

Risk Appetite Statement of MagNet Bank

in connection with Preventing and Combating Money Laundering and Terrorist Financing and the Implementation of Financial and Asset-related Restrictive Measures

General principles

MagNet Magyar Közösségi Bank Zrt. (MagNet Hungarian Community Bank Zrt.) has the firm objective of implementing the prohibitions and procedures specified by Act LIII of 2017 on Preventing and Combating Money Laundering and Terrorist Financing (hereinafter: Pmt.) and its executive decrees, as well as by Act LII of 2017 on the Implementation of Financial and Asset-related Restrictive Measures Ordered by the European Union and the UN Security Council (hereinafter: Kit.) to ensure, also taking into account international and domestic recommendations and best practices in this field, that its operation reflects the spirit of the law in addition to its written letter.

To this end the Anti-Money Laundering (AML) and Counter Terrorism Financing (CTF) Policies of MagNet Hungarian Community Bank Zrt. and the company(ies) under its joint supervision (hereinafter: the Bank) are based on the following general principles. In order to protect our Bank and, more importantly, our customers, our business policy is to implement the highest and most effective standards of combating financial crime, which might result in the Bank not being able to support certain business activities even if those comply with local AML and CTF requirements, or with such requirements applied by other financial market participant.

The Bank has a zero tolerance approach to all criminal activity, we are committed to fighting all forms of financial crime and we will do our utmost to ensure that the products and services we offer are not used for money laundering, terrorist financing or fraud.

The Bank will not provide any products or services to natural persons or legal entities who are subject to sanctions.

Our Bank reserves the right to refuse any customer relationship, transaction or order if it is not in accordance with its Risk Appetite.

The Bank operates internal procedures that are binding for all its employees, its internal regulations fully comply with FATF 40+9 recommendations, Directive 2015/849 of the European Parliament and of the Commission and Council of Europe Regulation 2015/847. The declarations required by international regulations are available on the Bank's website.

Establishing business relationship

The Bank applies customer due diligence and enhanced customer due diligence in accordance with the relevant legislation.

The Bank will not establish customer relationships, or terminates existing relationships with customers where it appears that they

- refuse to provide sufficient information or documents that would allow them to be fully identified or with which they can support their compliance with the standards of this Statement;
- intentionally violate or act with willful negligence towards laws, rules and procedures related to the prevention of financial crimes;
- regularly violates, intentionally or recklessly, laws, rules and procedures for the prevention of financial crimes
- use their bank account to launder money or to finance terrorism, to commit fraud, or to engage in business activities that can be interpreted as a tax crime.

The Bank will not establish business relationships with businesses or persons whose activities involve a high risk or whose chosen form of operation is outside the Bank's risk appetite.

In particular, it will not enter into any relationship with

- companies involved in the organisation of gambling (except for state-licensed companies);
- companies and persons associated with arms trafficking, illegal drugs, pornography, human trafficking, and other serious criminal acts;
- companies incorporated in offshore countries;
- Shell Bank, other money service businesses, and businesses whose account is operated as a payable-through account or transit account;
- business trust companies.

We assess the establishment or maintenance of a business relationship as a high-risk factor and prepare a separate expert (AML) assessment in each case, if, among other things, the following activities or circumstances arise:

- human resource-intensive activities as well as businesses related to construction, pharmaceuticals and healthcare, defence, mining and public procurement;
- businesses active in payment services, casino operations or precious metals trading;
- enterprises with a high cash turnover;
- persons and companies about whom unfavourable media reports or other relevant information has emerged (e.g. negative information about crime or terrorism);
- companies and non-profit organisations covered by existing legislation operating with the involvement of a Politically Exposed Person
- legal entities and natural persons who are non-residents as defined in the internal rules and who cannot provide sufficient justification for the use of the service

The following features also involve high risk and therefore are subject to enhanced customer due diligence:

- Politically Exposed Person (PEP, including PEP relatives and closely associated persons);
- accounts opened not in person (exception for via online channels).

Regulatory compliance

In view of the European Union regulations in force at any given time, which set out the mandatory data requirements for transfers of funds, it is essential that our customers provide us with accurate and complete information about themselves, the beneficiaries of their outgoing transfers and any other transactions that are recorded in their accounts.

Please note that our Bank may request additional information or documentation on certain transactions or orders before or after they are accepted.

The Bank reserves the right to refuse certain transactions after verification.

Monitoring of business flows, detect unusual and prohibited transactions

Our Anti-Money Laundering Prevention, Sanctions and Anti-Corruption procedures include the use of monitoring software to detect unusual and illicit transactions. For filtered transactions, we ask our customers for additional information about the transactions in their accounts and their transaction partners. If we do not receive a satisfactory answer to our questions within a reasonable period of time, and the nature and content of the business relationship is not reasonably justified towards our Bank, we reserve the right to refuse certain transactions and, if necessary, to immediately terminate the customer relationship.

Risk appetite in relation to sanctions

We will not establish or maintain a customer relationship with any natural person or legal entity who is on one of the following sanction lists or is prohibited by any law or regulation from having a customer relationship. We will also not execute any orders in connection with such natural persons or legal entities.

1. United Nations Security Council Sanction List (UN)
2. European Union Consolidated Financial Sanctions List (EU)
3. The Sanction List maintained by the US Office of Foreign Assets Control (OFAC), which includes the List of Specially Designated Nationals And Blocked Persons (SDNs).

Based on the above we do not execute transaction orders directly or indirectly related to:

- Iran, Myanmar/Burma, North Korea, Sudan, South Sudan or Syria, Crimea;
- transactions originating in or destined for Russia or Belarus;
- transactions relating to Afghanistan, Cuba, Venezuela or Yemen if the activity or transaction is denominated in US dollars (transactions in other currencies are subject to individual assessment);
- transactions involving the Luhansk, Donetsk, Zaporozhye and Kherson regions of Ukraine, if there is a US or US dollar exposure.

Based on our own risk assessment, in addition to other countries, our Bank carries out enhanced monitoring for transactions to or from the following countries, and may sometimes require additional information or documents to be provided for the execution of such transaction orders:

Armenia, Azerbaijan, Barbados, Bulgaria, Burkina Faso, Cameroon, China, Croatia, Cuba, Gibraltar, Georgia, Jamaica, Kazakhstan, Kyrgyzstan, Lebanon, Mongolia, Mozambique, Nigeria, Panama, Pakistan, the Philippines, Saudi Arabia, South African Republic, Senegal, Tanzania, Turkey, Trinidad and Tobago, Uganda, United Arab Emirates, Vanuatu, Vietnam, Zimbabwe.

Our Bank, at its discretion, does not execute transactions to or receive transactions from the following countries: Burundi, Chad, Equatorial Guinea, Eritrea, Guinea-Bissau, Haiti, Iraq, Yemen, Democratic Republic of Congo, Central African Republic, Libya, Mali, Moldova, Nicaragua, Niger, Rwanda, Somalia, Sudan, Tajikistan, Turkmenistan, New Caledonia, Uzbekistan.

The Bank will make exceptions to the above only in special cases (e.g. with the authorisation or under an obligation of the authorities) and after detailed examination.

The Bank reserves the right to update and amend the above lists from time to time.

We would like to draw your attention to the fact that correspondent banks may also decide to suspend or reverse any transaction on the basis of their own internal regulations.

From a risk perspective, those countries identified as being at increased risk of Tax Havens, Offshore, Corruption, Money Laundering or Fraud are also considered high risk. The lists are based on international standards and the Bank's own risk appetite.