ANTI MONEY LAUNDERING POLICY

Compliance

Belfius

Contents

1. The Company

Belfius Bank ("Belfius") is an autonomous Belgian banking and insurance group wholly owned by the Belgian federal state through the Federal Holding and Investment Company (FHIC).

Belfius is, above all, a local bank, collecting savings deposits and investments via its distribution networks in Belgium. It then re-invests these funds into the society in the form of loans to individuals (mainly mortgage loans), the self-employed, small and medium-sized enterprises and the liberal professions, corporates and, in particular, public and social institutions.

Belfius is registered in Brussels as a credit institution according to Belgian law and regulations and approved by the National Bank of Belgium (NBB).
Belfius is regulated by both the NBB and the Financial Services and Markets Authority (FSMA).

Belfius is covered by article 2 of the 4th European Directive on the prevention of the use of the financial system for the purposes of money laundering (The "Directive 2015/849 of the European Parliament and Council of 20 May 2015").

2. Objectives

The purpose of this policy is to establish the general framework with Belfius for the fight against money laundering (ML) and financing of terrorism (FT).

Belfius also puts reasonable measures in place to control and to limit ML/FT risk, including dedicating the appropriate means.

Belfius is committed to high standards of anti-money laundering / counter the financing of terrorism (AML/CFT) compliance and requires management, employees and subsidiaries to adhere to these standards in preventing the use of its products and services for money laundering or terrorism financing purposes.

The AML program of Belfius is designed to be compliant with :

- International standards : recommendations and papers from the Financial Action Task Force (FATF), from the Wolfsberg Group and from the Basle Committee on Banking Supervision;

- European and Belgian laws and regulations related to AML/CFT :

    - EU : "Directive 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 or terrorist financing"

    - EU : "Regulation 2015/847 on information accompanying transfers of funds"

- EU : Various regulations imposing sanctions or restrictive measures against persons and embargo on certain goods and technology, including all dual-use goods

- BE : "Law of 18 September 2017 on the prevention of money laundering and terrorism financing and limitation of the use of cash" [1]

3. Money Laundering and Terrorism Financing

Money Laundering means :

a. the conversion or transfer of property, knowing that such property is derived from criminal activity or from an act of participation in such activity, for the purpose of concealing or disguising the illicit origin of the property or of assisting any person who is involved in the commission of such an activity to evade the legal consequences of that person's action;

b. the concealment or disguise of the true nature, source, location, disposition, movement, rights with respect to, or ownership of, property, knowing that such property is derived from criminal activity or from an act of participation in such an activity;

c. the acquisition, possession or use of property, knowing, at the time of receipt, that such property was derived from criminal activity or from an act of participation in such an activity;

d. participation in, association to commit, attempts to commit and aiding, abetting, facilitating and counselling the commission of any of the actions referred to in points (a), (b) and (c).

Money laundering shall be regarded as such even where the activities which generated the property to be laundered were carried out in the territory of another Member State or in that of a third country.

Terrorism financing means :

the provision or collection of funds, by any means, directly or indirectly, with the intention that they be used or in the knowledge that they are to be used, in full or in part, in order to carry out any terrorist act.

4. Organization of the AML/CFT function

4.1. Corporate organization

In accordance with the AML/CFT legislation, Belfius has appointed a responsible at the "highest level" among its Board of Directors for the prevention of ML/TF : The CEO at Group level.

[1] "*Loi du 18 septembre 2017 relative à la prévention du blanchiment de capitaux et du financement du terrorisme et à la limitation de l'utilisation des espèces.*" - "*Wet van 18 september 2017 tot voorkoming van het witwassen van geld en de financiering van terrorisme en tot beperking van het gebruik van contanten*"

Furthermore, an AMLCO (Anti Money Laundering Compliance Officer) is in charge of the enforcement of the AML policy and procedures within the bank.

The AMLCO is placed under the direct responsibility of the Compliance Officer, himself under the direct responsibility of the Chief Executive Officer.

4.2. Policy implementation requirements

Each major change of Belfius AML policy is subject to approval by the bank's Management Board.

4.3. Enterprise-wide risk assessment

The 4th European Directive on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing requires financial institutions to take a risk based approach to combating ML and TF. The risk assessment is a critical component of the Belfius AML/CFT compliance management programme.

As part of its risk-based approach, Belfius has conducted an AML "Enterprise-wide risk assessment" (EWRA) to identify and understand risks specific to Belfius and its business lines. The Belfius AML risk profile is determined after identifying and documenting the risks inherent to its business lines such as the products and services the bank offers, the customers to whom such products and services are offered, transactions performed by these customers, delivery channels used by the bank, the geographic locations of the bank's operations, customers and transactions and other qualitative and emerging risks.

The identification of AML/CFT risk categories is based on Belfius understanding of regulatory requirements, regulatory expectations and industry guidance.

The EWRA is yearly reassessed.

5. Minimum standards

Belfius has established standards regarding Know-Your-Customer ("KYC"). These standards require due diligence on each prospective customer before entering into a business relationship via identification and verification of his identity and, as the case may be, his representatives and beneficial owners on the basis of documents, data or information obtained from a reliable and independent source compliant with the domestic and European AML/CFT legislation and regulation.

Interpretation of the KYC principle begins with identification of the customer by means of the necessary identification documents.
That identification, completed by other information gathered, enables the Customer Acceptance Policy to be applied.

In addition to these objective criteria, there are subjective elements which may arouse suspicions regarding a customer and to which particular attention should be paid.

Finally, as KYC does not involve static data, but dynamic data through the relationship with the customer, it also needs follow-up and ongoing monitoring of the customer.

5.1. Customer identification and verification (KYC)

The formal identification of customers on entry into commercial relations is a vital element, both for the regulations relating to money laundering and for the KYC policy.

This identification relies on the following fundamental principles :

- Each customer (= each individual person and/or each person involved in the case of a legal entity) must be identified by means of original supporting documents.
- These documents will be recorded in a centralised system.
- The identification must be completed by "face-to-face" contact.
- Distance identification is also authorised and possible within a dedicated acceptance process, but limits the opportunity to carry out certain transactions or to access certain products.
- Each person identified must be registered by IT means.
- A person will not be accepted as a customer if the identification process proves to be incomplete.

The specific case of the due diligence exercised on the acceptance of politically exposed persons (PEP).

The legal obligations contained in the Law of 18 September 2017 require account to be taken of increased due diligence being extended to politically exposed persons who are Belgian residents.

Concrete application at Belfius is reflected by a specific identification procedure for customers referenced as PEP, whatever their place of residence.

5.2. Risk Profile calculation

To assist in determining the level of AML/CFT due diligence to be exercised with regard to the customer, a “Compliance” risk profile is calculated first of all on entry into relations (Low, Medium, High), and is then recalculated daily.

5.3. Customer acceptance policy

Several elements require the establishment of a customer acceptance policy, in particular :

- accepting as customers only persons and entities with which Belfius may and wishes to develop commercial relations, and who correspond to the bank’s current business model, ambitions and means;
- ensuring that the sales network has a good knowledge of the customer (KYC) and can exercise the due diligence appropriate to their level of risk from the start of the customer relations;
- avoiding Belfius entering into business relations with persons who might involve it in money laundering or terrorism financing transactions;
- meeting a legal / regulatory requirement;
- applying the risk-based approach run by Belfius in categorising customers in relation to risk criteria.

Principles

The acceptance policy is applied to any person or entity asking for a financial transaction, product or service from Belfius or its subsidiaries.

As a general rule, customers who may be accepted by Belfius are persons or entities :

- fully identified in accordance with the bank's procedures, and
- with a significant link with Belgium by their establishment or by a sustainable source of income, and
- where the reality of that significant link can be checked by the relationship manager or on the basis of credible external sources, and
- when such financial relations will be active, diversified and over the long term.

Belfius will not accept customer relations with persons or entities not meeting the above acceptance criteria, or whose legitimate intentions do not immediately appear to be sufficient, or included in the Belgian or European Union lists of persons or entities under financial sanction, or carrying on a commercial activity which is considered by Belfius as particularly at risk. Moreover, Belfius does not authorise the opening of anonymous accounts.

5.4. Ongoing customer due diligence

For some dedicated higher risk customer categories, a periodically risk-based review is carried out to ensure that customer-related data or information is kept up-to-date.
The current KYC review process regarding the other customer categories is essentially based on an "awareness principle" following the examination of a dedicated file by the AML team. This awareness principle consists in asking the customer's relationship manager henceforth to closely perform a periodic KYC review of the customer.

5.5. Ongoing transaction monitoring

AML-Compliance ensures that an "ongoing transaction monitoring" is conducted to detect transactions which are unusual or suspicious compared to the customer profile.
This transaction monitoring is conducted on two levels :

1) The first Line of Control :

Belfius makes its network aware so that any contact with the customer, account holder or authorised representative must give rise to the exercise of due diligence on transactions on the account concerned. In particular these include :

- requests for the execution of financial transactions on the account;
- requests in relation to means of payment or services on the account;
- investment interviews;
- loan requests.

The specific transactions submitted to the relationship manager, possibly through their Compliance Manager, must also be subject to due diligence.

Determination of the unusual nature of one or more transactions essentially depends on a subjective assessment, in relation to the knowledge of the customer (KYC), their financial behaviour and the transaction counterparty.

The transactions observed on customer accounts for which it is difficult to gain a proper understanding of the lawful activities and origin of funds must therefore more rapidly be considered atypical (as they are not directly justifiable).

Any Belfius staff member must inform the AML division of any atypical transactions which they observe and cannot attribute to a lawful activity or source of income known of the customer.

2) The second line of control :

The first line of control is supplemented by a risk-based automated second line of control, including an increased monitoring of transactions of customers considered as high risk.

The monitoring is conducted using a high-performance standard market tool, supported by the bank's infrastructure and IT.

To accompany these due diligence measures, other more structural measures are progressively put in place, like the limitation of cash deposits, applicable for each category of customer.

5.6. Embargos and sanctions screening

To ensure compliance with the applicable sanctions against persons and entities, Belfius has put in place a list matching system in order to compare the names of its customers with official lists from Belgium , the European Union, the OFAC or the UN. Transactions are also filtered through an on-line matching system in order to ensure compliance with sanctions obligation for fund transfers with foreign banks.

In addition to the above and in order to provide all business lines with up-to-date information related to jurisdictions under embargo, Belfius internally edits and maintains a Country Watchlist ("BCWL") including the following jurisdiction :

- Jurisdictions subject to EU export sanctions (including the sanctioned goods);
- Jurisdictions subject to EU import sanctions (including the sanctioned goods);
- Jurisdictions subject to US sanctions (including the sanctioned goods or transactions);
- Jurisdictions designated by officials (like FATF) as subject to a higher money laundering risk;
- Jurisdictions considered as fiscal paradise by the Belgian authorities.

6. Organization of internal control

6.1. Suspicious transactions reporting

In its internal procedures, Belfius describes in precise terms, for the attention of its staff members, when it is necessary to report and how to proceed with such reporting.

Reports of atypical transactions are analysed within the AML team in accordance with the precise methodology fully described in the internal procedures.

Depending on the result of this examination and on the basis of the information gathered, the AML team :

- will decide whether it is necessary or not to send a report to the FIU, in accordance with the legal obligations provided in the Law of 18 September 2017;
- will decide whether or not it is necessary to terminate the business relations with the customer.

6.2. Procedures

The AML/CFT rules, including minimum KYC standards, have been translated into operational guidances or procedures that are available on the Intranet site of Belfius.

6.3. Record keeping

Records of data obtained for the purpose of identification must be kept for at least ten years after the business relationship has ended.

Records of all transaction data must be kept for at least ten years following the carrying-out of the transactions or the end of the business relationship.

6.4. Training

Belfius has developed different ways of training and awareness in order to keep its staff aware of the AML/CFT duties.

The training and awareness programme is reflected in its usage by :

- a mandatory AML e-learning training programme in accordance with the latest regulatory evolutions;
- academic AML learning sessions for all new branch employees. The content of this training programme has to be established in accordance with the kind of business the trainees are working for and the posts they hold. These sessions are given by an AML-specialist working in Belfius' AML team.

6.5. Auditing

Internal audit regularly establishes missions and reports about AML/CFT activities.