,150	7%	67,164	3%
Transportation or Communication	146,865	6%	130,353	6%
Service	144,347	6%	147,399	7%
Construction & Production of Construction Materials	115,297	5%	79,250	4%
Trade	75,541	3%	214,052	10%
Production/Manufacturing	48,448	2%	47,892	2%
Education	41,225	2%	37,911	2%
Tobacco	28,933	1%	30,229	1%
Real Estate Development	16,458	1%	11,345	1%
Other	52,987	2%	44,212	2%
Total customer accounts	**2,543,571**	**100%**	**2,192,372**	**100%**

At 31 December 2024, the Group had five customers (2023: four customers) with balances above 10% of total equity. The aggregate balance of this customer was GEL 508,742 thousand (2023: GEL 387,252 thousand) or 20% (2023: 17%) of total customer accounts.

Refer to Note 34 for disclosure of the fair value of each class of customer accounts. Interest rate analysis of customer accounts is disclosed in Note 31. Information on related party balances is disclosed in Note 35.

19 Borrowed Funds

In thousands of Georgian Lari	December 31, 2024	December 31, 2023
Blue Orchard Microfinance Fund	77,150	89,995
GREEN FOR GROWTH FUND (Finance-in-Motion)	49,046	39,529
Black Sea Trade and Development Bank ("BSTDB")	47,758	62,887
CaixaBank S. A.	34,633	-
Global Impact Investments Sarl (SYMBIOTICS)	32,867	8,990
Asian Development Bank ("ADB")	28,951	29,722
European Bank for Reconstruction and Development ("EBRD")	27,943	-
BANCA POPOLARE DI SONDRIO SCPA	21,671	33,472
ResponsAbility SICAV (Lux) Micro and SME Finance Debt Fund	16,189	10,511
ResponsAbility Global Micro and SME Finance Fund	13,669	9,009
ResponsAbility SICAV (Lux) Financial Inclusion Fund	11,291	-
FINANCING FOR HEALTHEIR LIVES DAC	8,616	8,068
ODDO BHF Aktiengesellschaft	6,754	30,229
ResponsAbility	6,166	20,780
Global Gender-Smart Fund (INCOFIN)	5,625	10,778
Symbiotics SICAV (Lux.) - Global Financial Inclusion Fund	4,150	-
THE EUROPEAN FUND FOR SOUTHEAST EUROPE S.A., SICAV-SIF	3,606	16,640
Hualing International Special Economic Zone LTD	3,039	2,723
Symbiotics SICAV II - ABN AMRO Impact Fund	2,824	-
Bank of Georgia JSC	2,259	-
Symbiotics SICAV (Lux.) - Global Microfinance Fund	2,118	-
Symbiotics SICAV (Lux.)-Abendrot Microfinance Local Currency Fund	2,118	-
Symbiotics SICAV II - Impact Local Currencies Debt Fund	2,118	-
SYMBIOTICS SICAV (LUX)	1,482	3,004
ResponsAbility SICAV (Lux) Micro and SME Finance Leaders	1,479	4,505
Symbiotics SICAV (Lux.) - SDG Emerging Market Impact Fund	1,412	-
FINETHIC S.C.A SICAV_SIF (SYMBIOTICS)	741	1,502
Total borrowed funds	**415,675**	**382,344**

The Group is obligated to comply with financial covenants in relation to its borrowings. Management believes that the Group was in compliance with covenants at 31 December 2024, except for the covenant set by JSC Pasha Bank Georgia towards BB Leasing JSC. The covenant required BB Leasing to maintain the volume of overdue leasing portfolio within the set limit. BB Leasing was in breach of this covenant, but received a waiver subsequent to the year-end: JSC Pasha Bank Georgia confirmed that they have elected not to pursue any remedies available to them under the credit agreements until their respective maturity dates.

Information on compliance with covenants is disclosed in Note 33.

Refer to Note 34 for disclosure of the fair value of each class of borrowed funds. Interest rate analysis of borrowed funds is disclosed in Note 31. Information on related party balances is disclosed in Note 35, the movements in the Group's liabilities from financing activities is disclosed.

20 Other Liabilities

Other liabilities comprise the following:

In thousands of Georgian Lari	December 31, 2024	December 31, 2023
Accrued employee benefit costs	17,768	14,439
Prepayments received	975	698
Taxes payable other than on income	99	1,052
Other	4,460	1,852
Total other liabilities	**23,302**	**18,041**

Accrued employee benefits include the provisions created for staff and management benefits, including provisions created under share based payment ("SBP") arrangements.

21 Own Debt Securities in Issue

The issued own debt securities in Issue of the Group are as follows:

In thousands of Georgian Lari	Start Date	Maturity	Currency	31-Dec-24	31-Dec-23
Bonds issued on Georgian Stock Exchange JSC	Aug-24	Aug-27	USD	57,666	-
Total own debt securities in issue				**57,666**	**-**

On August 7, 2024 the Group has issued USD 20 million own debt securities for trading purposes on Georgian Stock Exchange, classified as Sustainable Bonds carrying coupon rate of 7% per annum, maturing on 7 August 2027.

Refer to Note 34 for the disclosure of the fair value of own debt securities in issue. Interest rate analysis of own debt securities in issue is disclosed in Note 31. The movements in the own debt securities in issue is disclosed in Note 30.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

22 Subordinated Debts

The subordinated debts of the Group are as follows:

In thousands of Georgian Lari	Start Date	Maturity	Currency	31-Dec-24	31-Dec-23
Loans from:					
GREEN FOR GROWTH FUND	Aug-24	Aug-32	EUR	14,926	-
THE EUROPEAN FUND FOR SOUTHEAST EUROPE S.A., SICAV-SIF	Jun-22	Jun-29	EUR	43,923	44,888
THE EUROPEAN FUND FOR SOUTHEAST EUROPE S.A., SICAV-SIF	Aug-24	Aug-32	EUR	29,791	-
Xinjiang HuaLing Industry & Trade (Group) Co	Aug-19	Aug-26	USD	14,096	13,514
Xinjiang HuaLing Industry & Trade (Group) Co	Sep-23	Sep-30	USD	7,420	7,116
Individuals	Dec-23	Dec-33	USD	24,258	13,187
Subordinated debt securities in issue	Jan-23	Jan-30	USD	28,878	27,678
Total subordinated debts				**163,292**	**106,383**

The "Xinjiang HuaLing Industry & Trade (Group) Co" debt issued in 2019 started to phase out in 2019 and as at 31 December 2024 is included in Tier 2 capital with 20% of its value of USD 4,900 thousands. The European Fund for Southeast Europe ("EFSE") debt issued in 2022 started to phase out and as at 31 December 2024 is included in Tier 2 capital with 80%. All other subordinated debts excluding debt from GREEN FOR GROWTH FUND are included with 100% of their values.

The subordinated debts from "Xinjiang HuaLing Industry & Trade (Group) Co" carry fixed interest rate of 7% per annum. The subordinated debt from the European Fund for Southeast Europe ("EFSE") issued on June 2022 paid up to 6.72% while subordinated "EFSE" debt issued on August 2024 paid up 10.08%. Subordinated debt from GREEN FOR GROWTH FUND paid up to 10.09%.

31 December 2024, the Group has subordinated debt securities in issue with nominal value of USD 10,000 thousand (2023: USD 10,000 thousand). These bonds mature on 30 January 2030 and have a coupon rate of 7% per annum.

Refer to Note 34 for the disclosure of the fair value of subordinated debts. Interest rate analysis of subordinated debts is disclosed in Note 31. The movements in the subordinated debts is disclosed in Note 30. Information on related party balances is disclosed in Note 35.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

23 Share Capital

In thousands of Georgian Lari except for number of shares	Number of outstanding shares in thousands	Ordinary shares	Share premium	Total
At 1 January 2023	**17,091**	**17,091**	**101,066**	**118,157**
New Shares Issued	228	228	3,432	3,660
At 31 December 2023	**17,319**	**17,319**	**104,498**	**121,817**
New Shares Issued	893	893	25,908	26,801
At 31 December 2024	**18,212**	**18,212**	**130,406**	**148,618**

The total authorised number of ordinary shares is 18,212 thousand shares (2023: 17,319 thousand shares), with a par value of GEL 1 per share (2023: GEL 1 per share). The number of ordinary issued shares is 18,212 thousand, (2023: 17,320 thousand shares). All issued ordinary shares are fully paid. Each ordinary share carries one voting right.

24 Dividends

In thousands of Georgian Lari	2024	2023
Dividends payable at 1 January	-	-
Dividends declared during the year	7,689	7,405
Dividends paid during the year	(7,689)	(7,405)
Dividends payable at 31 December	-	**-**

All dividends are declared and paid in Georgian Lari.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

25 Interest Income and Expense

In thousands of Georgian Lari	2024	2023
Interest income calculated using the effective interest method		
Loans and advances to customers at AC	310,228	262,797
Debt securities at FVOCI	19,305	15,781
Debt securities at AC	14,036	21,830
Due from other banks at AC	11,365	9,902
Total interest income calculated using the effective interest method	**354,934**	**310,310**
Interest expense on financial liabilities at AC calculated using the effective interest method		
Term deposits of legal entities	71,011	62,448
Term deposits of individuals	52,993	36,831
Borrowed funds	30,449	25,274
Current/settlement accounts	19,188	18,357
Due to other Banks	11,962	17,850
Term placements of other banks	5,478	6,003
Subordinated debts	3,465	5,258
Debt securities in issue	3,449	1,675
Total interest expense calculated using the effective interest method	**197,995**	**173,696**
Net interest income	**156,939**	**136,614**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

26 Fee and Commission Income and Expense

In thousands of Georgian Lari	2024	2023
Fee and commission income		
- Financial guarantees issued (Note 33)	7,649	4,998
- Plastic card fees	5,413	5,299
- Settlement transactions	3,532	3,306
- Distant banking fees	1,778	1,316
- Cash transactions	857	1,182
- Performance guarantees issued (Note 33)	448	636
- Other	3,542	2,315
Total fee and commission income	**23,219**	**19,052**
Fee and commission expense		
- Plastic card fees	4,675	3,980
- Settlement transactions	907	752
- Expenses Related to Guarantees	639	497
- Cash Collection & Transaction fees	215	377
- Commissions for credit lines	195	306
- Factoring services	3	4
- Other	353	279
Total fee and commission expense	**6,987**	**6,195**
Net fee and commission income	**16,232**	**12,857**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

27 Insurance and Reinsurance Service Results

In thousands of Georgian Lari	2024	2023
Insurance revenue	**21,445**	**15,674**
Insurance service expense	**(42,146)**	**(112,883)**
*- Incurred claims and other directly attributable expenses**	(5,071)	(111,892)
- Insurance acquisition cash flows recognised when incurred	(449)	(1,337)
- Changes to liabilities for incurred claims	(36,626)	346
Reinsurance result	**22,239**	**98,058**
- Amounts recoverable from reinsurers for incurred claims	39,856	109,820
- Allocation of reinsurance premiums	(18,810)	(13,144)
- Reinsurance Commission Income	1,193	1,382
Net Insurance Result	**1,538**	**849**

* Last year, the Group incurred a claim from the aviation contract amounting to 40,000 thousand GEL. However, this claim was disclosed under the "change to liability of incurred claims" line rather than under incurred claims. In the 2023 presentation, the Group has decided to reclassify this amount to the "incurred claims" line. There is no impact on the profit or loss statement, as both accounts are mapped to Insurance Service Expenses. This amendment only affects the prior year's disclosure.

Additionally, the onerous contract, initially presented in 2023 at an amount of 35,800 thousand, was incorrectly assessed as onerous. As a result, management has decided to make a prior-year adjustment, transferring the calculated reserve from the Loss Component to the Liability for Incurred Claims (LIC). The overall impact on the closing balance of insurance liabilities is zero. This amendment affects only the prior year’s disclosure.

28 Administrative and Other Operating Expenses

In thousands of Georgian Lari	2024	2023
Employee compensation	56,505	49,140
Professional services	8,754	4,782
Depreciation of premises and equipment and amortization of intangible assets	6,753	5,257
Communications and information services	5,469	4,390
Depreciation of right-of-use assets	4,181	5,072
Advertising and marketing	2,848	2,768
Provision	2,709	260
Repairs and maintenance	2,637	2,005
Insurance	1,987	942
Taxes other than on income	1,763	1,052
Interest expense on lease liability	686	710
Security services	652	839
Travel and Training	431	511
Office supplies	368	576
Lease expenses related to short-term and low-value asset leases	317	418
Other	4,132	3,930
Total administrative and other operating expenses	**100,192**	**82,652**

28 Administrative and Other Operating Expenses (Continued)

The table below discloses the information regarding the number of Management Board and Supervisory Board members and employees:

	31 December 2024		31 December 2023	
	Bank separate	**Consolidated**	**Bank separate**	**Consolidated**
Supervisory Board members	6	7	6	7
Management Board members	7	12	7	12
Middle management staff*	28	39	27	34
Other employees	816	847	841	873
Number of employees	**857**	**905**	**881**	**926**

The average number of employees of the Group during 2024 is 912 (2023: 879).

In 2024, there was no share-based remuneration (2023: GEL 160 thousand) provided to the Group's personnel directly by shareholders.

As at 31 December 2024 the professional service fees include GEL 828 thousand fees incurred for audit provided by Auditors/Audit Firms as defined in the Law of Georgia on Accounting, Reporting and Auditing (2023: GEL 469 thousand). The fees related to the Bank as at 31 December 2024 amount GEL 469 thousand, (2023: GEL 285 thousand).

BasisBank Group

**Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024**

29 Income Taxes

(a) Components of income tax expense

Income tax expense recorded in profit or loss for the year comprises the following:

In thousands of Georgian Lari	**2024**	**2023**
Current tax	(13,364)	(17,380)
Deferred tax	1,715	8,094
Income tax expense for the year	**(11,649)**	**(9,286)**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the Bank's 2024 income is 20% (2023: 20%). The income tax rate applicable to the income of subsidiaries is 15% (2023: 15%).

A reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Georgian Lari	**2024**	**2023**
Profit before tax	**99,072**	**86,171**
Theoretical tax charge at statutory rate (2024: 20% for the Bank, 15% for the subsidiaries; 2023: 20% for the Bank, 15% for the subsidiaries)	(17,871)	(16,394)
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Income from Government /NBG's securities and deposits	7,466	7,726
- Other income which is exempt from taxation	14	62
- Income items not recognized in PL, but taxable from taxation viewpoint	(235)	(127)
- Other non-deductible expenses	(1,023)	(328)
Effect of change in tax legislation	-	(225)
Income tax expense for the year	**(11,649)**	**(9,286)**

29 Income Taxes (Continued)

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Georgia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences as at 31 December 2024 is detailed below.

In thousands of Georgian Lari	1 January 2024	Credited/ (charged) to profit or loss	Credited/ (charged) to OCI	31 December 2024
Tax effect of deductible/(taxable) temporary differences				
Premises and equipment	(6,154)	553	(874)	(6,475)
Credit loss allowance of loans	-	-	-	-
Right-of-use assets	682	(94)	-	588
Guarantees provision	-	-	-	-
Provision for interbank balances	146	(85)	-	61
Reversal of securities provision	-	-	-	-
Borrowings	(230)	(80)	-	(310)
Accruals	470	(12)	-	458
Other liabilities	3,090	1,433	-	4,523
Net deferred tax liability	**(1,996)**	**1,715**	**(874)**	**(1,155)**

The tax effect of the movements in these temporary differences as at 31 December 2023 is detailed below.

In thousands of Georgian Lari	1 January 2023	Credited/ (charged) to profit or loss	Credited/ (charged) to OCI	31 December 2023
Tax effect of deductible/(taxable) temporary differences				
Premises and equipment	(6,440)	286	-	(6,154)
Credit loss allowance of loans	(6,924)	6,924	-	-
Right-of-use assets	789	(107)	-	682
Guarantees provision	(370)	370	-	-
Provision for interbank balances	189	(43)	-	146
Reversal of securities provision	(23)	23	-	-
Borrowings	(394)	164	-	(230)
Accruals	737	(267)	-	470
Other liabilities	2,202	888	-	3,090
Share Based Payment	144	(144)	-	-
Debt securities at FVOCI	(424)	-	424	-
Net one-off tax effect on changes of tax rules	(935)	935	-	-
Net deferred tax liability	**(11,449)**	**9,029**	**424**	**(1,996)**

In the context of the Group's current structure and Georgian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss. Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

30 Reconciliation of Liabilities Arising from Financing Activities

The table below sets out movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing activities in the statement of cash flows.

	Liabilities from financing activities				
In thousands of Georgian Lari	Borrowed funds	Own Debt Securities in Issue	Subordinated debts	Lease liabilities	Total
Liabilities from financing activities at 1 January 2023	**342,937**	**-**	**56,933**	**18,576**	**418,446**
Proceeds from principal	247,467	-	46,357	-	293,824
Repayment of principal	(215,905)	-	-	(3,335)	(219,240)
Foreign exchange adjustments	6,126	-	1,973	(162)	7,937
Change in accrued interest	955	-	1,069	-	2,024
Other non-cash changes	764	-	51	891	1,706
Liabilities from financing activities at 31 December 2023	**382,344**	**-**	**106,383**	**15,970**	**504,697**
Proceeds from principal	248,521	54,019	53,100	-	355,640
Repayment of principal	(221,397)	-	-	(3,624)	(225,021)
Foreign exchange adjustments	6,204	2,155	1,728	494	10,581
Change in accrued interest	1,200	1,533	1,299	1,351	5,383
Other non-cash changes	(1,197)	(41)	782	-	(456)
Liabilities from financing activities at 31 December 2024	**415,675**	**57,666**	**163,292**	**14,191**	**650,824**

31 Financial Risk Management

The risk management function within the Group is carried out in respect of financial risks, operational risks and legal risks. The Group manages the identification, assessment and mitigation of risks through an internal governance process, the risk management tools and processes to mitigate the impact of these risks on the Group's financial results, its long term strategic goals and reputation.

Responsibility for risk management resides at all levels within the Group, from the Supervisory Board and Management Board (The Executive Management) level down through to each business unit manager and risk officer. The risk management function is split between risk management units:

- On the Supervisory Board level - the Board committees: Risk Committee and Audit Committee;
- On the Management Board level – the Management Board level committees and units: Assets and Liabilities Management Committee ("ALCO"), Risk Management department, Treasury department, and Credit Committees, Compliance Commitee.

The Supervisory Board has overall responsibility for the oversight of the risk management framework. As a top governing body of the Bank, the Supervisory Board sets the general approach and principles for risk management by assessing the Bank's risk profile and the adequacy and effectiveness of the Bank's risk management framework, approving individual risk strategies, setting risk appetite and the risk control framework.

The Risk Management policies approved by the Supervisory Board of the Bank cover main type of risks, assign responsibility to the management for specific risks, set the requirements for internal control frameworks. The risk management policies aim to identify, analyse and manage the risks faced by the Group, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

The Management Board defines appropriate procedures for managing all inherent risks in each business line, with the role of structuring business to reflect risk, ensuring adequate segregation of duties and adequate procedures in place, defining operational responsibilities of subordinate staff. The Management Board is responsible for monitoring and implementation of risk mitigation measures and ensuring that the Group operates within the established risk parameters.

Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures, in order to minimise operational and legal risks.

Credit risk, both at portfolio and transactional levels, is managed by a system of Credit Committees; to facilitate efficient decision-making, the Group establishes a hierarchy of credit committees depending on the type and amount of the exposure.

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

The Bank sets principles about risk taking and risk management which are reflected in the internal rules and policies, and applied consistently throughout the organisation.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

31 Financial Risk Management (Continued)

These general principles are the following:

- 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 standards;
- Operating effective risk governance by maintaining proper risk control hierarchy, independent from business activities in order to avoid conflict of interest;
- Observation of risk management considerations upon the launch of new activities, business lines or products.

Both external and internal risk factors are identified and managed throughout the Group's organisational structure. Particular emphasis is placed on developing risk maps that are used to identify a wide range of risk factors and serve as a basis for determining the level of comfort over the current risk mitigation procedures.

Credit risk. The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated and separate statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

Credit risk management. Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

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

The Group established a number of credit committees that are responsible for approving credit limits for individual borrowers. Senior level credit is a supreme decision making body responsible for high value transactions. The Committee is also responsible for issuing guidance and manuals to lower level credit committees.

The credit approval limits between committees are segregated as follows:

For retail segment

- The senior credit committee reviews and approves secured loans with limits above GEL 1000 thousand;
- The junior credit committees review and approve secured loans with credit limits up to GEL 1000 thousands;
- Applications up to GEL 500 thousand are approved by risk management department. Exceptions are retail unsecured loans up to GEL 30 thousand are approved by the automated loan approval system.

31 Financial Risk Management (Continued)

For business segment

- The senior credit committee reviews and approves limits above USD 1000 thousand;
- The junior credit committees review and approve credit limits up to USD 1000 thousands
- Applications up to USD 500 thousand are approved by risk management department.

Loan applications originating with the relevant client relationship managers are passed on to the relevant credit committee for the approval of the credit limit. Exposure to credit risk is also managed, in part, by obtaining collateral as well as corporate and personal guarantees. In order to monitor exposure to credit risk, regular reports are produced by the Financial Reporting and Risk departments based on a structured analysis focusing on the customer's business and financial performance. Any significant interaction with customers with deteriorating creditworthiness are reported to and reviewed by the Management Board and the Risk Committee.

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

Internal and external credit ratings are mapped on an internally defined master scale with a specified range of probabilities of default as disclosed in the table below:

Master scale credit risk grade	Corporate internal ratings	Corresponding ratings of external international rating agencies (Fitch)	Corresponding PD interval of international rating agencies (Fitch)
Excellent	1 – 2	AAA to BB+	0,01% - 0,45%
Good	3 – 4	BB to B+	0,45% -2.48%
Satisfactory	5 – 6	B, B-	2,48% - 8,99%
Special monitoring	7 – 8	CCC+ to CC-	8,99% - 99,99%
Default	9	C, D-I, D-II	100%

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- Excellent – strong credit quality with low expected credit risk;
- Good – adequate credit quality with a moderate credit risk;
- Satisfactory – moderate credit quality with a satisfactory credit risk;
- Special monitoring – facilities that require closer monitoring and remedial management; and
- Default – facilities in which a default has occurred.

The approach used by the Group for measuring credit risk associated with legal entities, is an Expert Judgement-based model designed internally, which assigns credit ratings to the borrower based on the different qualitative and quantitative factors. Ratings are estimated by credit risk officers and are reviewed by the members of the credit risk committees during the credit approval process.

Exposures without assigned internal rating are classified according to credit risk, using different quantitative and qualitative criteria: days in overdue, restructuring, existence of collaterals.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

31 Financial Risk Management (Continued)

Credit Risk Grade	Credit Quality criteria
Excellent	Not overdue; fully covered with deposit, precious metal or government guarantee
Good	Not more than 31 days past due during last 6 months and collateral (deposit or real estate) fully covers the loan
Satisfactory	Not more than 31-60 days past due during last 6 months, or if loan was restructured, the event happened more than one year ago and current overdue is less than 31 days past due
Special monitoring	Not more than 61-90 days past due during last 6 months , or if the loan was restructured, the event happened more than one year ago and current overdue is 31-90 days past due
Default	Loan was restructured in last 6 months or minimum overdue in last 6 months is 90 days past due

External ratings are assigned to counterparties by independent international rating agencies, such as S&P, Moody's and Fitch. These ratings are publicly available. Such ratings and the corresponding range of probabilities of default ("PD") are applied for the following financial instruments: interbank placements, loans to sovereigns and sub-sovereigns, and investments in debt securities (government, corporate, municipal bonds, Eurobonds and promissory notes purchased).

Expected credit loss (ECL) measurement. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period. Due to data limitation CCF is assumed to be 100%. PD is an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit. As a matter of exception from determining the lifetime exposure based on contractual maturity, the Group uses simplified assumptions for credit cards issued to individuals. As a matter of exception from determining the lifetime exposure based on contractual maturity, the Group uses simplified assumptions for credit cards issued to individuals. 5 years is applied as maximum lifetime these instruments.

Management models *Lifetime ECL,* that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The *12-month ECL,* represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining *lifetime period* of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider *forward looking information,* that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

31 Financial Risk Management (Continued)

For purposes of measuring PD, the Group defines default as a situation when the exposure meets one or more of the following criteria:

- 90 days past due (DPD);
- Distressed restructuring (i.e. exposure is defaulted);
- Inability to repay (ITR), which is expressed in internal rating of the counterparty.

Usually only 90 DPD and distressed restructuring are considered as default indicators for Retail borrowers, if there is no additional information available on a counterparty level.

Apart from the criteria, listed above the Group would classify as default, i.e. include in stage 3, if relevant, following cases:

- Call upon guarantee;
- Partial Write-off;
- Specific portfolios or segments, in case of global macroeconomic changes, which are expected to have detrimental impact on certain segments.

Apart from the criteria, listed above, in case of individual assessment of the counterparties above significance threshold in order to classify a counterparty as defaulted, the bank analysis number of qualitative factors. The below list is not exhaustive:

- A borrower's sources of recurring income will be no longer available due to incurred disappearance of the market that will result reduction of the borrowers sales;
- Delays in payments to other creditors;
- Sales of significant assets of the borrower with loss;
- Termination of significant contract (customer or supplier) that generates significant portion of the revenue or purchases in the past;
- A breach of contract and the covenants of a credit contract;
- Initiation of legal proceedings, that may result in significant cash outflow;
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- A crisis of the sector in which the counterparty operates combined with a weak position of the counterparty in this sector.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined expertly, based on an analysis that considers the likelihood of a financial instrument returning to default status after curing by using different possible definitions of cures.

The assessment whether or not there has been a significant increase in credit risk ("SICR") since initial recognition is performed on an individual basis for loans issued to corporate clients above significance threshold and on a portfolio for other loans and advances to customers. For interbank loans and debt securities at AC or at FVOCI, SICR is assessed on an individual basis by monitoring the triggers stated below. For loans issued to individuals and other financial assets SICR is assessed on a portfolio basis, but finally SICR is assigned to a particular loan and not to all loans of a borrower. The criteria used to identify a SICR are monitored and reviewed periodically for appropriateness by the Bank's Risk Management Department. The presumption, being that there have been significant increases in credit risk since initial recognition when financial assets are more than 30 days past due, has not been rebutted.

The Group uses low credit risk assessment exemption for investment grade financial assets. The Group assumes that assets with an external 'investment-grade' rating (e.g., ratings within the AAA through BBB categories using the Standard & Poor's rating system or corresponding to Moody's) have low credit risk at the reporting date. The Group doesn't have financial asset classified as Low Risk assessment as of reporting date.

The Group considers a financial instrument to have experienced an SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

31 Financial Risk Management (Continued)

For interbank operations and investments in debt securities:

- 30 days past due;
- Award of external rating corresponding to the risk grade "Special monitoring" according to the rating scale disclosed above.

For loans issued to legal entities and bonds issued by corporate customers:

- 30 days past due;
- Restructuring (if exposure is not defaulted);
- Change of internal rating corresponding to the downwards movement from credit risk grades "excellent" or "good" to "Satisfactory" or "Special Monitoring".

For loans to Individuals:

- 30 days past due;
- Restructuring (if exposure is not defaulted);
- Significant increase in lifetime PD above predefined absolute and relative thresholds for retail portfolio.

The level of ECL that is recognised in these financial statements depends on whether the credit risk of the borrower has increased significantly since initial recognition. This is a three-stage model for ECL measurement.

A financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition has a credit loss allowance based on 12-month ECLs (Stage 1). If a SICR since initial recognition is identified, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired and the loss allowance is based on lifetime ECLs. If a financial instrument is credit-impaired, the financial instrument is moved to Stage 3 and loss allowance is based on lifetime ECLs. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

If there is evidence that the SICR criteria are no longer met, the instrument is transferred back to Stage 1. If an exposure has been transferred to Stage 2 based on a qualitative indicator, the Group monitors whether that indicator continues to exist or has changed, this is particular will be true for portfolios which have been included in Stage 2 based on watch list status. Regular, at least yearly monitoring is performed for such portfolios to include latest developments into ECL assessment.

ECL for POCI financial assets is always measured on a lifetime basis. The Group therefore only recognises the cumulative changes in lifetime expected credit losses.

The Group performs assessment of credit impairment on an individual basis for the groups of borrowers with unique credit risk characteristics and significant exposures, that is, exposures above GEL 2,000 thousand.

Current threshold was set based on expert decision taking into consideration current structure of the Bank's Portfolio, and might be re-assessed only in case of significant changes in portfolio volume and structure.

The Group performs assessment on a portfolio basis for the following types of loans: retail loans and loans issued to Corporate SMEs, when the exposure is under the significance threshold. Under this approach loan pools are stratified into homogeneous sub-segments based on specific characteristics, for example product types, historical data on losses, location, sectors of activity, loan currency etc.

31 Financial Risk Management (Continued)

The Group performs assessments based on external ratings for interbank loans, debt securities issued by the banks and loans issued to sovereigns.

ECL assessment of credit impairment on an individual basis is performed by weighting the estimates of credit losses for different possible outcomes against the probabilities of each outcome and is expressed in individual rating of the borrower. The Group defines at least two possible outcomes for each assessed loan, one of which leads to a credit loss even if the probability of such a scenario may be very low. Individual assessment of credit impairment is based on the quantitative factors on the one hand, and on the other hand, on expert judgement of experienced officers from the Credit Risk and Problem Assets Management Department, with support of credit risk experts, who are the primary source of information from borrower's side and judgements are regularly tested in order to decrease the difference between estimates and actual losses. Final expected credit loss is assessed on collective bases for stage 1 and stage 2 loans, and on an individual level for stage 3 loans, taking into consideration expected cash flows from selling of underlying collaterals.

When assessment is performed on a portfolio basis, the Group determines the staging of the exposures and measures the loss allowance on a collective basis. The Group analyses its exposures by segments determined on the basis of shared credit risk characteristics, such that exposures within a group have homogeneous or similar risks. The key shared credit characteristics considered are: type of customer (such as wholesale or retail), product type, date of initial recognition, term to maturity etc. Different segments also reflect differences in credit risk parameters such as PD and LGD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Department.

In general, ECL is the sum of the multiplications of the following credit risk parameters: EAD, PD and LGD, that are defined as explained above, and discounted to present value using the instrument's effective interest rate. The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future quarter during the lifetime period for each individual exposure or collective segment. These three components are multiplied together. This effectively calculates an ECL for each future period that is afterword discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the effective interest rate or an approximation thereof.

The key principles of calculating the credit risk parameters. The EADs are determined based on the expected payment profile based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. Due to the insufficient data on the payment periodicity for instruments with non-monthly schedules, the assumption of 30-day schedule has been used for the entire Retail portfolio. The impact of this simplification was assessed as immaterial. Currently the Group doesn't consider early partial repayment assumptions in ECL assessment for Retail portfolio (the impact was assessed to be insignificant). For revolving products like overdrafts and credit cards the EAD is predicted by taking the current drawn balance and adding a "credit conversion factor" (CCF) that accounts for the expected drawdown of the remaining limit by the time of default. CCF is calculated and updated for each reporting period for the committed, but undrawn limits for Corporate and SME exposures and cards and overdrafts separately.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD. An assessment of a 12-month PD is based on the latest available historic default data and adjusted for supportable forward-looking information when appropriate. Lifetime PDs represent the estimated probability of a default occurring over the remaining life of the financial instrument and it is a sum of the 12 months PDs over the life of the instrument.

The Group uses different statistical approaches depending on the segment and product type to calculated lifetime PDs, such as the extrapolation of 12-month PDs based on migration matrixes for Corporate and SME loans, developing lifetime PD curves based on the historical default data for Retail loans.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

31 Financial Risk Management (Continued)

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. Assets considered in the ECL calculations IFRS 9 requires cash flows expected from collateral and other credit enhancements to be reflected in the ECL calculation. The treatment and reflection of collateral for IFRS 9 purposes is in line with general risk management principles, policies and processes of the Group. Collateral, unless repossessed, is not recorded on the Group's statement of financial position. The fair value of collateral affects the calculation of ECLs. It is generally assessed, at a minimum, at inception and reassessed on an annual basis for all material exposures, unless otherweise decided based on expert judgement.

The approach currently used by the Group for LGD measurement can be divided into three steps:

- Calculation of LGD on a portfolio basis based on recovery statistics; LGD1- recoveries based on solely clients cash payments
- Measurement of LGD based on the specific characteristics of the collateral; LGD2 - recoveries expected based on the specific real estate collateral: projected collateral values, historical discounts on sales and other factors for loans secured by real estate, cash and liquid securities
- Final LGD= LGD1*LGD2

The rationale behind the Group's approach is the observation that even after default, certain part of defaulted exposure is covered by borrowers own cash payments, without realizing the underlying collateral. Therefore underlying collateral is used to cover the remaining defaulted liability, only after the borrower has exhausted payment possibilities. LGD is calculated on a collective basis based on the latest available recovery statistics for the remainder of the corporate/SME loan portfolio and for retail homogenous sub-portfolios.

The Group has applied a floor to final estimated LGD. The rationale for applying the floor is that there are factors, which cannot be modelled even in the pessimistic scenario, which can result in a loss even in case of over-collateralized assets. The Group applies LGD floor as management adjustment to the model estimates and the floor value is subject to regular back-testing and reviews. ECL Sensitivity to LGD floor is disclosed in Note 31.

The Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Under IFRS9, validation and back-testing of all applied parameters and significant assumptions is an inherent part of ECL assessment process. The results of back testing the ECL measurement methodology are communicated to Group Management and further steps for tuning models and assumptions are defined after discussions between authorised persons.

During 2023 the Group has performed back-tests of the assumptions, thresholds and risk parameters used in IFRS9 impairment model, in order to assess the adequacy of forecasts for financial year 2023 as estimated by the IFRS9 impairment models at the end of previous year. The tests were concluded with satisfactory results and no changes have been regarding any model parameters.

ECL measurement for financial guarantees and loan commitments. The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment. CCF for undrawn credit lines of corporate customers, credit cards and overdrafts issued to individuals and for financial guarantees is defined based on statistical analysis of past exposures at default.

Principles of assessment based on external ratings. Certain exposures have external credit risk ratings and these are used to estimate credit risk parameters PD and LGD from the default and recovery statistics published by the respective rating agencies. This approach is applied to government, corporate bonds and interbank exposures.

31 Financial Risk Management (Continued)

ECL Measurement on finance lease receivables. The Group estimates the loss allowance on finance lease assets at the end of the reporting period, whereby the Group classifies lease receivables in Stage 1, Stage 2 or Stage 3 in compliance of IFRS9 requirements.

Namely, at each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition (SICR feature). The evaluation is performed mainly based on quantitative criteria and the SICR feature and/or Default are identified if the following occurs:

- all lease receivables with more than 30 DPD currently and/or in last 6 months as having significantly increase in credit risk since initial recognition are considered to have SICR feature and are classified in Stage 2
- all lease receivables with current 90 DPD, or problematic restruturing within last 6 months are considered to have default indicator and are classified in Stage 3

The Group uses the following designations for the ECL depending on the exposure allocation to the Stage:

- 12months ECL for Stage 1 lease receivables,
- Lifetime ECL for Stage 2 and stage 2 lease receivables

With reference to expected credit losses, IFRS 9 impairment framework includes a requirement to incorporate forward-looking information, including macroeconomic factors in the process of estimating expected credit losses (ECL) by evaluating a range of possible states of the economic environment. The scenarios are defined as baseline (most likely, 50% probability of occurring), upside (better than most likely, 25% probability of occurring) and downside (worse than most likely, 25% probability of occurring). Forecasts of economic variables are published by NBG and provide the best estimate of the expected macro-economic developments in the upcoming years. The impact of the relevant economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact that the changes in these variables historically had on the default rates and on the components of LGD and EAD.The Group analyses the ECL parameters separately in different scenarios and derives the final ECL estimate used in the loss allowance calculation process as a probability-weighted amount, where the weights represent the probabilities of individual scenarios occurring.

Insurance risk: The Group has exposure to market risk through its insurance and investment activities. The Group manages its insurance risk through the use of reinsurance of risk concentrations, underwriting limits, approval procedures for transactions and monitoring of emerging issues.

Claims management risk: In general, motor claims reporting lags are minor, if any, and claim complexity is relatively low. Overall the claims liabilities for this line of business create a moderate estimations risk. The Group monitors and reacts to trends in repair costs, injury awards and the frequency of theft and accident claims.

The frequency of claims is affected by adverse weather conditions, and the volume of claims is higher in the winter months. Motor lines of insurance are underwritten based on the Group 's current experience.

Reinsurance risk: The Group cedes insurance risk to limit exposure to underwriting losses under various agreements that cover individual and portfolio risks. These reinsurance agreements spread the risk and minimize the effect of losses. The amount of each risk retained depends on the Group's evaluation of the specific risk. Under the terms of the reinsurance agreements, the reinsurer agrees to reimburse the ceded amount in the event the claim is paid. However, the Group remains liable to its policyholders with respect to ceded insurance if any reinsurer fails to meet the obligations it assumes. When selecting a reinsurer, the Group considers their relative creditworthiness. The creditworthiness of the reinsurer is assessed mainly from publicly available information.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

31 Financial Risk Management (Continued)

Reserving risk: There is a risk that reserves are assessed incorrectly and there are not enough funds to pay or handle claims as they fall due. To estimate insurance and reinsurance liabilities, the Group uses actuarial methods and assumptions set by the Insurance State Supervision Service of Georgia.

Credit risk in respect to insurance**:** The Group is not subject to significant credit risk on receivables arising out of direct insurance operations as policies are cancelled and the unearned premium reserve relating to the policy is similarly cancelled when there is objective evidence that the policyholder is not willing or able to continue paying policy premiums. Management normally fully provides for impaired insurance receivables after they are 365 days overdue.

Management of risk in insurance. The Group's underwriting strategy seeks diversity so that the Group's portfolio at all times includes several classes of non-correlating risks and that each class of risk, in turn, is spread across a large number of policies. Management believes that this approach reduces the variability of the outcome.

The underwriting strategy is set out in the Group's insurance risk management policies. The strategy is implemented through underwriting guidelines that determine detailed underwriting rules for each type of product. The guidelines contain insurance concepts and procedures, descriptions of inherent risk, terms and conditions, rights and obligations, documentation requirements, template agreement/policy examples, rationale of applicable tariffs and factors that would affect the applicable tariff. The tariff calculations are based on probability and variation.

Adherence to the underwriting guidelines is monitored by the Management on an on-going basis, also on a regular basis the Supervisory Board monitors the trends of loss ratio and business profitability. Regular analysis triggers the Board to react accordingly, and to provide changes in the products pricing/specifications in order to maintain the desired loss ratio.

Market risk. The Group takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rates and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

31 Financial Risk Management (Continued)

Currency risk. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. The Group's exposure to foreign currency exchange rate risk at 31 December 2024 is presented in the table below:

	GEL	USD USD 1 =2,8068 GEL	EUR EUR 1 =2.9306 GEL	Other currency	December 31, 2024 Total
Cash and cash equivalents	96,955	87,217	31,876	7,141	223,189
Mandatory cash balances with the NBG	-	226,959	50,299	-	277,258
Due from other banks	19,736	-	-	-	19,736
Investments in debt securities	387,641	-	-	-	387,641
Loans and advances to customers	1,460,889	1,203,387	258,399	1	2,922,676
Finance leases to customers	27,808	12,781	213	-	40,802
Insurance and Reinsurance contract assets	1,470	-	-	-	1,470
Other financial assets	5,535	2,709	147	53	8,444
Total non-derivative financial assets	**2,000,034**	**1,533,053**	**340,934**	**7,195**	**3,881,216**
Non-derivative financial liabilities					
Due to other banks	181,688	9,395	-	-	191,083
Customer accounts	1,252,133	1,121,439	162,252	7,747	2,543,571
Own Debt Securities in Issue	-	57,666	-	-	57,666
Borrowed funds	9,001	258,079	148,595	-	415,675
Lease liabilities	1,834	12,357	-	-	14,191
Insurance and Reinsurance contract liabilities	2,446	-	-	-	2,446
Other financial liabilities	2,635	4,594	-	-	7,229
Subordinated debts	-	74,653	88,639	-	163,292
Total non-derivative financial liabilities	**1,449,737**	**1,538,183**	**399,486**	**7,747**	**3,395,153**
OPEN BALANCE SHEET POSITION	**550,297**	**(5,130)**	**(58,552)**	**(552)**	**486,063**
Derivative financial instruments					
Gross settled swaps and forwards:					
– Inflows	(3,708)	(28,068)	(58,612)	-	(90,388)
– Outflows	88,009	3,620	-	-	91,629
OPEN POSITION	**465,996**	**19,318**	**60**	**(552)**	**484,822**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

31 Financial Risk Management (Continued)

The Group's exposure to foreign currency exchange rate risk at 31 December 2023 is set out below:

	GEL	USD USD 1 =2.6894 GEL	EUR EUR 1 =2.9753 GEL	Other currency	December 31, 2023 Total
Cash and cash equivalents	89,175	103,702	86,656	4,477	284,010
Mandatory cash balances with the NBG	-	145,430	39,170	-	184,600
Due from other banks	15,426	-	-	-	15,426
Investments in debt securities	378,461	-	-	-	378,461
Loans and advances to customers	1,300,936	920,488	272,535	11	2,493,970
Finance leases to customers	16,130	10,006	-	-	26,136
Reinsurance contract assets	74,974	-	-	-	74,974
Other financial assets	1,801	444	24	-	2,269
Total non-derivative financial assets	**1,876,903**	**1,180,070**	**398,385**	**4,488**	**3,459,846**
Non-derivative financial liabilities					
Due to other banks	274,393	10,473	-	-	284,866
Customer accounts	1,094,333	932,477	160,945	4,617	2,192,372
Borrowed funds	19,030	168,928	194,386	-	382,344
Lease liabilities	1,820	14,150	-	-	15,970
Insurance contract liabilities	77,101	-	-	-	77,101
Other financial liabilities	2,998	926	37	-	3,961
Subordinated debts	-	61,495	44,888	-	106,383
Total non-derivative financial liabilities	**1,469,675**	**1,188,449**	**400,256**	**4,617**	**3,062,997**
OPEN BALANCE SHEET POSITION	**407,228**	**(8,379)**	**(1,871)**	**(129)**	**396,849**

The open currency position may cause substantial losses depending on the extent of difference and a change in exchange rate. In respect of currency risk, management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily. General open currency position limits are set to minimize this risk insomuch as such change may adversely affect the Group's revenues, equity, liquidity and creditworthiness.

The open currency position is calculated and maintained on a daily basis. In the event of any violation, the Bank must perform balancing operations to bring the parameter within the approved limits. General open currency positions is a consolidated on-balance sheet and off-balance sheet position which must fall within the limits set by NBG, which is 20% of regulatory capital.

31 Financial Risk Management (Continued)

ALCO introduces intra-day and overnight open currency position limits in aggregate and for individual currencies, within which the Bank may operate. Such limits are reviewed by ALCO from time to time to respond to market conditions. The Bank's internal limits are lower than the limits set by the NBG. Current limit equals 5% of the regulatory capital. The Group monitors under ICAAP framework its exposure to currency risk, according to 99% confidence level VaR at 10 day holding period. As at 31 December 2024 the VaR value amounted GEL 3,852 thousand (2023: GEL 2,202 thousand).

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period relative to the functional currency of the respective Group entities, with all other variables held constant:

In thousands of Georgian Lari	At 31 December, 2024 Impact on profit or loss	At 31 December, 2023 Impact on profit or loss
US Dollar strengthening by 20%	3,864	(1,676)
US Dollar weakening by 20%	(3,864)	1,676
Euro strengthening by 20%	12	(374)
Euro weakening by 20%	(12)	374

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

31 Financial Risk Management (Continued)

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Different limits are set by Supervisory Board on Interest rate risk to limit its exposure. Interest rate risk is monitored by Asset and Liability Management Committee. Under NBG regulations Interest rate risk is measured separately for NII (Net Interest Income) effect and for EVE (Economic value of Equity) effect. NII sensitivity is calculated under interest rates parallel shift assumption. Sensitivity analysis on EVE is being done by 6 different interest rate movement scenarios (Parallel up, Parallel down, Steepener, Flattener, Short up, and Short down).

As of December 31, 2024 sensitivity was 6.3% of Tier 1 capital (maximum limit set by NBG is 15%).

The table below summarises the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates:

In thousands of Georgian Lari	**Demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non-interest bearing**	**Total**
31 December, 2024						
Total financial assets	612,766	1,119,551	440,831	1,560,256	147,812	3,881,216
Total financial liabilities	854,664	902,798	771,962	500,535	365,194	3,395,153
Net interest sensitivity gap at 31 December 2024	**(241,898)**	**216,753**	**(331,131)**	**1,059,721**	**(217,382)**	**486,063**
31 December, 2023						
Total financial assets	1,269,616	975,590	277,402	781,956	155,282	3,459,846
Total financial liabilities	862,395	644,948	588,597	539,081	427,976	3,062,997
Net interest sensitivity gap at 31 December 2023	**407,221**	**330,642**	**(311,195)**	**242,875**	**(272,694)**	**396,849**

31 Financial Risk Management (Continued)

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the reporting date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the reporting date was outstanding for the whole year. A 200 basis points increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 200 basis points higher/lower and all other variables were held constant, the Group's:

- Profit for the year ended 31 December 2024 would decrease/increase by GEL 8,569 thousand (2023: decrease/increase by GEL 9,830 thousand). This is mainly attributable to the Group's exposure to interest rates on its variable rate on assets and borrowings; and

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's:

- Other comprehensive income for the year ended 31 December 2024 would decrease/increase by GEL 4,284 thousand (2023: decrease/increase by GEL 4,915 thousand) mainly as a result of the changes in the interest income on variable interest assets

The table below discloses interest rate changes impact on the fixed rate debt securities at FVOCI:

	2024	2023
Interest rate increases by 200 bases points	(11,317)	(8,732)
Interest rate Decreases by 200 bases points	12,110	9,407
Interest rate increases by 100 bases points	(5,754)	(4,447)
Interest rate Decreases by 100 bases points	5,952	4,615

The Group monitors interest rates for its financial instruments. The table below summarises weighted average nominal interest rates at the respective reporting date based on reports reviewed by key management personnel:

	2024			2023		
In % p.a.	GEL	USD	Euro	GEL	USD	Euro
Assets						
Cash and cash equivalents	3.9%	2.0%	1.5%	3.2%	0.5%	0.1%
Correspondent accounts with NBG	8.0%	-	-	9.5%	-	-
Mandatory cash balances with the NBG	-	4.0%	2.5%	-	-	-
Due from other banks	12.7%	-	-	13.6%	-	-
Investments in debt securities	10%	-	-	10%	-	-
Loans and advances to customers	12.8%	9.7%	8.5%	13.7%	9.7%	8.4%
Finance lease receivables	21.0%	14.0%	12.6%	21.4%	13.3%	-
Liabilities						
Due to other banks	8.8%	-	-	10.1%	3.3%	-
Customer accounts	10.5%	3.8%	2.2%	11.2%	3.4%	1.8%
- current and settlement accounts	7.3%	1.1%	0.7%	9.0%	1.6%	0.5%
- term deposits	11.1%	3.9%	2.4%	12.0%	3.5%	1.9%
Own Debt Securities in Issue	-	7.0%	-	-	-	-
Borrowed funds	12.0%	6.6%	5.2%	13.3%	7.3%	5.8%
Lease liabilities	11.8%	3.7%	-	11.9%	4.3%	-
Subordinated debts	-	7.5%	9.5%	-	7.5%	10.6%

The sign "-" in the table above means that the Group does not have the respective assets or liabilities in the corresponding currency.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

31 Financial Risk Management (Continued)

Prepayment risk. The Group is exposed to prepayment risk through providing fixed or variable rate loans, including mortgages, which give the borrower the right to repay the loans early. The Group's current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at, or close to, the amortised cost of the loans and advances to customers (2023: no material impact).

The management of interest rate risk is regulated by the Assets and Liabilities Management ("ALM") Policy of the Bank. The Risk Management department regularly produces a report on interest sensitivity gap by repricing periods. The report is used to assess the impact of changes in interest rates on the profit of the Bank. The amount of the stress (expressed in basis points) of the interest rates incorporated in the report is defined by the Risk Management department, based on observed fluctuations in interest rates for relevant currencies. The limit of tolerable potential impact on the profit of the Bank is defined as up to 1% of the regulatory capital.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

31 Financial Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 31 December 2024 is set out below:

In thousands of Georgian Lari	Georgia	China	OECD	Non-OECD	Total
Non-derivative financial assets					
Cash and cash equivalents	139,964	3,527	74,678	5,020	223,189
Mandatory cash balances with the NBG	277,258	-	-	-	277,258
Due from other banks	19,736	-	-	-	19,736
Investments in debt securities	387,641	-	-	-	387,641
Loans and advances to customers	2,777,098	3,114	73,586	68,878	2,922,676
Finance leases receivables	40,802	-	-	-	40,802
Insurance and Reinsurance contract assets	610	80	577	203	1,470
Other financial assets	5,671	140	2,590	43	8,444
Total non-derivative financial assets	**3,648,780**	**6,861**	**151,431**	**74,144**	**3,881,216**
Non-derivative financial liabilities					
Due to other banks	191,028	-	-	55	191,083
Customer accounts	2,325,795	23,515	29,579	164,682	2,543,571
Own Debt Securities in Issue	54,264	1,240	1,009	1,153	57,666
Borrowed funds	5,297	-	381,427	28,951	415,675
Lease liabilities	14,191	-	-	-	14,191
Insurance and Reinsurance contract liabilities	2,283	-	69	94	2,446
	7,229	-	-	-	7,229
Subordinated debts	47,367	21,516	90,084	4,325	163,292
Total non-derivative financial liabilities	**2,647,454**	**46,271**	**502,168**	**199,260**	**3,395,153**
Net position in on-balance sheet non-derivative financial instruments	**1,001,326**	**(39,410)**	**(350,737)**	**(125,116)**	**486,063**
Credit related commitments and performance guarantees	649,170	378	17,589	6,827	673,964
Derivative financial instruments					
Gross settled swaps and forwards					
– Inflows	(3,707)	-	(86,680)	-	(90,387)
– Outflows	3,619	-	88,009	-	91,628
Total derivative financial instruments	**(88)**	**-**	**1,329**	**-**	**1,241**
Net position	**352,244**	**(39,788)**	**(369,655)**	**(131,943)**	**(189,142)**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

31 Financial Risk Management (Continued)

Assets, liabilities and credit related commitments have generally been based on the country in which the counterparty is located. Balances with counterparties outstanding to/from companies ultimately controlled by the entities located in China are allocated to the caption "China". Cash and cash equivalents have been allocated based on the country in which they are physically held.

The geographical concentration of the Group's financial assets and liabilities at 31 December 2023 is set out below:

In thousands of Georgian Lari	Georgia	China	OECD	Non-OECD	Total
Non-derivative financial assets					
Cash and cash equivalents	128,830	1,445	152,129	1,606	284,010
Mandatory cash balances with the NBG	184,600	-	-	-	184,600
Due from other banks	15,426	-	-	-	15,426
Investments in debt securities	378,461	-	-	-	378,461
Loans and advances to customers	2,457,255	1,434	8,950	26,331	2,493,970
Finance leases receivables	26,136	-	-	-	26,136
Reinsurance contract assets	73,219	406	344	1,005	74,974
Other financial assets	2,106	134	12	17	2,269
Total non-derivative financial assets	**3,266,033**	**3,419**	**161,435**	**28,959**	**3,459,846**
Non-derivative financial liabilities					
Due to other banks	284,866	-	-	-	284,866
Customer accounts	2,021,480	17,356	36,094	117,442	2,192,372
Borrowed funds	-	2,723	349,899	29,722	382,344
Lease liabilities	15,970	-	-	-	15,970
Insurance contract liabilities	75,632	461	493	515	77,101
Other financial liabilities	3,961	-	-	-	3,961
Subordinated debts	40,865	20,630	44,888	-	106,383
Total non-derivative financial liabilities	**2,442,774**	**41,170**	**431,374**	**147,679**	**3,062,997**
Net position in on-balance sheet non-derivative financial instruments	**823,259**	**(37,751)**	**(269,939)**	**(118,720)**	**396,849**
Credit related commitments and performance guarantees	**593,872**	**10**	**23**	**3,290**	**597,195**
Net position	**229,387**	**(37,761)**	**(269,962)**	**(122,010)**	**(200,346)**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

31 Financial Risk Management (Continued)

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs, guarantees and from margin and other calls on cash-settled derivative instruments. The Group does not maintain cash resources to meet all of these needs as experience shows that a minimum level of reinvestment of maturing funds can be predicted with a high level of certainty. Liquidity risk is managed by the Asset/Liability Committee of the Group.

The Group manages liquidity risk according to the Asset-Liability Management Policy and Regulation of Liquidity Management, where detailed processes and limit system for liquidity management is defined. The Asset/Liability Committee is responsible for the implementation of the Asset-Liability Management Policy, the daily management of liquidity is the responsibility of Treasury Department.

The Group seeks to maintain a stable funding base primarily consisting of amounts due to other banks, corporate and retail customer deposits, long-term borrowings and credit lines. The Group invests the funds in diversified portfolios of liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The liquidity management of the Group requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring liquidity ratios against regulatory requirements.

The liquidity is calculated and assessed on standalone basis. The Bank calculates and maintains liquidity in accordance with the requirement of the NBG. These ratios are:

- Liquidity Coverage Ratio ("LCR"), which is calculated as high-quality liquid assets divided by net cash outflows over a 30 day stress period. Only assets with high potential to be easily converted into cash are included in high-quality liquid assets.
- NSFR - is defined as the amount of available stable funding relative to the amount of required stable funding

The ratios are as follows:

	2024 actual	2024 NBG requirement	2023 actual	2023 NBG requirement
Total liquidity coverage ratio	142%	>=100%	123%	>=100%
Liquidity coverage ratio (GEL)	106%	>=75%	98%	>=75%
Liquidity coverage ratio (FC)	198%	>=100%	166%	>=100%
NSFR	124%	>=100%	117%	>=100%

The Treasury Department receives information about the liquidity profile of the financial assets and liabilities. The Treasury Department then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid trading securities, deposits with banks and other inter-bank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The daily liquidity position is monitored and regular liquidity stress testing, under a variety of scenarios covering both normal and more severe market conditions, is performed by the Treasury Department.

The table below shows liabilities at 31 December 2024 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows, including gross finance lease obligations (before deducting future finance charges), gross loan commitments and financial guarantees. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position is based on discounted cash flows. Financial derivatives are included at the contractual amounts to be paid or received, unless the Group expects to close the derivative position before its maturity date in which case the derivatives are included based on the expected cash flows.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

31 Financial Risk Management (Continued)

In thousands of Georgian Lari	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Non-derivative financial liabilities and commitments						
Due to other banks	170,478	19,595	1,010	-	-	191,083
Customer accounts – individuals	525,589	364,917	394,410	181,489	8,871	1,475,276
Customer accounts – other	534,427	215,219	328,846	244,191	932	1,323,615
Own Debt Securities in Issue	-	706	694	22,800	-	24,200
Borrowed funds	2,002	88,789	135,014	230,670	-	456,475
Lease liabilities	404	1,814	1,993	10,790	927	15,928
Insurance contract liabilities	2,446	-	-	-	-	2,446
Other financial liabilities	7,229	-	-	-	-	7,229
Subordinated debts	941	2,388	4,294	41,751	113,051	162,425
Total non-derivative financial liabilities	**1,243,516**	**693,428**	**866,261**	**731,691**	**123,781**	**3,658,677**
Derivative financial instruments						
Gross settled:						
– Inflows	(1,138)	(59,944)	(29,306)	-	-	(90,388)
– Outflows	1,123	60,288	30,218	-	-	91,629
Total derivative financial instruments	**(15)**	**344**	**912**	**-**	**-**	**1,241**
Financial guarantees	286,994	-	-	-	-	286,994
Undrawn credit related commitments	309,478	-	-	-	-	309,478
Letters of credit	2,964	-	-	-	-	2,964
Total potential future payments of financial obligations	**1,842,937**	**693,772**	**867,173**	**731,691**	**123,781**	**4,259,354**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

31 Financial Risk Management (Continued)

The maturity analysis of financial instruments at 31 December 2023 is as follows:

In thousands of Georgian Lari	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
Non-derivative financial liabilities and commitments						
Due to other banks	277,232	7,781	-	-	-	285,013
Customer accounts – individuals	348,276	212,211	281,176	251,620	6,999	1,100,282
Customer accounts – other	500,698	250,754	244,083	180,518	307	1,176,360
Borrowed funds	20,089	121,140	100,444	171,368	-	413,041
Lease liabilities	364	1,764	2,064	12,336	1,536	18,064
Insurance contract liabilities	76,786	-	315	-	-	77,101
Other financial liabilities	3,755	203	3	-	-	3,961
Subordinated debts	941	2,388	4,294	41,751	113,051	162,425
Total non-derivative financial liabilities	**1,228,141**	**596,241**	**632,379**	**657,593**	**121,893**	**3,236,247**
Financial guarantees	220,665	-	-	-	-	220,665
Undrawn credit related commitments	316,029	-	-	-	-	316,029
Letters of credit	1,462	-	-	-	-	1,462
Total potential future payments of financial obligations	**1,766,297**	**596,241**	**632,379**	**657,593**	**121,893**	**3,774,403**

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment disclosed in the above maturity analysis, because the Group does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit as included in the above maturity table does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Payments in respect of gross settled forwards will be accompanied by related cash inflows. Customer accounts are classified in the above analysis based on contractual maturities. However, in accordance with Georgian legislation, individuals have a right to withdraw their deposits prior to maturity if they forfeit their right to accrued interest.

The Group does not use the above maturity analysis based on undiscounted contractual maturities of liabilities to manage liquidity. Instead, the Group monitors expected maturities and the resulting expected liquidity gap as follows.

Such financial assets are included in the maturity analysis based on their expected date of disposal. Impaired loans are included at their carrying amounts net of impairment provisions, and based on the expected timing of cash inflows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

31 Financial Risk Management (Continued)

The maturity analysis of financial instruments at 31 December 2024 is as follows:

In thousands of Georgian Lari	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
At 31 December, 2024						
Non-derivative financial assets						
Cash and cash equivalents	222,807	382	-	-	-	223,189
Mandatory cash balances with the NBG	277,258	-	-	-	-	277,258
Due from other banks	-	800	10,204	8,732	-	19,736
Investments in debt securities	231,751	9,831	42,955	43,361	59,743	387,641
Loans and advances to customers	308,441	374,133	366,061	1,085,263	788,778	2,922,676
Finance leases receivables	2,790	7,124	18,141	12,747	-	40,802
Insurance and Reinsurance contract assets	1,470	-	-	-	-	1,470
Other financial assets	8,444	-	-	-	-	8,444
Total non-derivative financial assets	**1,052,961**	**392,270**	**437,361**	**1,150,103**	**848,521**	**3,881,216**
Non-derivative financial liabilities						
Due to other banks	170,477	19,595	1,011	-	-	191,083
Customer accounts – individuals	99,416	395,860	409,953	272,629	103,127	1,280,985
Customer accounts – other	137,638	269,873	359,125	400,688	95,262	1,262,586
Own Debt Securities in Issue	-	-	-	57,666	-	57,666
Borrowed funds	-	86,890	126,921	201,864	-	415,675
Lease liabilities	324	1,565	1,724	9,684	894	14,191
Insurance and Reinsurance contract liabilities	2,446	-	-	-	-	2,446
Other financial liabilities	7,229	-	-	-	-	7,229
Subordinated debts	-	-	-	58,019	105,273	163,292
Total non-derivative financial liabilities	**417,530**	**773,783**	**898,734**	**1,000,550**	**304,556**	**3,395,153**
Financial and performance guarantees	705	-	-	-	-	705
Undrawn credit related commitments	2,964	-	-	-	-	2,964
Letters of credit	30,948	-	-	-	-	30,948
Net liquidity gap based on expected maturities	**600,814**	**(381,513)**	**(461,373)**	**149,553**	**543,965**	**451,446**
Cumulative liquidity gap based on expected maturities	**-**	**219,301**	**(242,072)**	**(92,519)**	**451,446**	**-**
Derivative financial instruments						
Gross settled:						
– Inflows	(1,138)	(59,944)	(29,306)			(90,388)
– Outflows	1,123	60,288	30,218	-	-	91,629
Total derivative financial instruments	**(15)**	**344**	**912**			**1,241**
Net liquidity gap based on expected maturities	**600,829**	**(381,857)**	**(462,285)**	**149,553**	**543,965**	**450,205**
Cumulative liquidity gap based on expected maturities	**-**	**218,972**	**(243,313)**	**(93,760)**	**450,205**	**-**

31 Financial Risk Management (Continued)

The expected maturities analysis of financial instruments at 31 December 2023 is as follows:

In thousands of Georgian Lari	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 12 months to 5 years	Over 5 years	Total
At 31 December, 2023						
Non-derivative financial assets						
Cash and cash equivalents	283,174	835	-	-	-	284,009
Mandatory cash balances with the NBG	184,600	-	-	-	-	184,600
Due from other banks	-	-	6,343	9,084	-	15,427
Investments in debt securities	18,666	106,675	10,802	210,428	31,890	378,461
Loans and advances to customers	270,270	231,405	328,128	952,526	711,641	2,493,970
Finance leases receivables	18	1,285	1,256	23,453	124	26,136
Reinsurance contract assets	74,617	-	357	-	-	74,974
Other financial assets	2,271	-	-	-	-	2,271
Total non-derivative financial assets	**833,616**	**340,200**	**346,886**	**1,195,491**	**743,655**	**3,459,848**
Non-derivative financial liabilities						
Due to other banks	277,084	7,782	-	-	-	284,866
Customer accounts – individuals	68,374	230,955	292,141	315,873	150,119	1,057,462
Customer accounts – other	65,522	262,532	294,374	333,106	179,376	1,134,910
Borrowed funds	19,483	113,355	92,137	157,369	-	382,344
Lease liabilities	304	1,490	1,765	10,974	1,437	15,970
Insurance contract liabilities	76,651	-	450	-	-	77,101
Other financial liabilities	3,755	203	3	-	-	3,961
Subordinated debts	-	-	-	13,514	92,869	106,383
Total non-derivative financial liabilities	**511,173**	**616,317**	**680,870**	**830,836**	**423,801**	**3,062,997**
Financial and performance guarantees	502	-	-	-	-	502
Undrawn credit related commitments	1,462	-	-	-	-	1,462
Letters of credit	31,603	-	-	-	-	31,603
Net liquidity gap based on expected maturities	**288,876**	**(276,117)**	**(333,984)**	**364,655**	**319,854**	**363,284**
Cumulative liquidity gap based on expected maturities	**-**	**12,759**	**(321,225)**	**43,430**	**363,284**	**-**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

31 Financial Risk Management (Continued)

Mandatory reserve with NBG is classified on on-demand category as they are created to support the Bank's capability to meet its obligations in the event of an unforeseen interruption of cash flows. Overdue assets over 90 days are reflected in "over 5 years" time package.

Amounts for financial and performance guarantees and undrawn credit lines are disclosed based on expected cash outflows. 10% of total credit line commitments are expected to be utilised and disclosed as expected cash outflow. Customer accounts expected maturities are calculated according to VaR methodology, outflow rates are calculated at 95% confidence interval for each time bucket.

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

Management believes that in spite of a substantial portion of customer accounts being on demand, diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group.

32 Management of Capital

The Group's objectives when managing capital are (i) to comply with the capital requirements set by the National Bank of Georgia, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least above the minimum level stated in borrowing agreements.

Compliance with capital adequacy ratios set by the NBG is monitored monthly, with reports outlining their calculation reviewed and signed by Deputy General Director, Finances. Other objectives of capital management are evaluated quarterly.

In the process of transition to Basel III framework, to increase transparency and comparability and segregate between available Capital instruments, for coverage of potential risks, the National Bank of Georgia ("NBG") amended Capital Adequacy requirements in December 2017 and in addition to the minimum capital requirements under pillar 1, in updated framework new Pillar 1 and Pillar 2 buffers were introduced:

Buffers under pillar 1:
- The capital conservation buffer - 2.5% of risk-weighted assets, and is designed to provide for losses in the event of stress, included in minimum capital requirements;
- The countercyclical capital buffer - was introduced within the Basel III framework and represents one of the main macro-prudential policy instruments, from 15th March 2024 is set at 0.25%;
- Systemic buffers - are set separately for each commercial bank considered to be systematically important (not applicable for Basis bank)

Buffers under pillar 2:
- Unhedged currency induced credit risk buffer (CICR);
- Credit portfolio concentration buffer, which entails name and sectoral concentration buffers;
- Net stress test buffer, will be introduced in accordance with stress tests results 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 requirement;

32 Management of Capital (Continued)

Under the current capital requirements set by the NBG, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level.

Under the current capital requirements the banks are to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level.

According to the Basel 3 quarterly reports submitted to NBG, the capital ratios are as follow:

In thousands of Georgian Lari	**2024 Pillar I/II**	**2023 Pillar I/II**
Primary capital		
Share capital	18,212	17,092
Share premium	130,406	101,066
Other reserve	-	2,606
Retained earnings	362,675	299,494
Revaluation reserve	14,966	11,085
Current year profit	78,492	71,959
Primary capital Before Correction	**604,751**	**503,302**
Primary capital Corrections	(32,517)	(26,873)
Total primary capital after correction	**572,234**	**476,429**
Secondary capital		
Subordinated debts	139,944	96,933
General reserve		-
Total secondary capital	**139,944**	**96,933**
Total regulatory capital	**712,178**	**573,362**
Risk weighted assets, combining credit, market and operational risks	3,694,885	3,155,794
Minimum NBG requirement for Tier 1 ratio	**14.41%**	**14.02%**
Tier I ratio	**15.49%**	**15.10%**
Minimum NBG requirement for Regulatory capital ratio	**17.57%**	**17.13%**
Regulatory capital ratio	**19.27%**	**18.17%**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements for the Year Ended 31 December 2024

33 Contingencies and Commitments

Legal proceedings. As of 31 December 2024 and 2023, the Bank had several unresolved legal claims (no legal disputes against the subsidiaries). The Bank's legal counsel's opinion is that it is possible, but not probable, that the court ruling may be in favour of the claimants. Accordingly, no provision for any claims has been made in these consolidated and separate financial statements. The possible outflow which could result from such litigation, based on the current status of the legal proceedings, is estimated to be GEL 18 thousand (2023: GEL 2,152 thousand), while the timing of the outflow is uncertain.

Tax contingencies. Georgian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. A tax year remains open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

The Bank was under inspection of tax authorities for the tax period starting from 1 April 2015 until 31 August 2018. There are certain areas which were questioned by the tax authorities, the Bank has not agreed with some estimations and appealed to court, disputes were not settled as at 31 December 2023. The onsite inspection is concluded, the total accruals made after inspection are given in below table. The created provision of GEL 581 thousand as of 31 December 2024 (2023: GEL 581 thousand) is on positions where it is probable that the Bank will have to make additional payments. For the rest of the disputed amount the Group's management believes that it is not likely that any significant loss will eventuate and no provisions are created.

The Georgian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis. The Management has implemented internal controls to be in compliance with this transfer pricing legislation.

Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Georgian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant. The Group consults with qualified external tax advisors on a regular basis.

Capital expenditure commitments. As at 31 December 2024 and as at 31 December 2023, the Group has contractual capital expenditure commitments as an investment liability in respect of development and reconstruction of newly acquired land and premises from Hualing International Special Economic Zone under the agreement dated 1 December 2022. The commitment has arisen from the contract replacing the investment liability of Hualing International Special Economic Zone assigned by the Government as a Condition for Privatization for land and the Building dated 21 July 2015 for the same assets. Under the purchase contract between Basisbank and Hualing international special economic zone, the liability for the development of the asset transferred to the bank by the Government decree N161 as of 23 January 2022. The permission for the construction was prolonged until 30 November 2025. The investment committement is totalling GEL 12 million for the completion of construction works and prolonged until 31 December 2025.

The Group has already allocated the necessary resources in respect of these commitments.

33 Contingencies and Commitments (Continued)

Lease commitments. Where the Group is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

In thousands of Georgian Lari	2024	2023
Not later than 1 year	193	192
Between One and Five Years	23	-
Total operating lease commitments	**216**	**192**

The Group leases a part of premises rented for location of equipment (ATMs) under operating leases which are not included into Right of Use Assets. The leases typically run for an initial period of one to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals

Compliance with covenants. The Group is obligated to comply with financial covenants in relation to borrowed funds and credit lines disclosed above. These covenants include stipulated ratios, debt to equity ratios and various other financial performance ratios. Management believes that the Group was in compliance with the covenants as at 31 December 2024, except for the covenant set by JSC Pasha Bank Georgia towards BB Leasing JSC. The covenant required BB Leasing to maintain the volume of overdue leasing portfolio within the set limit. BB Leasing was in breach of this covenant, but received a waiver subsequent to the year-end: JSC Pasha Bank Georgia confirmed that they have elected not to pursue any remedies available to them under the credit agreements until their respective maturity dates.

The Bank is also subject to minimum capital requirements established by covenants stated in loan agreements, including capital adequacy levels calculated in accordance with the requirements of the Basel Accord, as defined in the International Convergence of Capital Measurement and Capital Standards (updated April 1998) and the Amendment to the Capital Accord to incorporate market risks (updated November 2005), commonly known as Basel I.

The Bank is also obligated to comply with financial covenants in relation to Sustainable Bonds:

Capital Adequacy	
Total Capitl Adequacy Ratio (CAR)	Complied
Primary Capital (Tier 1) Ratio	Complied
Asset Quality	
Ratio of Gross NPLs to Gross Loans	Complied
Ratio of Gross NPLs to sum of Equity and Loan Gross Reserves	Complied
Concentration	
Ratio of Loans to Related Parties to Total Capital	Complied
Credit Risk Exposure to Total Capital Requirement	Complied
Liquidity	
Aggregate Open Foreign Exchange position requirement	Complied
Liquidity Coverage Ratio (LCR)	Complied
Net Stable Funding Ratio (NSFR)	Complied
Loans to Deposits Ratio	Complied

33 Contingencies and Commitments (Continued)

The composition of the Bank's capital calculated in accordance with the Basel Accord is as follows:

In thousands of Georgian Lari	31 December, 2024	31 December, 2023
Tier 1 capital		
Share capital and share premium	148,618	121,817
Retained earnings	440,380	370,362
Total tier 1 capital	**588,998**	**492,179**
Tier 2 capital		
Revaluation reserves	15,808	10,669
Subordinated debts	130,634	85,106
Total tier 2 capital	**146,442**	**95,775**
Total capital	**735,440**	**587,954**

Credit-related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and standby letters of credit, which represent irrevocable assurances that the Group will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Group on behalf of a customer authorising a third party to draw drafts on the Group up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and, therefore, carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The Group monitors the term to maturity of credit related commitments, because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit-related commitments are as follows:

In thousands of Georgian Lari	31 December, 2024	31 December, 2023
Financial guarantees issued	287,699	221,065
Undrawn credit line commitments	310,093	316,594
Total loan commitments	**597,792**	**537,659**
Less: Provision for financial guarantees	(705)	(400)
Less: Provision for loan commitments	(604)	(564)
Less: Commitment collateralised by cash deposits	(88,003)	(47,151)
Total credit related commitments, net of provision and cash covered exposures	**508,480**	**489,544**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

33 Contingencies and Commitments (Continued)

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2024 is as follows:

In thousands of Georgian Lari	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Issued financial guarantees				
- Excellent	104,674	-	-	104,674
- Good	155,141	-	-	155,141
- Satisfactory	-	27,149	-	27,149
- Default	-	-	735	735
Unrecognised gross amount	**259,815**	**27,149**	**735**	**287,699**
Provision for financial guarantees	(516)	(181)	(8)	(705)
Loan commitments				
- Excellent	244,099	-	-	244,099
- Good	65,392	-	-	65,392
- Satisfactory	-	500	-	500
- Special monitoring	-	9	-	9
- Default	-	-	93	93
Unrecognised gross amount	**309,491**	**509**	**93**	**310,093**
Provision for loan commitments	(597)	(7)	-	(604)

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

33 Contingencies and Commitments (Continued)

An analysis of credit related commitments by credit quality based on credit risk grades at 31 December 2023 is as follows:

In thousands of Georgian Lari	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
Issued financial guarantees				
- Excellent	42,318	-	-	42,318
- Good	172,237	-	-	172,237
- Satisfactory	-	5,379	-	5,379
- Default	-	-	1,131	1,131
Unrecognised gross amount	**214,555**	**5,379**	**1,131**	**221,065**
Provision for financial guarantees	(303)	(82)	(15)	(400)
Loan commitments				
- Excellent	20,183	-	-	20,183
- Good	295,628	-	-	295,628
- Satisfactory	-	206	-	206
- Special monitoring	-	12	-	12
- Default	-	-	565	565
Unrecognised gross amount	**315,811**	**218**	**565**	**316,594**
Provision for loan commitments	**(562)**	**(2)**	**-**	**(564)**

Credit lines on clients which have fallen in stage 3 level at the reporting date and had unutilized credit lines by the end of the date were also assigned of the same stage, but are not entitled to draw these amounts while in default.

Refer to Note 31 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to credit related commitments.

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. The fair value of credit related commitments was GEL 1,929 thousand at 31 December 2024 (2023: GEL 1,853 thousand).

33 Contingencies and Commitments (Continued)

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses historical data and statistical techniques to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows. The Group manages such risks by constantly monitoring the level of payments for such products and has the ability to adjust its fees in the future to reflect any change in claim payments experience. The Group has a claim payment requests handling process which includes the right to review the claim and reject fraudulent or non-compliant requests.

The exposure and concentration of performance guarantees expressed at the amounts guaranteed is as follows:

In thousands of Georgian Lari	**December 31, 2024**	**December 31, 2023**
Construction	38,403	36,986
Real Estate Management and Develoment	6,032	3,996
Service	12,070	2,311
Energy	2,974	1,494
Trade	11,312	796
Financial Institutions	331	-
Other	3,628	13,312
Total guaranteed amounts	**74,750**	**58,895**

Movements in provisions for performance guarantees are as follows:

In thousands of Georgian Lari	**December 31, 2024**	**December 31, 2023**
Carrying amount at 1 January	**(102)**	**(35)**
Initial recognition of issued performance guarantees	(174)	(81)
Utilisation of provision	46	14
FX movements	2	-
Carrying amount at 31 December	**(228)**	**(102)**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

33 Contingencies and Commitments (Continued)

Assets pledged and restricted. The Group had assets pledged as collateral with the following carrying value:

		December 31, 2024		**December 31, 2023**	
In thousands of Georgian Lari	**Notes**	**Asset pledged**	**Related liability**	**Asset pledged**	**Related liability**
Investments in debt securities at FVOCI	10, 17	208,893	183,536	101,548	89,900
Investments in debt securities at AC	10	41,293	36,651	23,670	20,000
Mortgage Loan portfolio pledged with NBG		-	-	81,490	65,100
Total		**250,186**	**220,187**	**206,708**	**175,000**

At 31 December 2024, restricted cash balances are balances of GEL 140 thousand (2023: GEL 134 thousand) are placed as a cover for international payment cards transactions. In addition, in 2024, mandatory cash balances with the NBG of GEL 277,258 thousand (2023: GEL 184,600 thousand) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations, as disclosed in Note 8.

34 Fair Value Disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Financial assets and liabilities recorded or disclosed at fair value in the consolidated and separate statement of financial position at 31 December 2024 were classified in their entirety based on the lowest level of input that is significant to the asset or liability's fair value measurement.

34 Fair Value Disclosures (Continued)

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the statement of financial position at the end of each reporting period. The level in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

In thousands of Georgian Lari	31 December, 2024 Level 1	Level 2	Level 3	Total	31 December, 2023 Level 1	Level 2	Level 3	Total
ASSETS AT FAIR VALUE								
FINANCIAL ASSETS								
Investments in debt securities								
- Georgian government bonds	-	231,755	-	231,755	-	157,726	-	157,726
NON-FINANCIAL ASSETS								
- Premises and equipment	-	-	62,634	62,634	-	-	58,874	58,874
Foreign Exchange Forwards and Currency Swaps	-	247	-	247	-	-	-	-
TOTAL ASSETS WITH RECURRING FAIR VALUE MEASUREMENTS	**-**	**232,002**	**62,634**	**294,636**	**-**	**157,726**	**58,874**	**216,600**

The market approach has been used to value premises. Inputs used in the fair value measurement for level 3 measurements and related sensitivity to reasonably possible changes in those inputs at 31 December 2024 and 31 December 2023 are as follows:

In thousands of Georgian Lari	Fair value at 31 December 2024	2023	Valuation technique	Inputs used	Range of inputs (weighted average)
ASSETS AT FAIR VALUE					
NON-FINANCIAL ASSETS					
- Premises	62,634	58,874	- Market comparable approach	- Price per square meter	Commercial area 12,235 Office area 3,026-12,781 Garage 1,278-5,504 Weighted Value: 4,328
TOTAL RECURRING FAIR VALUE MEASUREMENTS AT LEVEL 3	**62,634**	**58,874**			

Movements in level 3 non-financial assets measured at fair value - all premises are level 3. Reconciliations of their opening and closing amounts are provided in Note 15.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

34 Fair Value Disclosures (Continued)

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

In thousands of Georgian Lari	31 December, 2024 Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value	31 December, 2023 Level 1 fair value	Level 2 fair value	Level 3 fair value	Carrying value
ASSETS								
Cash and cash equivalents								
- Cash on hand	55,028	-	-	55,028	58,335	-	-	58,335
- Cash balances with the NBG	-	65,035	-	65,035	-	57,001	-	57,001
- Correspondent accounts and overnight placements	-	102,068	-	102,068	-	167,540	-	167,540
- Placements with other banks with original maturities of less than three months	-	1,058	-	1,058	-	1,134	-	1,134
Due from other banks								
- Short-term placements with other banks with original maturities of more than three months	-	19,736	-	19,736	-	15,426	-	15,426
Mandatory balances with the NBG	-	277,258	-	277,258	-	184,600	-	184,600
Loans and advances to customers at AC								
- Corporate loans	-	-	2,095,106	2,067,386	-	-	1,707,134	1,703,455
- Mortgage loans	-	-	524,168	508,561	-	-	510,814	504,073
- Consumer loans	-	-	313,704	325,814	-	-	261,691	259,924
- Credit cards	-	-	20,915	20,915	-	-	25,446	26,518
Finance **lease receivables**	-	-	40,802	40,802	-	-	26,136	26,136
Investments in debt securities								
- Georgian government treasury bonds	-	60,623	-	59,743	-	110,150	-	109,414
- Georgian government treasury bills	-	24,060	-	24,085	-	52,375	-	52,331
- Corporate bonds	-	-	71,850	72,058	-	-	59,000	58,990
Insurance and Reinsurance contract assets	-	1,470	-	1,470	-	74,974	-	74,974
Other financial assets	-	8,444	-	8,444	-	2,269	-	2,269
NON-FINANCIAL ASSETS								
- Investment properties	-	-	-	1,181	-	-	2,340	1,299
TOTAL	**55,028**	**559,752**	**3,066,545**	**3,650,642**	**58,335**	**665,469**	**2,592,561**	**3,303,419**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

34 Fair Value Disclosures (Continued)

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

	31 December, 2024				31 December, 2023			
In thousands of Georgian Lari	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carrying value**	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carrying Value**
FINANCIAL LIABILITIES								
Due to other banks								
- Correspondent accounts and overnight placements of other banks	-	56	-	56	-	1	-	1
- Short-term placements of other banks	-	-	-	-	-	109,767	-	109,767
-Long-term placements of other banks	-	20,606	-	20,606				
- Short-term loans of NBG	-	170,605	-	170,421	-	175,246	-	175,098
Customer accounts								
- Current/settlement accounts of state and public organisations	-	153,438	-	153,438	-	212,965	-	212,962
- Term deposits of state and public organisations	-	-	451,138	450,243	-	-	268,256	270,743
- Current/settlement accounts of other legal entities	-	291,887	-	291,887	-	264,370	-	264,370
- Term deposits of other legal entities	-	-	368,382	367,017	-	-	392,056	386,825
- Current/demand accounts of individuals	-	290,197	-	290,197	-	296,121	-	296,121
- Term deposits of individuals	-	-	992,954	990,789	-	-	772,981	761,351
Own Debt Securities in Issue	-	20,640	-	57,666	-	-	-	-
Borrowed funds	-	413,444	-	415,675	-	384,825	-	382,344
Insurance and Reinsurance contract liabilities	-	2,446	-	2,446	-	77,101	-	77,101
Lease Liabilities	-	15,928	-	14,191	-	18,064	-	15,970
Other financial liabilities	-	7,229	-	7,229	-	3,961	-	3,961
Subordinated debts	-	143,315	-	163,292	-	105,060	-	106,383
TOTAL	**-**	**1,529,791**	**1,812,474**	**3,395,153**	**-**	**1,647,481**	**1,433,293**	**3,062,997**

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Liabilities were discounted at the Group's own incremental borrowing rate. Liabilities due on demand were discounted from the first date that the amount could be required to be paid by the Group. The Group's liabilities to its customers are subject to state deposit insurance scheme as described in Note 1. The fair value of these liabilities reflects these credit enhancements.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

35 Related Party Transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

At 31 December 2024, the outstanding balances with related parties were as follows:

In thousands of Georgian Lari	Ultimate shareholder	Shareholders	Immediate parent company	Supervisory Board	Management Board	Companies under common control	Other related parties
Loans and advances to customers (contractual interest rate: 6% –24%)	-	1,228	-	-	2,415	3,449	1,160
Credit loss allowance at 31 December 2023	-	-	-	-	(2)	(1)	(24)
Customer accounts (contractual interest rate: 0% – 12%)	602	2,506	13,219	834	7,943	24,606	4,280
Provisions for liabilities and charges	-	1	-	1	2	-	5
Insurance receivables	-	-	-	-	-	21	7
Insurance contract reserves	-	-	-	2	1	230	7
Own Debt Securities	-	-	-	-	433	-	-
Subordinated debt (contractual interest rate: 7%)		-	21,516	-	2,095	-	-

The income and expense items with related parties for 2024 were as follows:

In thousands of Georgian Lari	Ultimate shareholder	Shareholders	Immediate parent company	Supervisory Board	Management Board	Companies under common control	Other related parties
Interest income	-	72	-	8	232	143	114
Interest expense	(36)	(36)	(75)	(18)	(436)	(400)	(162)
Credit loss allowance	-	1	-	-	-	-	-
Gains less losses from trading in foreign currencies	-	57	51	2	10	278	4
Foreign exchange translation gains less losses	-	(24)	(1,431)	(76)	(217)	(526)	(58)
Earned premium	-	-	-	3	15	338	8
Claims Settled	-	-	-	2	1	8	2
Change in outstanding claims	-	-	-	-	-	2	(1)
Provision for credit related commitments	(1)	-	-	(1)	(5)	-	(1)
Administrative and other operating expenses	-	-	-	-	-	-	(2,942)

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

35 Related Party Transactions (Continued)

At 31 December 2024, other rights and obligations with related parties were as follows:

In thousands of Georgian Lari	Ultimate shareholder	Shareholders	Immediate parent company	Supervisory Board	Management Board	Companies under common control	Other related parties
Undrawn credit line commitments	-	80	-	71	2,069	832	293

Aggregate amounts lent to and repaid by or paid to related parties during 2024 were:

In thousands of Georgian Lari	Ultimate shareholder	Shareholders	Immediate parent company	Supervisory Board	Management Board	Companies under common control	Other related parties
Amounts lent to related parties during the year	-	3,633	-	216	7,299	7,055	442
Amounts repaid by related parties during the year	-	4,594	-	386	7,486	4,304	636
Amount paid to RP for purchases of CIP and other assets	-	-	-	-	-	-	-

At 31 December 2023, the outstanding balances with related parties were as follows:

In thousands of Georgian Lari	Ultimate shareholder	Shareholders	Immediate parent company	Supervisory Board	Management Board	Companies under common control	Other related parties
Loans and advances to customers (contractual interest rate: 6% –24%)	-	2,074	-	169	2,559	642	1,321
Credit loss allowance at 31 December 2023	-	(2)	-	-	(2)	(1)	(2)
Customer accounts (contractual interest rate: 0% – 12%)	566	1,863	4,102	2,066	7,359	78,338	2,626
Provisions for liabilities and charges	-	-	-	1	1	-	-
Insurance receivables	-	-	-	-	6	-	5
Insurance contract reserves	-	12	-	7	10	104	37
Subordinated debt (contractual interest rate: 7%)	-	-	13,577	-	-	-	-

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

35 Related Party Transactions (Continued)

The income and expense items with related parties for 2023 were as follows:

In thousands of Georgian Lari	Ultimate share-holder	Share-holders	Immediate parent company	Supervisory Board	Manage-ment Board	Companies under common control	Other related parties
Interest income	-	18	-	3	119	144	124
Interest expense	(43)	(50)	(56)	(27)	(491)	(1,142)	(130)
Credit loss allowance	-	(1)	-	-	10	32	23
Gains less losses from trading in foreign currencies	-	57	15	-	8	292	5
Foreign exchange translation gains less losses	-	(13)	(105)	31	(6)	393	(13)
Earned premium	-	-	-	2	9	-	7
Claims Settled	-	-	-	4	2	-	19
Change in outstanding claims	-	-	-	6	2	21	24
Provision for credit related commitments	(1)	-	-	(1)	(5)	-	(1)
Administrative and other operating expenses	-	-	-	-	-	-	(2,486)

At 31 December 2023, other rights and obligations with related parties were as follows:

In thousands of Georgian Lari	Ultimate share-holder	Share-holders	Immediate parent company	Super-visory Board	Manage-ment Board	Compa-nies under common control	Other related parties
Undrawn credit line commitments	-	21	-	93	1,993	158	12

Aggregate amounts lent to and repaid by related parties during 2023 were:

In thousands of Georgian Lari	Ultimate share-holder	Share-holders	Immediate parent company	Super-visory Board	Manage-ment Board	Compa-nies under common control	Other related parties
Amounts lent to related parties during the year	-	4,365	-	365	5,680	6,064	696
Amounts repaid by related parties during the year	-	2,256	-	234	4,576	6,955	1,156
Amount paid to RP for purchases of CIP and other assets	-	-	-	-	-	-	-

A person is considered as related party only if he/she has control or joint control or significant influence over the Bank or the Group, is a member of Top Management of the Group or its parent entity.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

35 Related Party Transactions (Continued)

Legal Entity is considered to be a related party if the following conditions are met: The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others). One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member); The enterprise is subject of control or joint control of the following natural persons: person having control or significant influence over the Bank; Member of Top Management of the Bank, The Group or its parent Company, as well as their family members. Other related parties include companies under control of the Bank and/or family member of persons who are considered as related party and have right significant influence over the bank or the Group.

Compensation for the members of the Supervisory Board is presented below:

	2024		2023	
In thousands of Georgian Lari	Expense	Accrued liability	Expense	Accrued liability
Short-term benefits:				
- Salaries	1,204	-	956	-
Total	**1,204**	-	**956**	-

Key management compensation is presented below:

	2024		2023	
In thousands of Georgian Lari	Expense	Accrued liability	Expense	Accrued liability
Short-term benefits:				
- Salaries	5,395	142	4,450	88
- Short-term bonuses	2,266	4,079	-	-
Share-based compensation:				
- Equity-settled share-based compensation	-	-	160	-
Other long-term employee benefits:				
- Long-term bonus scheme	2,610	6,248	6,122	8,740
Total	**10,271**	**10,469**	**10,732**	**8,828**

Short-term bonuses fall due wholly within twelve months after the end of the period in which management rendered the related services. Key management personnel includes management board members.

36 Events after the reporting period

Change of Control. On January 7, 2025, Mr. Mi Enhua and Mrs. Yang Xiaoling transferred all of their shares in LLC "Xinjiang Hualing Industry and Trade (Group) Co" to their son Mr. Mi Zaiqi, who became the ultimate beneficiary of Xinjiang Hualing Industry & Trade (Group) Co Ltd with 100% ownership interest, directly holding 45.4546% of the company's shares and indirectly owning 54.5454% of the shares through Hualing Group Investment Holding (Xinjiang) Co (where he has 100% of ownership interest). The changes were reflected at National Enterprise Credit Information Publicity System of Republic of China on January 15, 2025.

As a result of the implemented changes, Mr. Mi Zaiqi became the ultimate beneficial owner of Basisbank JSC, holding 98.03% of the beneficial ownership.

BasisBank Group

Notes to the Consolidated and Separate Financial Statements
for the Year Ended 31 December 2024

37 Abbreviations

The list of the abbreviations used in these consolidated and separate financial statements is provided below:

Abbreviation	Full name
AC	Amortised Cost
ALCO	Assets liability management committee
CCF	Credit Conversion Factor
EAD	Exposure at Default
ECL	Expected Credit Loss
EIR	Effective interest rate
EVE	Economic Value of Equity
FVOCI	Fair Value through Other Comprehensive Income
FVTPL	Fair Value Through Profit or Loss
FX, Forex	Foreign Currency Exchange
IFRS	International Financial Reporting Standard
IRB system	Internal Risk-Based system
L&R	Loans and Receivables
LGD	Loss Given Default
LTV	Loan to Value
NBG	National Bank of Georgia
NII	Net Interest Income
PD	Probability of Default
PL	Statement of profit or loss
POCI financial assets	Purchased or Originated Credit-Impaired financial assets
ROU asset	Right of use asset
SPB	Share-based Payment
SICR	Significant Increase in Credit Risk
SME	Small and Medium-sized Enterprises
SPPI	Solely Payments of Principal and Interest
SPPI test	Assessment whether the financial instruments' cash flows represent Solely Payments of Principal and Interest

Statement of Responsibility by JSC Basisbank's Authorized Representatives

We confirm that:

- The individual and consolidated financial statements for the period ending December 31, 2024, prepared by JSC Basisbank and its subsidiaries, as well as the management report for the same period, have been prepared in accordance with applicable legislation;

- The half-year individual and consolidated financial statements for the period ending June 30, 2024, prepared by JSC Basisbank and its subsidiaries, have been prepared in accordance with International Financial Reporting Standards (IFRS) and fully, accurately, and fairly reflect the assets, liabilities, revenues, expenses, financial position, financial results, and cash flows of the bank and its subsidiaries;

- The interim management report for the same period, prepared by JSC Basisbank and its subsidiaries, fairly and comprehensively reviews the development, results, and condition of the bank and its subsidiaries, as well as describes the key risks they face. Based on our reasonable inquiry, to the best of our knowledge and belief, as of the reporting date, there has been no occurrence of a "Default Event" or a "Potential Default Event" as defined in the bank's sustainable bond prospectus.

Confirmed by signatures:

David Tsaava
General Director

Zhang Jun
Chairman of the Supervisory Board

Statement of Responsibility by JSC Basisbank's Authorized Representatives

We confirm that:

- The individual and consolidated financial statements for the period ending December 31, 2024, prepared by JSC Basisbank and its subsidiaries, as well as the management report for the same period, have been prepared in accordance with applicable legislation;

- The half-year individual and consolidated financial statements for the period ending June 30, 2024, prepared by JSC Basisbank and its subsidiaries, have been prepared in accordance with International Financial Reporting Standards (IFRS) and fully, accurately, and fairly reflect the assets, liabilities, revenues, expenses, financial position, financial results, and cash flows of the bank and its subsidiaries;

- The interim management report for the same period, prepared by JSC Basisbank and its subsidiaries, fairly and comprehensively reviews the development, results, and condition of the bank and its subsidiaries, as well as describes the key risks they face. Based on our reasonable inquiry, to the best of our knowledge and belief, as of the reporting date, there has been no occurrence of a "Default Event" or a "Potential Default Event" as defined in the bank's sustainable bond prospectus.

Confirmed by signatures:

David Tsaava
General Director

Zhang Jun
Chairman of the Supervisory Board

ბაზისბანკი
BASISBANK