

Approved

By the Supervisory Board

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Group Risk Appetite Statement related to Financial Crime

BasisBank Group

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Introduction

Basisbank Group (also referred to as “the Group”, “BasisBank” or “BB Group”) is a local universal banking institution with long-standing history and good reputation in the Georgian banking sector. Our primary focus of business is small to medium corporate clients, who have ability to develop further. We seek mutually transparent and beneficial relations with clients that creates value in the long run.

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.

I. Combating Money Laundering and Terrorist Financing

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. The Group’s AML/CFT program is based on the applicable local legislation (including the following: Law of Georgia on Facilitating the Prevention of Money Laundering and the Financing of Terrorism; respective regulations and guidelines of Financial Monitoring Service of Georgia and National Bank of Georgia) as well as international standards, recommendations and best practices (EU and US anti money laundering regulations, FATF, Wolfsberg Group and Basel Committee on Banking Supervision).

II. International Sanctions

Basisbank maintains zero tolerance for establishing or maintaining a client or counterparty relationship with an entity or individual designated on any of the below lists or where otherwise prohibited by local law or regulation. Basisbank also has no appetite to execute transactions or any other type of business relationships with any such entity or individual.

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.

In line with above Basisbank 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.

Basisbank ensures that there will be no removal of transaction or alteration of payment information that has the effect of hiding or concealing the identity of parties or of other information required under any applicable Sanctions and Embargoes regulations.

III. Prohibitions and Restrictions

BB group will not accept clients whose businesses are outside of Georgia and are generating flow of transactions related only to business deals originated and settled in foreign countries, opening account for the purpose of “transit” operations. BB will terminate relationships with clients detected to be using accounts for “transit” purposes and there is no nexus with Georgia.

BB group will deny/terminate relationships which will be detected to allow use of their accounts by third parties.

The Group will deny/terminate relationship with a client whereas the Bank is unable to determine or verify their true identity, the beneficial ownership information, the nature of the client’s business and the source of wealth or funds, necessary to provide BB sufficient clarity to assess the financial crime risks posed by the relationship, or otherwise required by regulatory requirements.

The Group will not knowingly offer products or services to clients who engage in money laundering, terrorism financing, sanctions evasion or use BB group’s banking services to facilitate illegal activities including bribery, corruption, or tax evasion, or persons sanctioned by the local law, UN, EU, US, UK or BasisBank’s internal policies.

The Group will deny/terminate relationship with a client whereas the Bank has a strong reason to believe that they will use Bank’s products and services for illicit activities or pose significant risk to the Group’s reputation due to the client’s real or perceived association with illicit activities.

The Group will deny/terminate relationship with a client who does not comply with applicable laws and regulations for the detection or mitigation of financial crime risk which might be posed to BasisBank through the extension of products and services provided.

Prohibitions

BB group will not establish nor maintain a client or Correspondent Banking relationship with an entity or individual that operates in a prohibited high-risk industry that exposes the Group to heightened financial crime risk and reputational risk and prevents Basisbank to sufficiently mitigate the risk induced by the Respondent’s activity.

BB group will not knowingly process transactions on the basis of fictitious or manipulated credentials or documentation to support the nature and purpose of such transaction.

BB group will not knowingly conduct business with clients that seek to process payments through the Basisbank involving:

- Online Gambling entities;
- Illegal or Illicit Activities, specifically:
 - Dealers involved in the distribution of Arms and Munitions;
 - Narcotics including Cannabis Industry;
 - Red light businesses/Adult Entertainment;
 - Human Trafficking;
 - Human Exploitation;
 - Gambling;

- Virtual Currencies – Private Currency Exchange and/or Not Widely Distributed;
- Payable-Through Accounts;
- Downstream Correspondent Services to Other Banks;
- Shell Banks;
- Terrorism and Terrorist related financing

The services to clients residents of Special Risk Countries (SRCs) are prohibited. For the purposes of this document, the following countries/territories are considered to be SRCs:

- Iran
- North Korea
- Syria
- Sudan
- Cuba
- Afghanistan
- Crimean region of Ukraine
- Luhansk and Donetsk regions of Ukraine

In exceptional cases, BB may consider execution of low-risk transactions (such as utility and tax payments, tuition fee, etc.) in local currency for citizens of SRCs holding valid Georgian residential permit.

Restrictions

BB considers that the following industries are vulnerable to abuse by criminals to commit a financial crime:

- Charities and Non-Government Organizations (NGOs) and religious organizations;
- Antique dealers and piece of art traders;
- Crude oil and/or natural gas mining, producing petroleum products;
- Producing chemicals and chemical products;
- Non-residents, producing pharmaceutical products;
- Investment funds and holding companies;
- Trust companies;
- Licensed and regulated gambling entities;
- Precious metals and gems/Mining and Extractive Industries;
- General Trading Companies;
- Licensed Money Service Businesses/Currency Exchanges/Casas de Cambio;
- Arms, Defense, Military;
- Shell Companies.

The following products/services are considered as high risk, therefore subject of enhanced due diligence: establishing business relationship with Politically Exposed Person; Correspondent Banking Relationships; Remote Customer Onboarding.

Citizens of Increased Risk Countries (IRCs) are subject to certain restrictions. For the purposes of this document, the following countries/territories are considered to be IRCs:

- High-risk and offshore jurisdictions determined by National Bank of Georgia;
- Belarus

- Russian Federation
- Venezuela

With regards to the above mentioned industries, products/services and citizens of IRCs the Bank may carry out one, several or all below-listed measures:

- Enhanced identification/verification procedures and enhanced transaction monitoring;
- Rejection to establish business relationship;
- Termination of existing business relationship;
- Refusal/termination of execution payments in foreign currency;
- Setting restrictions on banking products/services/remote channels.

IV. Anti-Bribery & Anti-Corruption

The Bank does not tolerate any instances or attempts at theft or fraud, as well as bribery, or any other type of illicit, fraudulent or unethical behavior. All employees are personally accountable to protect the Bank, its reputation and themselves from the risks arising from fraud, bribery and corruption and avoid consequences of non-compliance.

Anti-Bribery & Anti-Corruption Policy of the Bank defines main principles, rules and standards of behavior upon which the Bank's everyday activities are based, in order to reasonably prevent, detect and report bribery and corruption incidents company-wide.

The supervisory and management boards explicitly demand all employees (all individuals working at all levels and grades, including management board, middle managers, employees (whether permanent, fixed-term or temporary), consultants, outsourced service providers, trainees and agency staff, volunteers, interns, or any other person associated with the Bank, or any of Bank's subsidiaries as well as persons/entities that perform services for, or act on behalf of the Bank or any of Bank's subsidiaries) to conduct the business fairly and lawfully, to adhere to the fundamental values of integrity, transparency and accountability, and to foster the culture of compliance where fraud, bribery and corruption are never acceptable.

The Bank ensures the free flow of information and encourages the use of the whistleblowing system, enabling employees, customers as well as other third parties to report irregularities and possible acts contrary to the policy, applicable legislation and ethical behavior standards. Possible incidents will be analyzed and investigated as quickly as possible, applying the principles of confidentiality, non-retaliation and protection of personal data to all those involved in the investigation process.

Internal audit, AML/Sanctions Compliance Department, Compliance and Operational Risk Management Units are responsible for ensuring compliance with the AFC framework, making sure that the internal regulations and working principles are integrated into all of the Bank's activities.

V. Review

Risk appetite statement shall be reviewed and updated whenever necessary to bring it in line with the Bank's legal, corporate and financial position.

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