

AML Policy

1. Introduction or Executive Summary

Nova KBM has its headquarters in Maribor, Slovenia, and is supervised by the National AML Office and the Bank of Slovenia. The Republic of Slovenia, by adopting the new Prevention of Money Laundering and Terrorist Financing Act (ZPPDFT-1, published in the Official Gazette of the Republic of Slovenia, No. 68/16) in November 2016, fully transposed the requirements of Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering and terrorist financing into the Slovenian legal system, and thus indirectly achieved compliance with the FATF recommendations. Nova KBM is fully compliant with all legal requirements in the AML area. The AML and Sanctions Internal Act and the Client Acceptance Policy are adopted by the Bank's management board. Nova KBM has appointed an authorized person for the prevention of money laundering (AML Officer), responsible for the effective implementation of the money laundering and terrorist financing prevention system and the coordination of these activities at the Bank. Additionally, the Bank also established a dedicated AML Office.

Nova KBM is committed to the highest standards of Anti-Money Laundering (AML), Anti-Financial Crime (AFC) and Counter Terrorism Financing (CTF). The members of the Management Board and all employees are required to adhere to these standards to protect Nova KBM and its reputation from being misused for money laundering and/or terrorist financing or other illegal purposes.

Nova KBM will examine its AML and AFC strategies, goals and objectives on an ongoing basis and maintain an effective program for the Bank's business that reflects the best practices for a diversified, global financial services provider.

This Policy is used as good practice at the level of the entire NKBM banking group, in accordance with the AML risk assessment of the products offered by any member of the group. The Nova KBM Group consists of a total of 6 members. Nova KBM is the parent company of the Nova KBM Group.

The Nova KBM AML group programme is formulated and directed by the Nova KBM AML Office and addresses all AML-related topics, especially Know Your Customer (KYC), Sanctions, and Embargoes.

2. Policies and Procedures

For all these topics Nova KBM has implemented clear rules and regulations and all Nova KBM and group employees are obliged to comply with the rules. General rules for client acceptance are covered in the Client Acceptance Policy. Detailed documents and established controls on the first, second and third level ensure that defined standards are implemented into day-to-day

business. Policies are subject to an annual review cycle to ensure their conformity with AML regulations and current process.

Nova KBM has implemented an ongoing AML/AFC Risk Analysis to assess the level of risk exposure, considering the Bank's clients, products, services, entities and geographic risk, and to derive from this analysis appropriate security measures. AML safeguards derive from the results of the AML Risk Analysis.

AML Officers in Nova KMB Group are obliged to conduct appropriate controls. The responsible AML Officer must ensure, by implementing adequate client- and business-related controls, that all applicable AML and AFC requirements are being adhered to and security measures are properly functioning.

Nova KBM has implemented a strict group-wide KYC program to ensure all kinds of clients are subject to adequate identification, risk rating and monitoring measures. This program has been implemented for all Nova KBM Group members. KYC includes not only knowing the clients and entities, but also the Ultimate Beneficial Owners (UBOs), Legal Representatives and Authorized Signatories, as appropriate. The program includes strict identification requirements, name-screening procedures, and the ongoing monitoring and regular review of all existing business relationships.

Special safeguards are implemented for business relationships with politically exposed persons (PEPs) and clients from countries or industries deemed high risk.

3. Management and Controls of AML and AFC Risk

Nova KBM has developed and implemented a comprehensive set of measures to identify, manage, and control its AML risk. These measures are:

1. Client Due Diligence Procedures
2. Clients Risk Assessment
3. Continuous monitoring of the client's business relationship
4. Internal and External Reporting process
5. Compliance Assessment and Testing
6. Training and Awareness program
7. Recording and Recordkeeping of Information
8. Anti-Terrorism and International Sanctions

3.1. Client Due Diligence Procedures

One of the key principles of the system for the prevention and detection of money laundering transactions is that all employees must have adequate knowledge of their clients from the beginning of the business relationship or when occasional transactions are carried out ("Know Your Customer" or "KYC").

The most recent regulatory changes have resulted in the move from a mere client identification obligation – essentially consisting of obtaining information on the client's identity – to a wider range of verification requirements, which extend to the continuous and constant assessment of the transactions conducted during the business relationship, according to the evolution of the client's intended economic purpose.

Client due diligence therefore consists of a series of measures, some concentrated at the beginning of the relationship and others to be applied continuously throughout the entire duration of the relationship.

Client due diligence may be: standard, simplified or enhanced, applicable on a risk-based approach and depending on the circumstances.

All the branches of the Bank, as well as any employee who may subsequently initiate or manage a business relation with a client of the Bank, must make sure that they know their clients by enforcing rigorous due diligence procedures. The KYC due diligence shall be performed for all types of operations and services. All client must be compliant with the Client Acceptance Policy (CAP).

3.2. Client Risk Assessment

The Bank shall assign to each client a risk level based on risk indicators which take into consideration:

- a. Risks associated with the type, business profile or structure of the customer;
- b. Risks associated with the origin of the customer (geographical criterion);
- c. Risks associated with the nature of the business relationship, product or transaction;
- d. Risks arising from past experience with the customer.

The Bank shall assess all new products and services regarding the associated risk related to money laundering and terrorism financing. Before launching any new products and services, the responsible product management staff shall perform the risk analysis from AML/AT perspective, and shall request an opinion from the AML Office regarding the results of the risk analysis. The risk profile shall be regularly updated.

3.3. Continuous monitoring of the business relationship

The continuous monitoring of the business relationship shall be made through:

- a. the analysis of the client's transactions performed during the relationship in order to ensure that such transactions are in line with the information held about the client, its risk profile, and the transactional profile, including the source of funds, as the case may be;
- b. the permanent update of the client's documents, data and information.

The Bank ensures the monitoring of clients' activities by monitoring the transactions they carry out through all the accounts, regardless of the account type.

The Bank shall perform a periodical review of the information concerning the client and will carry out the permanent updating of the records collected at the beginning of the relationship with the client.

3.4. Internal and External reporting

The bank regularly notifies the Office of the Republic of Slovenia for Money Laundering Prevention of all cash transactions exceeding EUR 15,000.00, all transactions exceeding EUR 15,000.00 remitted to the accounts of legal and natural persons in high risk countries or from high risk countries, and all suspicious transactions.

3.5. Compliance Assessment and Testing

The control of compliance with internal provisions is performed according to the internal control procedures and the internal audit activity. The internal auditor checks the AML area at least annually as part of a special audit, and as part of controlling all business area across the Bank.

Compliance with KYC and anti-money laundering/anti-terrorism financing regulations are subject to the control and supervision of the competent authorities.

3.6. Training and Awareness Program

The Bank conducts formal staff training programs, which are held periodically, at least annually, in order to ensure that the staff are aware of their responsibilities and are kept updated with the developments in the field.

The training program has a purpose to develop the professional competencies of the Bank's employees, to prevent the misuse of the Bank for money laundering or other illegal activities, and to maintain the Bank's activity in compliance with the legal requirements in force.

3.7. Recording and Recordkeeping

The Bank shall maintain all documents and records regarding the client's activities and identity in an appropriate manner, so that the documents may be used as evidence. The subject matter is described in detail in the Client Acceptance Policy.

All requested data and documentation obtained by the Bank during client due diligence are kept in the records of data on the clients and their transactions for the legally prescribed period (10 years following the termination of a business relationship or the completion of a transaction or the approach to the safety deposit box).

3.8. Anti-Terrorism and International Sanctions

Terrorist financing and money laundering differ in the fact that money laundering involves proceeds originating from illegal activities that are then re-entered into the legal circuit by means of laundering transactions or re-investment, whereas in terrorist financing activities, financial resources may be legal, but their subsequent use is illegal (money dirtying).

In much the same way as money laundering, the activities carried out by terrorist groups operating at the international level require the use of considerable economic resources that are also transferred via banking and financial channels.

Certain international and domestic laws have imposed restrictions and prohibitions on conducting or promoting business with certain designated governments, companies, organizations and individuals. Over the last decade there has been a significant increase in the need to counter terrorist financing at the international level. This has led to the adoption of a series of measures, both international (United Nations resolutions, The Office of Foreign Assets Control - OFAC) and European (Community regulations implementing the resolutions)

aimed at combating terrorism at the financial level. All clients and all transactions are screened against the stated lists.

Nova KBM does not cooperate and does not conduct transactions with the entities against whom sanctions are imposed. The Bank does not establish business relationships with legal or natural persons that are directly or indirectly associated with the countries of Syria, Sudan, North Korea, Cuba, Iran and the Crimea region. The procedures and processes are further defined in the Nova KBM Methodology for restrictive measures.