

“Bank Respublika” OJSC
Approved at the meeting of the Supervisory Board
No. 51, dated August 15, 2025
Summary of the “**AML/CFT Policy**”

1. General Provisions

“Bank Respublika” OJSC regards combating **money laundering and the financing of terrorism (AML/CFT) as one of its strategic priorities**. This document reflects the Bank’s activities, internal control system, and obligations in this area in line with national and international requirements.

The AML/CFT Policy is an integral part of the Bank’s risk-based management model. Through this Policy, the Bank ensures that its operations are built on transparency and responsibility, while proactively mitigating compliance, reputational, and operational risks.

The Policy is mandatory for all structural units, branches, and employees of the Bank, and each employee must adhere to these principles in their daily activities. Compliance with legislation is one of the fundamental values of the Bank’s corporate culture.

2. Purpose of the Policy

The main purpose of the AML/CFT Policy is to identify potential risks at an early stage within the Bank’s operations, to prevent them, and to establish sustainable control mechanisms in this field.

In its activities, the Bank is guided by the principles of **combating crime, ensuring transparency of the financial system, and compliance with international obligations**. The Policy regulates the activities of internal structural units and ensures reliable and transparent conduct in relations with external partners.

This approach supports the Bank’s sustainability from compliance, legal, commercial, and reputational perspectives, and forms the basis for cooperation with international financial institutions.

3. Principles of the Policy

Bank Respublika organizes its AML/CFT activities on the basis of the following key principles:

- **Compliance with Legislation:** The Bank fully adheres to national and international requirements.
- **Tone at the Top:** The Bank’s management assigns high priority to compliance and upholds the principle of zero tolerance.
- **Know Your Customer (KYC):** Transparency and informed decision-making are applied in establishing customer relationships.
- **Risk-Based Approach:** Control measures are applied in accordance with the level of risk, with special attention given to high-risk areas.

- **Compliance Culture:** Compliance principles are supported within the Bank and promoted among employees.
- **Transparency and Accountability:** In cases of suspicious activity, timely and accurate reporting to the relevant authorities is ensured.

These principles guarantee the resilience and effectiveness of the Bank's AML/CFT system.

The Bank also applies the “**Know Your Customer**” (KYC) principle and the risk-based approach, ensuring that resources are focused on high-risk customers and transactions. In addition, transparency, accountability, and a compliance-oriented culture are continuously promoted.

4. Participants of the Policy

For the effective implementation of AML/CFT measures, the Bank applies a clear division of responsibilities based on the three lines of defense:

- **First Line of Defense** – business units providing services to customers;
- **Second Line of Defense** – compliance function, risk management, and other control structures;
- **Third Line of Defense** – internal audit.

The Supervisory Board is responsible for approving the policy, appointing the responsible person, and carrying out strategic oversight. The Management Board organizes day-to-day implementation, ensures that the department is provided with adequate resources, and reviews reports.

The **Chief Risk Officer and the designated Responsible Person** perform the key functions of risk assessment, policy enhancement, and reporting to senior management. The **AML/CFT and Compliance Department** ensures day-to-day operational control.

5. Internal Control Program

The Bank's AML/CFT internal control program is a comprehensive approach covering legal, technical, and operational aspects. This program consists of internal regulations, procedures, control, and monitoring systems.

The main elements of the program include: **rules, training, the role of the responsible person, employee screening, and independent audit mechanisms**. Each of these elements serves to ensure the stability and compliance of the system.

Internal control measures are implemented on a risk-based basis and are regularly adapted to the Bank's operations. Weaknesses identified during audits are immediately addressed through corrective measures.

6. Rules and Control Mechanisms

The Bank's **AML/CFT internal control system** is based on a unified set of rules and procedures. These documents regulate all processes from establishing customer relationships to the execution of transactions.

Depending on the nature, volume, and direction of operations, automated screening and monitoring systems are applied. These systems verify customers against sanctions lists, politically exposed persons (PEPs), and other relevant databases.

Control mechanisms are supported by regular analyses and are continuously strengthened and improved through technological innovations.

7. Responsible Person and Accountability

The Bank has appointed a dedicated Responsible Person to carry out the AML/CFT control function. The **Responsible Person** ensures that activities in this area are organized in compliance with legislation, safeguards data protection, and provides regular reports to the **Chief Risk Officer, the Management Board, and the Supervisory Board**.

He/she oversees the preparation, updating, and enforcement of internal regulations. In addition, an annual risk assessment is conducted, with results presented to the **Chief Risk Officer, the Management Board, and the Supervisory Board**.

The Responsible Person has the right to operate independently and carries out all compliance functions in cooperation with structural units, with their support.

8. Trainings

The Bank regularly enhances employees' awareness and level of responsibility in the field of AML/CFT through training programs. Trainings and awareness sessions are planned according to the roles and responsibilities of staff.

Training programs cover key **legal requirements, identification of suspicious transactions, reporting obligations, and ethical conduct** issues. Both new employees and existing staff are included in this process.

The organization of training serves as an essential tool for strengthening the Bank's **compliance culture and reducing compliance, operational, legal, and regulatory risks.**

9. Internal Audit

The adequacy and effectiveness of the Bank's AML/CFT systems are assessed by the **Internal Audit Department.** Audit processes are carried out independently and reported to the **Supervisory Board.**

Audit inspections cover compliance with the AML/CFT Policy, the implementation of procedures, and the mechanisms for detecting unusual transactions.

Any deficiencies or weaknesses identified during the audit are addressed through corrective measures, which are planned and implemented by the responsible structures.

10. Customer and Transaction Monitoring

The Bank monitors customer transactions based on their level of risk. All transactions are evaluated considering the customer's profile, activity, and transaction history.

Unusual, inconsistent, or economically unjustified transactions are detected by the system and analyzed by the **AML/CFT and Compliance Department.**

In accordance with the AML/CFT Law, information on suspicious transactions is submitted to the Financial Monitoring Service of the Republic of Azerbaijan in compliance with legislative requirements. Monitoring is performed using automated tools and continuous assessments.

11. Correspondent Banking Relationships

The Bank establishes correspondent relationships only with financial institutions that meet compliance and transparency requirements. In this regard, legal and reputational risks for each partner are carefully assessed.

Shell banks, payable-through accounts, and nested account practices are strictly prohibited. The internal control systems of respondent banks are evaluated, and cooperation is approved solely by the **decision of the Management Board.**

This policy ensures legal stability and reliability in the Bank's international partnership relations.

12. Provision of Information

In cases stipulated by legislation, the Bank submits reports to the Financial Monitoring Service on suspicious transactions, high-value transfers, and certain categories of operations.

The process of transmitting information is carried out in a secure and confidential manner. The Bank does not allow customers to be informed about such reporting.

This activity ensures the Bank's compliance with national and international requirements and serves to prevent the integration of illicit funds into the financial system.

13. Record Keeping

Bank Republika ensures the secure retention of all information and documents related to AML/CFT activities for the period established by legislation — **a minimum of five years**.

The stored documents include customer **due diligence information, transaction records, analyses of suspicious transactions, internal reports, and monitoring results**. These records may be provided when necessary for legal, operational, or audit purposes.

The record-keeping process is regulated by the Bank's internal rules, information security standards, and confidentiality principles. Access to such information is granted only in cases defined by law and exclusively to authorized personnel.

14. Confidentiality and Protection of Personal Data

All information collected within the framework of AML/CFT measures is used solely for lawful purposes and is kept confidential. The Bank strictly complies with requirements for the protection of personal data and does not allow the disclosure of confidential information to third parties.

The transmission of information is carried out only in cases stipulated by legal and regulatory acts and exclusively to the competent authorities.

The prohibition of informing the customer about such processes is regulated by law and ensured through appropriate control mechanisms.

15. Final Provisions

The Bank's AML/CFT Policy is regularly updated, taking into account the dynamic legal environment and the specific features of its operations. The Bank monitors changes and makes the necessary amendments to keep the Policy up to date.

Compliance with AML/CFT requirements, transparency, and risk management are among the key pillars of the Bank's long-term sustainability. The principles and mechanisms applied in this area are supported at all structural levels of the Bank.