



ProCredit Bank

PROFESSIONAL ETHICS STANDARDS

ProCredit Bank, Georgia



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Preamble

Commercial bank activities, due to its role as financial intermediary, are based on public trust. In its turn, building and maintaining confidence of customers and investors in the banking system significantly depends on the ethical behavior of each person involved in the banking activity, which promotes raising reputation of the banking system and increasing customer confidence. All this positively affects efficient operation of the system, sustainability of commercial banks and social welfare.

1. What is the goal of Professional Ethics Standards?

1.1 This document of Professional Ethics Standards (hereinafter - the Code) aims to establish the internationally recognized standards of ethics and banking profession in the banking sector that will contribute to the strengthening of public confidence, including investor confidence, in the banking sector and banking profession, also the stable and efficient operation of the banking sector. The goals of the Code are in conformity with the mandate and objectives of the National Bank of Georgia (hereinafter - the NBG) and, in addition, are based on the National Bank's Rule on the Principles of Ethics and the Code of Professional Conduct for Banking and Securities Market Participants.

1.2 Commercial banks, commercial bank shareholders, administrators and employees (hereinafter - the persons within the scope of the Code) shall be guided by the fundamental principles and standards set out in the Code.

The Bank shall provide this document to the persons within the scope of this Code.

2. General principles of ethics

2.1 The persons within the scope of this Code, in professional activities, shall act in accordance with at least the following principles of ethics:

- a) Act honestly, competently, attentively, respectfully and in compliance with ethical norms in respect of general public, customers (natural persons or legal entities receiving or wishing to receive banking products, hereinafter – the customer), employers, employees, and other participants in the banking sector and, generally, in the financial markets.
- b) Give priority to consumer interests over own interests.
- c) Carry out professional activity with reasonable professional caution and independent judgment.
- d) Act and encourage others to act professionally and ethically, which will positively affect them and generally the banking profession.
- e) Facilitate the integrity and sustainability of the banking sector and, generally, the financial market for general public benefits.
- f) Care for and maintain own and others' professional competence.

3. Professional behavior standards

3.1 To implement the general principles of ethics in practice, the persons within the scope of the Code shall always consistently follow the acceptable minimum standards of behavior, at least as per the following standards of professional behaviour:

a) Professionalism:

a.a) Knowledge of legislation - the persons within the scope of the Code shall be fully aware of and consistent with the standards and requirements set out in the applicable legislation. If both the Code and the other legal act contains the entry of the same standard, the person shall adhere to a stricter standard.

The persons within the scope of the Code shall not intentionally violate, be engaged or facilitate the breach of legislation, including the supervisory arbitration (processing/submission by a commercial bank of information related to the economic regulations, limits, restrictions or other requirements defined by the NBG or any other information and/or conducting transactions so that to avoid or unlawfully alleviate the requirements and restrictions defined by legislation and the NBG maintaining the same risk(s)), and shall strictly disregard any similar practice.

a.b) Independence and impartiality - the persons within the scope of the Code shall take reasonable caution and judgment to obtain and maintain independence and impartiality in their professional activities. It is not permitted to agree on any offer or solicitation, or offer/request/receive any kind of gift, benefit or compensation that will endanger own or others' independence and impartiality.

a.c) Inadmissibility of misleading - the persons within the scope of the Code shall not deliberately mislead other persons in their professional activities and provision of information.

a.d) Inadmissible behaviour - the persons within the scope of the Code shall not engage in such practice that implies dishonest or fraudulent action, intentional misleading or any other action that negatively affects their professional reputation, competence and integrity.

b) Good faith in the financial market:

b.a) Material nonpublic information - the persons within the scope of the Code, who possess insider information (information defined by the Law of Georgia "On the Securities Market") or other material non-public information that influences or may influence the financial market and banking sector internal processes, transactions and decisions (material nonpublic information), shall not give/use such information or shall not support improper communication of such information to other persons and/or its use by other persons. In addition, the so-called "informational boundaries" between commercial banks and other persons, including the related parties, shall be maintained. In particular, the persons within the scope of the Code shall not allow that internal information of the bank (material nonpublic information, to which the person within the scope of the Code has access through shareholding or carrying out activities, fulfilling professional or official duties in a commercial bank or otherwise associated with a commercial bank; or which the person within the scope of the Code receives otherwise) is improperly communicated to other persons, including those related to the commercial bank.

b.b) Market manipulation – the persons within the scope of the Code shall not get involved in securities market manipulation or other such manipulative practices, in such practice that unfairly

changes prices (interest rates, commission fees, etc.) or artificially increases the volume of transaction to mislead market participants.

c) Good faith in the banking sector:

Within the mandate defined by the Law of Georgia on Commercial Bank Activities, the NBG shall enforce the competition policy in the banking sector and determine the parameters, assessment criteria and impact measures in this direction. The NBG shall act as a body regulating economics under the Law of Georgia on Competition, within which it shall examine cases of potential breach of competition and take appropriate measures envisaged by the legislation of Georgia. Considering the requirements and restrictions set forth in the Law of Georgia on Competition and the Law of Georgia on Commercial Bank Activities, the persons within the scope of the Code shall not get involved in the practice that either aims to limit, not allow and/or prohibit competition or hinders/may hinder free financial activity or free offer of financial products and/or gives/may give improper advantages to them in the financial market against other banking sector participants, which includes but is not limited to the following types of practice:

c.a) The abuse of dominant market position as provided by the Law of Georgia on Competition and/or the agreement restricting competition, the decision and the agreed action, which includes but is not limited to the following activities:

- direct or indirect determination of the purchase or sales prices (including unfair prices) or other trade conditions (including unfair trade conditions);
- establishment of different/discriminatory conditions for the same or similar transactions for the existing and potential market participants in order to introduce artificial barriers to entering the market or exiting from the market; also, an exclusive agreement through the abuse of dominant market position or refusal to deal, including in favor of the bank-related party;
- obtaining and maintenance of monopoly leverage in the financial sector, the outcome or purpose of which is an unlawful restriction of competition.

c.b) Concentration in the sector - the persons within the scope of the Code shall not get involved in such practice that promotes concentration in the sector for the purpose of unlawful restriction of competition. Considering the principle of no concentration under the Law of Georgia on Competition, no concentration shall be allowed, which may essentially limit an effective competition in the banking sector and which aims to gain or strengthen the dominant market position.

d) Obligations to customers:

d.a) Loyalty, prudence and care - the persons within the scope of the Code shall show loyalty, care and reasonable judgment to their customers;

d.b) Fair treatment - the persons within the scope of the Code shall always be fair and impartial in the process of professional activities and consultation;

d.c) Compliance:

d.c.a) In providing consultation services or making offers to customers, the persons within the scope of the Code shall:

- conduct reasonable and comprehensive research of financial or other information on the customer, which is necessary to make reasonable and best decisions in favour of customers; the information shall be subject to permanent verification and renewal;
- before making an offer, evaluate whether the offer is adapted to the customer's financial condition and whether it meets the customer's goals, needs, restrictions, structure of assets and liabilities, and financial capabilities.

d.c.b) In fiduciary operations, the persons within the scope of the Code shall meet the restrictions of the structure of assets and liabilities and declared goals of the customer when providing consultation services or conducting specific transactions and making decisions.

d.d.a) Information submission – in presentation of banking products and their activities, including when providing advertising information, activities the persons within the scope of the Code shall take all measures to provide complete, understandable, accurate and reliable information.

d.d.b) When providing advertising information, the persons within the scope of the Code shall give the information recipient a warning of the advertising nature of the information provided.

d.e) Confidentiality - the persons within the scope of the Code shall maintain the confidentiality of information about existing and former customers except when:

d.e.a) the information relates to the customer's illegal activity and the "persons within the scope of the Code" have an obligation under Georgian legislation to disclose information to the relevant investigative body, court and/or the National Bank of Georgia;

d.e.b) disclosure of information is mandatory by law;

d.e.c) the customer gives consent to disclose the information.

e) Obligations to the employer:

e.a) Loyalty - the persons within the scope of the Code shall act in favor of their employer, which implies the use of their skills and competences, the maintenance of confidentiality and the prevention of damage to the employer.

e.b) Agreements on extra compensation - the persons within the scope of the Code shall not receive gifts, benefits, or compensation that contradicts the interests of the employer or may cause damage to the employer or conflict of interest with the employer, unless the employer has given his/her/its written consent.

e.c) Managers' commitments – managers shall constantly check and make sure that every person under their subordination fulfils and meets the applicable legislation, rules, regulations, this Code and the bank's internal standards.

f) Principles of professional activity:

f.a) The persons within the scope of the Code shall exercise their professional activities independently and thoroughly with appropriate care.

f.b) Professional activities of the persons within the scope of the Code shall be based on reasonable and adequate grounds to be strengthened with relevant research and analysis.

f.c) The persons within the scope of the Code shall communicate with customers at least in compliance with the following standards:

- provide customers with information on the basic form of activity and general principles/main features of banking products; customers shall also be informed about material changes related to the banking product;
- provide customers with full information about the main risks, restrictions and limits related to the banking product or transaction;
- use reasonable judgment to identify factors that may be significant in the context of their professional activities or the decision making processes and disclose the factors to customers that are essential for them;
- in communication with customers, offering banking products or presentation of their activities to customers, and in their general professional activity, clearly distinguish between personal opinions and established facts.

f.d) Record keeping – keep relevant records in communication with customers.

g) Conflict of interest:

g.a) Disclosure and management of conflict of interest - the persons within the scope of the Code shall take all measures to ensure that conflicts of interest are identified, avoided and managed. When conflicts of interest cannot be avoided, they shall fully disclose, keeping with the principle of fairness, all the issues that may threaten their independence and impartiality or hinder their obligations to customers and the employer. Such a disclosure shall be made in a clear, understandable language and by providing relevant information.

g.b) Priority of transactions - in relation to personal transactions, the preference shall be given to transactions to be performed for customers and employers.

g.c) Third party fees and bonuses - the persons within the scope of the Code shall provide the employer and customers (at offering banking products) with information about any kind of compensation or benefit receivable from and/or payable by the third parties after specific activities/services.

h) Responsibility of the persons within the scope of the Code:

h.a) General standard of behaviour for the persons within the scope of the Code - the persons within the scope of the Code shall not damage reputation and good faith of the commercial bank (for which he/she works/in which he/she holds shares) and other commercial banks, the banking sector and financial markets in general. At the same time, they shall not endanger the financial stability and security of the financial sector.

h.b) Use of the status of a commercial bank or own position - the persons within the scope of the Code shall not mislead people when using the status of a commercial bank or own position and/or shall not use the above-mentioned status excessively or improperly.

4. Investigation of the facts of violations of general principles of ethics and professional behavior standards, decision-making and appeal

4.1 The bank receives information on the facts and incidents of violation of the requirements of the Code or failure to meet these requirements from various sources. The sources can be customer complaints, employee complaints, self-disclosure, violation revealed by the business operations

control group within the bank or complaints of any other external party, including information received from public sources.

4.2 If a customer submits a claim/application/complaint to the bank, the Compliance and AML Unit (responsible structural unit) shall review the claim/application/complaint and make relevant decision under the procedure and requirements provided by Order No 151/04 of 23 December 2016 of the President of the National Bank of Georgia on the Rules of Customer Protection upon Provision of Service by Financial Institutions. The Compliance and AML Unit shall regularly, at least once a month, forward all received claims/applications/complaints to the Human Resources (HR) and General Risk Departments of the same bank.

4.3 The responsible departments are obliged to investigate and evaluate all complaints/statements. If necessary, Internal Audit Department is involved in the review.

4.4 The HR Committee and the General Risk Management Committee shall regularly monitor the implementation of the present document and the bank's internal standards, examine and make relevant decisions on the complaints and the facts of violation, and if the fact of violation is confirmed, carry out appropriate measures against the infringers.

4.5 The process of particular inquiry shall include, along with other mechanisms, getting explanations, collecting relevant information and conducting questionnaire surveys. Based on the inquiry results, the HR Committee and/or the General Risk Management Committee shall make the appropriate decision.

4.6 The HR Committee and the General Risk Management Committee shall investigate the facts of inconsistencies/violations and adopt the relevant decisions in full compliance with this Code, bank's HR Policy, standards of CFA (Chartered Financial Analysts) Institute, and general ethical principles and norms, including the principles of non-discrimination and impartiality.

4.7 Decisions made by the HR Committee and/or the General Risk Management Committee shall be reasoned, argued with appropriate legal grounds.

4.8 Decisions can be appealed to the Bank's Supervisory Board.

4.9 In addition, if any member of the Supervisory Board is directly or indirectly connected to the pending issue or any other related person(s), which may endanger the impartiality and independence of member of the Supervisory Board/Committee or create conflict of interest, the member shall not take part in the examination of the issue and the decision-making process, and shall withdraw from Board/Committee membership only during examination of the particular issue.

4.10 Any concerned person may appeal decision of the Supervisory Board to the NBG that is authorized to carry out relevant supervisory measures, including the sanctions imposed by Article 30 of the Law of Georgia on Commercial Bank Activities, depending on the severity of the violation. The NBG shall be authorized to conduct the relevant inquiry and take appropriate measures together with the commercial bank or independently, based on information relating to incidents and violations within this Code.

5. Responsibility

5.1 The persons within the scope of the Code shall be aware that in case of violation of the principles and standards set out in the Code, the infringer may be subject to measures defined by the

principles and standards defined by the bank and/or measures referred to in Article 30 of the Law of Georgia on Commercial Bank Activities. In addition to sanctions, the NBG shall be authorized to give a written instruction/warning, impose restrictions and set individual requirements.

5.2 If legislation provides for other stricter sanctions for a particular violation, the person shall bear more responsibility. If more severe sanctions/responsibilities are imposed within criminal, civil or administrative proceedings (except for the cases pending at the NBG), this does not exclude the sanctions imposed under this Code.

5.3 In addition, “persons within the scope of the Code” themselves should be aware that in case of violation of the principles and standards defined by the Code, depending on the seriousness of the violation, measures specified in the legislation of Georgia and/or the internal standards of the bank may be taken against the violator.

A relevant application regarding the decision made by the bank may be submitted to the National Bank, which is authorized to conduct appropriate supervisory measures, based on information related to incidents and violations recorded within the framework of this Code, together with the bank or independently conduct an appropriate investigation and take appropriate measures. Including, depending on the seriousness of the violation.

This document is approved by the Supervisory Board of the Bank.