



Anti-Money Laundering Policy

April 2021

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Introduction

BAWAG Group's focus is on low-risk business in its core market Austria, the DACH/NL region and developed markets. BAWAG Group is committed to combating financial crime and ensuring that accounts held at its organization are not misused for illegal activities like money laundering or terrorism financing.

Therefore, BAWAG Group has implemented group-wide policies with respect to anti-money laundering ("**AML**") and counter terrorism financing ("**CTF**") which, combined with other comprehensive measures and procedures, aim at applying a risk-based approach. These policies implemented the applicable legal framework, such as the Austrian Financial Market Money Laundering Act (*FM-GwG*) and applicable EU regulations.

The policies on AML and CTF cover all operations across BAWAG Group:

Austria

- BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse Aktiengesellschaft, Austria („BAWAG P.S.K."), including its branches in Germany (SÜDWESTBANK – BAWAG AG Niederlassung Deutschland) and the UK (BAWAG P.S.K. International)
- start:bausparkasse AG
- easyleasing GmbH
- BAWAG P.S.K. Wohnbaubank Aktiengesellschaft

Germany

- Health Coevo AG
- BFL Leasing GmbH
- start:bausparkasse AG

Switzerland

- Zahnärztekasse AG

BAWAG Group pools its AML and CTF expertise to ensure efficient and, to the extent possible, standardized operational processes across the organization. Additional information on AML and CTF rules and standards are made available in BAWAG's Wolfsberg Group Correspondent Banking Due Diligence Questionnaire which will be provided on demand.

Restricted relationships

BAWAG Group’s AML and CTF strategy is closely aligned with the defined ESG risk appetite of BAWAG Group. Following its business focus, BAWAG Group has only restricted correspondent banking relationships, especially with third-country banks. Business with shell banks is generally prohibited.

BAWAG Group AML & CTF Organization

BAWAG Group’s AML & CTF Office is responsible for all AML & CTF group matters, including the implementation of and monitoring the compliance with the group-wide policies. The responsibility for AML and CTF matters lies with the entire Management Board, with the CFO of BAWAG Group being the designated Management Board member for BAWAG Group’s AML & CTF tasks.

Key AML Areas

<p>Threat Analysis</p> <p><i>Yearly risk analysis & risk classification</i></p>	<p>Based on European and national risk analysis, annual threat analysis are prepared on company level.</p> <p>These comprehensive risk analyses comprise following key parts:</p> <ul style="list-style-type: none"> • Description and classification of risks, in particular country risk, industry risk, customer risk, product risk, sales risk, process risk, employee risk and high-risk customers based on applicable legal requirements; • identification of mitigants for identified potential risks; and • conclusions summarizing the entire treat analysis.
<p>Policies & Procedures</p> <p><i>Group policies define the overall framework</i></p>	<p>Based on the AML & CTF Group Strategy all operational entities prepare and update their guidelines and working instructions regarding AML and CTF. The AML Officers at the operational entities as well as the responsible Management Board members are responsible for the implementation of the group-wide standards.</p> <p>Based on a comprehensive gap analysis, the AML Officers assess and validate deviations from group-wide policies to the extent such deviations are required due to different local legislation.</p>
<p>KYC, CDD, EDD</p> <p><i>Know your customer</i></p>	<p>BAWAG’s AML & CTF Group Strategy defines minimum standards in respect of know your customer (“KYC”), customer due diligence (“CDD”) and enhanced due diligence (“EDD”) requirements.</p> <p>The defined KYC processes ask for proof of origin, usage, seat & residence, and industry risk and define regular risk-based customer updates.</p>

<p><i>Customer onboarding processes</i></p>	<p>The onboarding processes of new customers demands the identification and verification of private customers, corporates, trustees and trustors and their ultimate beneficial owner before account opening or executing a single transaction outside permanent business relationship in a risk-based manner and following defined CDD or EDD requirements.</p>
<p><i>Data Actualization</i></p>	<p>The update of customer data follows risk defined classifications. Business relationships with high risk customers who are not willing to update their data in time are terminated in accordance with applicable legal requirements.</p>
<p>Low AML risk profile</p>	<p>The AML & CTF Group Strategy aims for customers with a low AML & CTF risk profile. Accordingly, prohibited and restricted countries, customers, industries and products have been defined:</p>
<p><i>High risk/sanctioned business/countries</i></p>	<p>In respect of defined high-risk countries (e.g. North Korea, Iran, Republic of the Sudan, Syria, Afghanistan, Congo, Cuba, Crimean Region of Ukraine, etc.) BAWAG Group has defined prohibited and restricted risk appetites, which is reflected in the AML & CTF Group Strategy as well as in the credit risk related country limits.</p>
<p>Onboarding prohibitions</p>	<p>Aligned with BAWAG's ESG risk appetite, BAWAG Group has defined in its AML & CTF Group Strategy prohibitions and restrictions in respect of customer onboarding:</p> <p><u>Prohibited business:</u></p> <ul style="list-style-type: none"> • Onboarding of customers and legal entities with a residence and/or a registered office in countries listed in the Delegated Regulation 2016/1675/EU as amended; • shell banks; • human trafficking and human exploitation involved activities; • business activity that involves pornography; • virtual currencies; • marijuana/drug industry; • mining, trading and processing of asbestos; • nuclear weapons manufacturing companies; • unregulated charities; • savings clubs; • back to back business; • payable through accounts; and • hold mail accounts.
<p>Onboarding restrictions with AML Office approval</p>	<p>In particular, the following business segments are <u>restricted</u> and, thus, require an EDD on a risk-based approach and the approval by the AML Office:</p>

	<ul style="list-style-type: none"> • Arms, defense, and military-related activities (development, production, sale, maintenance, etc.); • atomic power; • extractive industries; • precious metals and stones; • art and antiquities; • embassies/consulates; • cash intensive customers; • correspondent banks; • shell companies; • entities operating under offshore banking licenses; • funds; • gambling; • offshore customers; • Non-Government Organizations; • adult entertainment; • regulated charities and religious associations; • payment service providers; • political parties; • money or value transfer services / money service business; • used car dealer; • travel and tour companies; • general trading companies; and • downstream (nested) banking.
<p><i>Further onboarding restrictions</i></p>	<p>Further restrictions and/or EDD requirements are regulated via account opening policies in the following cases:</p> <ul style="list-style-type: none"> • Onboarding of private customers from third countries requires a valid residence permit. • The opening of escrow accounts may only be made for defined professional groups (e.g. public notary, lawyers, commercial property management companies, etc.) and the trustor identification requirements are specified comprehensively. • Politically exposed persons (“PEP”), PEP related and PEP close associate persons: in addition to enhanced due diligence requirements a senior manager has to approve the business relationship
<p><i>Enhanced Due Diligence (EDD)</i></p>	<p>The AML & CTF Group policy ensures enhanced monitoring and restrictions regarding high-risk customers, transactions and high-risk countries, industries, etc.</p>

<p>Monitoring Systems</p> <p><i>Risk Classification</i></p> <p><i>Customer Screening</i></p> <p><i>Transaction monitoring</i></p>	<p>AML & CTF prevention is supported technically by various applications which ensure risk classification and customer/transaction screening.</p> <p>During the onboarding process, each customer is categorized pursuant to specific classes according to risk indicators (e.g. product, branch, nationality, seat/residence, etc.).</p> <p>Further, during the onboarding process, customer screening is performed on a regular basis to identify PEPs (weekly), sanctioned persons and terrorists (daily). This is supported by an automated monitoring system which screens customers against internationally recognized lists.</p> <p>Transactions are monitored real-time (sanctions and CTF) and ex post via specific AML scenarios and defined thresholds depending on the risk class of customers.</p>
<p>Internal Control System & Special Monitoring</p> <p><i>Internal Control System</i></p> <p><i>Scope</i></p> <p><i>Special Monitoring</i></p>	<p>BAWAG Group has defined, implemented and documents internal control systems (“ICS”) in line with applicable laws.</p> <p>The ICS shall ensure efficient and high-quality processes. Findings are reported on a period basis, with extra-ordinary findings being reported immediately.</p> <p>The ICS comprises, among others, KYC onboarding processes, transaction screenings and various business field reviews. They are continuously updated, especially in case of implementation of new products, sales channels, lines of business or business sectors.</p> <p>BAWAG Group has a very subordinate correspondent banking business, especially with third-country banks. Besides monitoring correspondent banks automatically by scenarios and transaction monitoring systems for sanctions and sensitive countries, transaction behavior of correspondent banks is further monitored by the AML Office on a monthly basis.</p>
<p>Reporting Authorities</p>	<p>The AML Office performs reporting obligations towards the relevant authorities (e.g. Federal Criminal Police Office, Financial Market Authority and National Banks) and requests information from the Criminal Police (FIU) and other authorities. The AML Office also acts as the single point of contact towards AML & CTF authorities in case of onsite-visits and internal & external auditors. It remains responsible for all necessary organizational and/or</p>

<i>Internal & external audits</i>	technical measures to comply with applicable laws and regulations.
Suspicious Transaction Reports <i>Financial Intelligence Unit Reporting</i>	<p>BAWAG Group has implemented a group-wide information system to share information on suspicious cases within the group. AML Officers collect information on suspicious cases and keep each other informed across the organization.</p> <p>Reports to the respective FIUs are based on compliance and AML risk indicators (e.g. suspicious routing of money transfer, suspicious cash transactions, etc.). The AML Officer immediately reports suspicious cases to the relevant authority. In cases with a high potential reputational risk, the AML Officer additionally informs the entire Management Board.</p>
Internal AML Group Reporting <i>Management & Supervisory Board Information</i>	<p>In order to ensure a close alignment and to facilitate a group-wide data exchange, monthly AML & CTF meetings (via conference calls or via on-site visits) are performed.</p> <p>All AML & CTF matters are regularly reported (as appropriate, but at least quarterly) to the responsible committees of BAWAG's corporate bodies, i.e. the Management Board and the Supervisory Board.</p>
Changes in Law and other legal requirements	<p>The AML Group Officer informs legal entities and foreign branches about relevant amendments in applicable laws and/or other legal requirements as well as on the interpretation of further publications (e.g. circulars of the Financial Market Authority, FATF recommendations, rules of Austrian National Bank, guidelines and Q&A's of EBA, ESMA or ECB). In respect of the German operations, <i>SÜDWESTBANK – BAWAG AG Niederlassung Deutschland</i> assumes this role.</p>
Education & Training <i>Initial trainings</i> <i>Regular update</i>	<p>The AML & CTF Group policies define mandatory, specific AML & CTF training sessions of all employees which are conducted via computer-based SLP (self-learning-program) and via face-to-face training by Compliance Officers or external firms.</p> <p>New employees have to attend AML & CTF training within the first months of joining BAWAG Group.</p> <p>Further, constant retraining of employees takes place every 12 to 18 months covering among others:</p> <ul style="list-style-type: none"> • AML & CTF, including AML & CTF typologies and case studies; and computer based self-assessment check. • KYC and beneficial ownership;

<p><i>Ad Hoc trainings</i></p>	<ul style="list-style-type: none"> • how to act in case of suspicion; <p>Specific and ad hoc trainings are performed if necessary (e.g. in case of implementation of new legislation or new criminal behavior patterns). Employees working in the AML teams are sufficiently trained. This also applies to the AML Officer. A specific training for AML specialists is conducted at least once a year.</p>
<p>AML framework</p> <p><i>Product Implementation process</i></p> <p><i>Outsourcing</i></p> <p><i>Data protection</i></p> <p><i>ESG</i></p>	<p>Product Implementation, Outsourcing, Data Protection or ESG risk appetite take AML & CTF requirements into consideration or impact these policies.</p> <p>The AML Offices are part of a product introduction process as well as the process of product changes and/or changes in the operational process or distribution process. AML Group Office has a veto right against the implementation of new processes and/or changes of existing processes.</p> <p>While Group Outsourcing Policies are applicable, the AML & CTF function can in principle – in line with applicable local requirements – be outsourced within the Group to ensure efficient and unified processes given that the responsibility remains with the retained organization.</p> <p>All entities have implemented their data protection requirements in accordance to their specific local law (e.g. Germany: record keeping for at least 5 years, max. 10 years, Austria aligned to AML 10 years)</p> <p>BAWAG Group’s AML & CTF strategy is closely aligned with the group’s defined ESG risk appetite. Further information on ESG risk and the implementation within BAWAG Group is made publicly available on the website www.bawaggroup.com.</p>