

## KOMMUNALKREDIT AUSTRIA AG

### ANTI-MONEY LAUNDERING POLICY – EXECUTIVE SUMMARY

#### Introduction

A major risk for banks is the reputational risk that may occur because of their involvement in money laundering or in financing of terrorist acts. Furthermore, these illegal activities could result in criminal and administrative penalties for the bank and its employees.

Kommunalkredit Austria AG has established an anti-money laundering program shaped by the highest standards to prevent use of its services and products for purposes of money laundering and terrorism financing. The Program includes customer due diligence and “know your customer” policies, monitoring and reporting of suspicious transactions and activities, risk assessment, embargo and sanctions policies, record keeping requirements and staff training. In this way, Kommunalkredit Austria AG has available the means and the internal procedures to detect and prevent money laundering activities or the misuse of its services for terrorism financing.

The anti-money laundering policy of Kommunalkredit Austria AG is relevant to all employees.

#### Definition of the Terms Money Laundering and Terrorism Financing

Money Laundering is any transaction undertaken to conceal the nature and source of funds obtained from illegal and criminal activities. Examples of criminal activities that often involve money laundering are drug trafficking, smuggling, fraud, bribery, illegal gambling, robbery, or terrorism.

There are three recognized stages of the money laundering process:

- Placement: The introduction of illegally obtained monies into banks or non-financial institutions.
- Layering: Separating the proceeds of criminal activity from their source using layers of complex transactions to disguise the origin of the funds.
- Integration: Placing the laundered proceeds back into the economy in such a way that the re-enter the financial system as apparently legitimate funds.

Terrorist Financing refers to the provision or collection of funds with the intention that they be used to carry out an act of terror, or that the funds will be used to support any terrorist group or persons.

## Customer Due Diligence

One of the key principles of the anti-money laundering program of Kommunalkredit Austria AG is that all employees must have adequate knowledge of their customers throughout the entire duration of the business relationship. The anti-money laundering program of Kommunalkredit Austria AG is based upon the pertinent laws, regulations and regulatory guidance of Austria and the European Union.

According to the provisions of the Austrian Financial Markets Anti-Money Laundering Act customer due diligence shall comprise

- identifying the customer and verifying the customer's identity based on documents;
- identifying the beneficial owner and taking reasonable measures to verify that person's identity;
- assessing and obtaining information on the purpose and intended nature of the business relationship;
- risk-based assessing and obtaining information on the customer's key business partners and other relevant contractual parties of the customer (KYCC);
- obtaining and checking of information on the source of the funds used;
- determination of whether the customer acts on behalf and/or account of other persons, and, if necessary, identification and verification of the trustor and the trustee;
- conducting ongoing monitoring of the business relationship including scrutiny of transactions undertaken throughout the course of that relationship to ensure that the transactions being conducted are consistent with the bank's knowledge of the customer, the business and risk profile, including where necessary the source of funds;
- regular checking of the availability of all required information, data and documents that are required under the Financial Markets Anti-Money Laundering Act, and updating of such information, data, and documents;
- determination of whether the customer, the beneficial owner of the customer or the trustor of the customer are a politically exposed person (PEP) or related to a politically exposed person.

Furthermore, the standard customer due diligence process to be performed by Kommunalkredit Austria AG includes the screening of customers, their legal representatives as well as beneficial owners in case of the risk of them being on international sanctions lists.

If the requirements cited above cannot be met, Kommunalkredit Austria AG must assure that it will not enter a business relationship, continue an existing business relationship, or carry out any transactions.

## Prohibited Business Relationships

Kommunalkredit Austria AG will not

- maintain anonymous accounts or pay-through accounts;
- enter into business relationships with shell banks;
- enter into business relationships with customers present in national and international sanctions lists;
- enter into relationships with customers involved in prohibited industries or risky sectors;
- enter into relationships with customers domiciled in or associated with countries without satisfactory regulations with respect to prevention of money laundering and financing of terrorism.

## Sanctions Program

Financial sanctions are measures imposed by national governments and multinational bodies which seek to alter the behavior and decisions of other national governments or non-state actors that may threaten the security of the global community or violate international norms of behavior.

Kommunalkredit Austria AG has implemented a Sanctions Program that comprises controls on new and existing customers as well as filtering of transactions against sanctions lists before they are executed.

Kommunalkredit Austria AG takes into account the following sanctions measures:

- Consolidated United Nations Security Council Sanctions List (UN);
- European Union Consolidated List (EU);
- United States Department of the Treasury's Office of Foreign Assets Control (OFAC);
- Office of Financial Sanctions Implementation HMT (OFSI);
- Austrian sanctions list, if any.

## Record Retention

Records must be kept of all transactions and information, or documents obtained for the purpose of identification, and of all other documents related to money laundering topics. Those records must be kept during the lifetime of the customer's relationship with Kommunalkredit Austria AG and at least ten years after termination of the customer relationship.

## Staff Training and Staff Recruiting

Kommunalkredit Austria AG requires that all employees possess an adequate awareness level of the risks of money laundering and terrorism financing. Kommunalkredit Austria AG organizes periodical training programs addressed to the entire personnel of the bank. The training program has as purpose to develop the professional competencies of the employees to prevent the misuse of the bank for money laundering or other illegal activities.

Regular employee training on methods of money laundering and the catalogue of duties required by the Austrian Financial Markets Anti-Money Laundering Act is provided for. All employees must undergo anti-money laundering training. Initial training must be attended immediately upon joining Kommunalkredit Austria AG and subsequently not less than once a year.

Kommunalkredit Austria AG applies high standards regarding staff recruitment. The implemented processes shall ensure that only reliable individuals are employed.

## Anti-Money Laundering Organization

The Executive Board of Kommunalkredit Austria AG has appointed an AML & Compliance Officer as responsible person at management level with the responsibility to ensure that the bank complies with the legal requirements and the pertinent guidelines issued by the Austrian Financial Market Authority (FMA). The AML & Compliance Department headed by the AML & Compliance Officer is responsible for creation, updating, realization and supervising of the bank's anti-money laundering policy. The anti-money laundering policy is approved by the Executive Board. The AML & Compliance Officer must ensure, by implementing adequate controls, that all applicable anti-money laundering and counter terrorism financing requirements are being adhered to. The AML & Compliance Officer has an unrestricted access to all information, data, records, and systems in the bank he/she deems necessary to fulfil his/her function. He/she reports directly to the Executive Board.

## Reporting

A quarterly reporting process to the Executive Board is in place. In addition, an annual report is prepared and reported to the Executive Board/Supervisory Board. An annual Audit of AML policies/procedures, which is required by law, is conducted.