



MKB BANK NYRT

RISK APPETITE

PREVENTION OF MONEY LAUNDERING AND CORRUPTION, SANCTIONS

MKB Bank Nyrt, as a liable Bank, is committed to fighting financial crimes and does its utmost to ensure that the products and services it offers are not used for any crime, including money laundering, terrorist financing and fraud. The compliance with laws and regulations on the *Prevention of Money Laundering, Combating of Corruption and Economic Restrictive Measures* (sanctions) is a mandatory and essential part of our operation.

We use strict requirements to ensure compliance with applicable laws and regulations. At the same time, we continuously strengthen our procedures and controls included in our processes.

MKB Bank Nyrt. reserves the right to refuse any **customer relationship establishment, transaction or transaction order** if it is not in line with its Risk Appetite.

Compliance with the applicable Laws and Regulations

In line with the EU Regulation on information on the payer accompanying transfer of funds (Regulation 2015/847 of the European Parliament and of the Council) and the 1/2020. (III.4.) Decree of the National Bank of Hungary, it is imperative for our customers to provide accurate and complete information about themselves and the beneficiaries of outgoing payments as well as any other transactions that are booked on their accounts.

Before accepting any transactions or orders, our Bank may request additional information or documents without which we will not be able to complete the Transaction.

MONITORING OF UNUSUAL ACTIVITIES

The Bank's AML, Sanctions and Anti-Corruption Programmes include customer due diligence, enhanced customer due diligence, enhanced procedures, monitoring of

unusual and prohibited transactions, and reporting policies, as well as the systems used to perform these tasks.

The Bank has identified cash transactions as a high risk factor, in particular in the case of extremely large or highly intensive cash turnover, thus verifying it continuously controls such turnover.

In some cases, it may be necessary to obtain additional information from our Customers in relation to transactions or operations executed on their account and their transaction partners. If, within a reasonable time, a satisfactory answer to the questions is not received, our Bank reserves the right to reject the transaction or operation concerned based on risk.

If, during the monitoring of the customer's transactions, the Bank detects that the customer carries out one of the activities classified by the Bank as "Prohibited" or operates in a high-risk industry, but has not previously notified the Bank, has not submitted documents for proving its transparency, the Bank reserves the right to terminate the business relationship.

PROHIBITIONS

MKB Bank Nyrt does not maintain a business relationship with customers who carry reputational risks, only with customers who use their products for legitimate purposes and whose identity can be determined and verified without any doubt. MKB Bank Nyrt reserves the right to terminate any customer relationship that threatens its reputation.

Reputational risk includes, among others, a natural or legal person who:

- intentionally or deliberately and negligently violate or deliberately neglect laws, rules or procedures relating to the avoidance of financial crimes;
- deliberately regularly or through negligence violate the laws, rules and procedures relating to the avoidance of financial crimes;
- use their bank account kept by MKB Bank Nyrt. for money laundering or terrorist financing, fraud or any other illegal purpose;
- carry out an activity that can be interpreted as a tax or other criminal offence;
- are known to engage in the following activities or shows signs of the following activities on his account:
 - Trade in arms (without Hungarian State background)
 - Illegal drug trafficking
 - 'Interim accounts' (Payable through accounts)
 - Illegal pornography, 'adult entertainment'
 - Smuggling

- Shell banks
- Illegal gambling
- Trade in protected species
- Ivory trade
- Child labor
- Trade in “bloody diamonds”
- Foundation established abroad
- Crypto-currency service provider

The Bank does not establish customer relationships with:

- currency exchange agents; and
- Iranian citizens who do not have any Hungarian identity such as: residence permit; or identity card and address card issued by a Hungarian authority for a foreign citizen; or Hungarian citizenship.
- If there are bearer shares in the company - directly or indirectly, thus it is not possible to verify and identify the beneficial owners
- The client is a company where the shareholder is represented by a shareholder's proxy

As a rule, the Bank will not establish business relationships with the following legal entities or entities without legal personality, established in a foreign country:

- the client has no business relationship, contractual business partner, or any activity in Hungary and the client is only interested in account management
- the country of residence of the client and the nationality of the beneficial owner are different
- the customer's mailing address, nationality or domicile of the beneficial owner or manager is located in Russia, Ukraine, Estonia, Latvia, Lithuania, Belarus, Moldova, Armenia, Azerbaijan, Georgia, Kazakhstan, Turkmenistan, Uzbekistan, Kyrgyzstan

SANCTION RELATED RISK APPETITE

It is forbidden to provide any product or service to a natural or non-natural person that is subject to a sanction. Our Bank does not establish and does not maintain a customer business relationship with a natural person or a non-natural person who is listed on any of the following restriction lists or which is deemed a prohibited customer relationship by any law or regulation. We also do not execute any order in connection with such natural or non-natural persons.

- United Nations Security Council Restricted List (UN)
- European Union Consolidated Financial Sanctions List (EU)

- The Restricted List handled by the Foreign Assets Control Office (OFAC) of the United States, which includes the list of the Specially Designated Nationals and Blocked Persons (SDN).

RESTRICTIONS

The following industries are representing high risk. In these cases, MKB Bank Nyrt. reserves the right to request additional documentation when establishing a customer relationship to better understand the nature of the customer's business.

- Gambling organisation (except the companies with a Hungarian state license)
- Fiduciary Asset Manager
- Assets managed by a trustee
- Payment service provider (non-bank)
- Electronic money issuer institution
- Electronic valet service provider
- Financial service provider operating a payment system
- Companies in petroleum extraction and / or trading business
- Business dealing in tobacco trade and other excisable products
- Precious metal trading company
- Trade in cultural goods, goods of archaeological, historical, cultural, religious or significant scientific value
- Company registered with a registered office provider
- An enterprise with an overcomplicated (unreasonably) ownership structure

The clients listed above are considered as high-risk customers. In cases specified in the Bank's internal regulations, the establishment of a business relationship requires the approval of the Internal Lines of Defence Committee.

The following customer and product risks also pose a high risk and are subject to enhanced customer due diligence and/or strengthened procedures:

- Politically exposed person, a close relative of a politically exposed person or a person having a close business relationship with a politically exposed person
- Establishing a customer relationship without being present in person
- Correspondent Relationship (vostro/nostro, RMA)
- Cash deposit in bag service

HIGH-RISK COUNTRIES

From a risk perspective, countries that have been identified as being:

- Tax havens,
- Offshore areas,
- From a Corruption, Money Laundering or Fraud aspect they are considered as high risk and therefore clients from these countries are subject to enhanced due diligence. The lists have been compiled based on international standards.

In cases where the Bank establishes a business relationship with a non-resident company, the following characteristics exclude the establishment of a business relationship:

- Foreign legal entity / or entity without legal personality without tax number
- Form of the company is: LP, LLP, Partnership, Privatstiftung
- The company has Bearer Shares
- Only the Declaration of Trust verifies the beneficial owner (there is a nominee or trustee in the company); the share, if any, is for the name of a strawman

The Bank may refuse to establish a business relationship in cases where it is true for the ownership structure of a resident or non-resident company:

- It contains a bearer share company
- Only the Declaration of Trust verifies the beneficial owner (there is a nominee or trustee in the company), the share, if any, is in the name of a “strawman”