

JSC PASHA BANK GEORGIA

COMPLIANCE POLICY

1. PURPOSE

In accordance with Georgian legislation, the Supervisory Board of Joint Stock Company PASHA Bank Georgia (hereafter the "Bank") has adopted the following Compliance Policy. The Bank's Compliance Department may provide detailed guidance on the principles outlined in this Compliance Policy.

The Compliance Policy purpose is to promote honest, ethical conduct and to ensure compliance with laws, regulations, rules and professional standards as well as with the Bank's Code of Conduct and group policies in order to protect the integrity of the financial market.

Employees at all levels must carry out the responsibilities entrusted to them diligently, efficiently and to the best of their abilities. They must act with loyalty to the Bank where the legitimate interest of the clients and its shareholders shall prevail, and must act honestly, independently, impartially, with discretion and without regard to self-interest.

This Compliance Policy shall:

- Identify key compliance risk issues;
- Explain the principles laid down by the Supervisory Board;
- Establish the compliance function, its independence and its objectives;
- Require the drawing up of a Compliance Statute of Compliance Department;
- Institute the implementation of a continuous learning programme.

2. SCOPE

This policy approved by the Supervisory Board applies to all employees of the Bank without restriction and all service providers acting for or on behalf of the Bank (hereafter the "employees").

3. POLICY STATEMENT

3.1. Compliance Function

The Supervisory Board of the Bank puts in place a Compliance function to monitor the implementation of the Compliance Policy and to ensure that it is followed. The ways in which the Compliance function operates and the limits of its scope will develop over time depend on the status, organisation and risks inherent in the Bank's activities.

The Compliance function shall act independently and in particular:

- Ensure compliance with all relevant laws, regulations, rules and professional standards;
- Assist senior management in ensuring the adherence to ethical rules;
- Identify and assess the compliance risks as described below;
- Assist senior management in the management and control of such risks;
- Report directly to senior management on material issues;

- Inform and educate staff.

The Bank lays down in the Statute of Compliance Department the status of the Compliance function,, its organisation and its roles and responsibilities.

3.2. Compliance Risks

The Compliance Policy is constituted of all measures, actions and options decided in order to limit risks to an acceptable level in pursue of the Bank's global objectives.

The main Compliance risks are identified as follow:

Risk of breach of ethical rules

This refers to the risk of breach of ethical rules by the Bank or its employees.

Legal and regulatory risks

This refers to the risk of non-compliance with applicable laws, regulations, and professional practices. This entails:

- Litigation risk: risk linked to the outcome of legal action;
- Contract/transaction risk: risk linked to misinterpretation or non-application of legal rules relevant to a contract or a transaction;
- Legislative risk: risk linked to changes in law and regulations.

Risk of sanctions

This implies risk of judiciary, administrative or disciplinary sanctions, as a result of non-compliance with laws, regulations, rules, norms and/or contractual agreements.

Reputation risk

This refers to risk of damage due to the Bank's diminished worthiness and impaired reputation, resulting from true or false adverse publicity, failures in business practices and failures to comply with current laws and regulations.

Certain aspects of operational risks originating from or resulting in one of the above-mentioned risks.

4. COMPLIANCE PRINCIPLES

Employees are required to apply and respect the following principles:

4.1. Engage in and promote business and professional ethical conduct

Employees are required to carry out their professional duties in line with a "good citizen's behaviour" and to respect the Bank's ethics including the respect of all individuals.

The Bank shall not seek advantage through illegal or unethical business practices. Indeed, all employees are expected to exhibit the Bank's shared value of integrity. The Bank's Executive Board have ultimate responsibility for setting the direction and tone of the Bank's policies and practices in line with this shared value of integrity.

Employees shall carry out their responsibilities honestly, in good faith and with integrity, as well as behave with due care, competence, prudence and diligence, exercising their best independent judgment at all times.

4.2. Comply with laws, regulations, rules and professional standards:

The Bank commits to keep the employees up to date on applicable laws, regulations, rules, professional standards and the Bank's Code of Conduct. To meet this requirement, the Compliance function is in charge of organising adequate training on a regular basis.

Any violation of laws, regulations, rules, professional standards or to the Bank's Code of Conduct are to be reported immediately to the Compliance function.

4.3. Avoid any conflicts of interest:

Employees are required to avoid any conflicting interest in the course of their work. Whenever they participate in or are involved in the Bank's decision making relating to its business, employees shall act in the best interest of the Bank and its Shareholders only, without giving any preference to third parties on the basis of personal considerations. The Executive Board ensures that a strict segregation of functions is respected and that the necessary measures are taken to safeguard the separation between own account transactions and those for third parties.

In order to avoid the unlawful transmission of inside information, employees are reminded of their obligation to respect "Chinese walls" as defined by the senior management. They shall conduct their business affairs in a manner that ensures their private or personal interests do not interfere with the interests of the Bank or its shareholders including conflicts relative to personal, financial, or other gain. Should conflicts arise, or be perceived to arise, disclosure shall be made in an appropriate manner to the Compliance function and the disclosing Employee shall not participate in any decision or action causing the conflict of interest.

4.4. Take all reasonable measures to protect confidentiality:

In the course of their function within the Bank, employees often receive confidential information about the Bank, its clients, its suppliers and other shareholders. Employees must maintain the confidentiality of all information so entrusted to them within the safeguard defined by senior management, except when disclosure is authorized or required by law. Confidential or proprietary information of the Bank includes any non-public information the disclosure of which would be detrimental to the Bank or its shareholders or useful to its competitors.

Employees who leave the Bank are under the ongoing obligation to keep such information confidential.

4.5. Protect the Bank's assets:

In the course of their function within the Bank, employees are required to protect the Bank's assets and to ensure their proper use for legitimate business purposes.

Employees shall protect the Bank's assets in a manner that could be reasonably expected from them, and the Bank's managers and the Executive Board are specifically responsible for establishing and maintaining appropriate internal controls to safeguard the institution's assets against loss from unauthorized or improper use or disposition.

4.6. Protect the Client's best interests:

Employees shall provide their services to meet the clients' best interests according to the Bank's Code of Conduct. The Bank always owes its clients a duty of care, honesty and trust.

Employees shall be free of any influence, interest or relationship in respect of the clients' affairs, which impairs or risks to impair their professional judgment and objectivity.

In carrying out their responsibilities to the Bank, employees shall act fairly with the Bank's clients, service providers, suppliers, competitors and any other shareholders and shall avoid taking unfair advantage of anyone through manipulation, concealment, privileged information or any unfair dealing practice.

The Bank shall handle any customer complaint in an appropriate manner.

4.7. Whistle blowing:

The Bank develops a corporate governance framework where it engages in promoting fairness, transparency and accountability in respect to this framework.

The Bank prohibits retaliation against an employee who reports in good faith a violation of this Compliance policy excluding the facts on reporting related to the employee's him/herself violation of this Policy.

5. MECHANISM OF INTERNAL AUDIT

5.1. Bank shall have a mechanism of internal audit checking the effectiveness of application of the banking legislation requirements, normative acts in the field of anti-money laundering/terrorism financing (AML/TF) and rules and procedures adopted within the frame of the internal control system.

5.2. Internal audit's purpose in the Bank is the timely detection and prevention of the potential errors and deficiencies in the application of the rules required by the legislation, as well as minimization of the risks associated with it.

5.3. The Bank management is responsible for conduction of the regular internal audit engagement with the purpose to check the effectiveness of application of the rules required by the legislation.

5.4. The internal audit engagements in the Bank are conducted in accordance with the audit plan.

6. RESPONSIBLE PERSON

6.1. A person responsible for the monitoring of implementation of the internal rules and procedures on the activity in the field of AML/TF on the level of the Bank's management of management of the structural units of the Bank, information exchange with the Financial Monitoring Service, as well as preparation and submission of the reports related to the monitored operations shall be appointed in the Bank.

6.2. Professional qualifications and work experience of the person responsible for the organization of the internal control system in the Bank shall be in compliance with the requirements set by the Financial Monitoring Service.

6.3. The responsible person (Head of the Compliance Department) shall be represented in the management, as well as on the level of the structural units management, his/her activity shall be independent from the other structural units and reported only to the management of the Bank.

6.4. The responsible person cannot be an employee of the internal audit or customer service departments of the Bank.

7. REGULATORY ACTIONS FOR NON-COMPLIANCE WITH THE POLICY

7.1. Non-compliance with the requirements of this Policy or any of its addendums may result damage to the Bank's reputation or the sanctions prescribed by the legislation to be imposed to the Bank, managers of its structural units and employees.

7.2. The Compliance Department is entitled to take the following regulatory actions with respect to provisions of Clause 7.1 of this Policy:

- a) Issue immediate instructions (as well as surveys) to any structural units of the Bank (excluding the internal audit);
- b) Freeze or terminate any operation executed by the Bank;
- c) Block the bank account or terminate the bank account agreement of any of the Bank customers;
- d) Apply to the Bank's management for the resolution of the matters exceeding its authorities;
- e) Apply to the Bank's management regarding dismissal of any employee of the Bank and his/her replacement with any other employee in case of violation of the requirements of this Policy;
- f) Take all other regulatory actions prescribed by the Regulation of the Compliance Department.

8. POLICY OWNER AND DATE OF IMPLEMENTATION

The Board of Directors of the Bank is formally appointed as the owner of this Policy. Any amendments to this Compliance Policy may be made by the Compliance Department and the Board of Directors and must be duly approved by the Supervisory Board of the Bank.

Any waiver to this Compliance Policy may be made by the Supervisory Board of the Bank and must promptly be disclosed to the Employees.