

Risk appetite of Coop Pank AS in the area of AML/CTF and implementation of international sanctions

This is for the information of potential and existing clients and other third parties in respect of the risk appetite of Coop Pank AS (hereinafter referred to as the Bank) and Coop Liising and Coop Finants (hereinafter collectively referred to as the Group) in the area of anti-money laundering and counter-terrorism financing (AML/CTF) as well as international sanctions.

The obligation of banks to define their risk appetite in the area of AML/CTF arises from the Money Laundering and Terrorist Financing Prevention Act. In essence, this means that banks are obliged to define the clients they will and will not serve as well as those regarded by the banks as high-risk clients.

This is not the Group's risk appetite document, but an explanatory summary of said document.

1. General principles for establishing and managing client relationships.

Knowing our clients

The Group wishes to do business with trustworthy clients who use its products and services for lawful purposes and whose identity, beneficial owners and origin of assets can be identified and, where necessary, verified. It is also important for the Group to understand the nature and objective of a client's business relations and transactions.

Due diligence measures taken to get to know our clients

A risk-based approach is used upon the application of measures required for us to get to know our clients and understand the objective of their business relations, incl. upon the application of enhanced due diligence measures: due diligence measures are applied to a client to the extent necessary for managing the risk arising from said client. If a client does not allow the Group to apply due diligence measures, the Group is unable to establish or continue business relations with said client.

Identifying our clients

The Group establishes client relationships in its branch network, from a distance in the form of field sales, by identifying persons directly via partners or by identifying them electronically. In order to avoid taking excessive risks, the Group only uses electronic identification in respect of Estonian citizens, natural persons who are holders of long-term Estonian residence permits and legal persons established in the Republic of Estonia.

Country risk related to clients

The Group establishes business relationships with both residents and non-residents, incl. residents whose business operations take place outside of Estonia and the European

Economic Area. E-residents are classified as non-resident clients.

The following are regarded as non-residents:

- Private persons whose permanent place of residence is not in Estonia or who have been issued with a residence permit for a period of less than one year;
- A company registered abroad or an Estonian company if it is controlled by a person who is not a resident of Estonia (i.e. the company is under the ownership of a non-resident beneficial owner/owners to the extent of more than 25% of the company being controlled by one or more non-residents in any other manner, or if the majority of the company's management consists of non-residents).

In the case of a legal entity, a strong connection to Estonia means:

- the company's economic activities are connected to Estonia (e.g. its permanent place of business or employees are in Estonia);
- its main partners are in Estonia;
- it provides a product or service that is aimed at the Estonian market (e.g. an Estonian-language online store);
- it has property in Estonia or the company's operations are related to property (e.g. property management or development); and/or
- it has another significant and verifiable connection which explains the need to have a bank account in Estonia (e.g. the company's management consists largely of Estonians, or similar).

In the case of a private person, a strong connection to Estonia means:

- an effective employment contract or the employer's written confirmation of employment in Estonia or in an Estonian company and confirmation of registration of short-term employment in Estonia;
- a certificate of an educational institution confirming that the person is studying in Estonia (which must be valid for at least six (6) months and be no more than one (1) month old);
- existing property in Estonia whose upkeep costs are paid from the Bank account or rent from which is paid into the Bank account; and/or
- another significant and verifiable connection which explains the need to have a bank account in Estonia.

Any non-resident who wishes to establish a business relationship must have a strong connection to Estonia. When an account is opened, the abovementioned connections are assessed collectively, wherein meeting a single criterion may not be considered a sufficiently strong connection in all situations to establish a business relationship.

2. Restrictions in establishing client relationships and performing transactions

- 2.1. The Group does not establish business relationships and refuses to perform occasional transactions with persons:

- in regard to whom there are suspicions of a breach of a requirement arising from law (e.g. avoiding the payment of taxes or operating without a licence);
 - who have committed, or in whose case there are suspicions based on public information that they have committed or a person related to them has committed, a significance offence, incl. trading in drugs, trafficking in human beings, terrorism, financial and tax crimes, money laundering and terrorist financing;
 - whose area of operations has been identified as the provision of a striptease service (e.g. striptease clubs) or adult entertainment (e.g. web portals aimed at adults);
 - in the case of whom there are suspicions that they are a front;
 - who have committed an attack against the Group (e.g. a cyber attack, submission of false data or forged documents, loan or other fraud) or who are engaged in activities that could tarnish the Group's reputation in any other manner;
 - who have refused to submit to the Group the data and documents required for the application of due diligence measures or who have done so to an insufficient extent or where there are suspicions that the submitted documents may have been forged;
 - the origin of whose assets and whose operations are unclear, incl. if the client does not provide sufficient cooperation for the implementation of due diligence measures arising from law;
 - who are registered in a high-risk third country¹ or if the company is owned by a company registered in such a country or if a client who is a natural person is from there;
 - whose capital consists of bearer shares or other bearer securities;
 - who constitute associations with no legal form (e.g. which have not registered themselves as NGOs);
 - who are a credit institution or financial institution or an institution that performs actions equivalent to those of credit institutions and financial institutions which have been established in a jurisdiction or country where it has no management or administration or physical location for purposeful business activities, and which is not associated with the group of a single credit institution or financial institution (a shell bank) or that is a credit institution or financial institution serving shell banks;
 - whose area of activity is the provision of virtual currencies (e.g. wallet service providers or cryptocurrency intermediaries). The prohibition does not apply to the activities and persons set out in point 3.2;
 - who have been identified as a participant in a money laundering scheme;
 - who are non-residents and have no strong connection to Estonia;
 - whose intended activities correspond to the characteristics of a so-called transit account (with any money that is received being quickly transferred on, the permanent account balance being small or actual economic activities being unidentifiable in the case of legal entities);
 - who have been associated with corruption;
 - whose area of activity is the weapons industry or weapons trade (excl. if related to Estonia or NATO); or who are registered in a non-cooperative jurisdiction for tax purposes or if the company is owned by a company registered in such a country².
- 2.2. The Group does not perform transactions:
- in connection with which there are suspicions of money laundering;
 - the origin of the resources for the performance of which are unclear;
 - which are identified as deviating significantly from the ordinary operations of the client;
 - in regard to which there are suspicions of a breach of a requirement arising from law (e.g. avoiding the payment of taxes or operating without a licence) or which bear characteristics of a sham transaction;
 - the explanation for which hints at criminal activity (e.g. human trafficking or the sale of narcotics), money laundering, the financing of terrorism or the breaching of sanctions;
 - which are connected to virtual currencies. The prohibition does not apply to the activities and persons set out in point 3.2;
 - for which the Bank is used solely for the transfer of funds (so-called transit account activity);
 - whose objective or other circumstances are not understood by the Group; or
 - in regard to which the client has not submitted sufficient explanations or documentation.
- 2.3. The Bank restricts the intermediation of payments to countries regarded as those with a higher risk of terrorist financing or where, in the opinion of the Financial Action Task Force (FATF), adequate AML measures have not been applied³.
- ### 3. Prohibited products/services and activities
- 3.1. The Group does not provide the following services to its clients:
- Intermediation of payments to countries on the Bank's list of prohibited countries;
 - Provision of trust management and company services, incl. the establishment of companies or provision of respective
 - Consultations;
 - Provision of consultation services in the areas of accounting or taxation;
 - Transactions related to virtual currencies, i.e. cryptocurrencies (purchase, sale, intermediation or safekeeping of cryptocurrencies), as well as transactions linked to NFTs (non-fungible tokens);
 - Cross-border cash or securities transport services;
 - Correspondent banking services to credit institutions.
- 3.2. In relation to virtual currencies and virtual currency service providers, the following is permitted as an

¹ Regulated by law. These countries largely overlap with the list published here: <https://www.cooppank.ee/en/forbidden-payments>

² List of countries: <https://www.consilium.europa.eu/en/policies/eu-list-of-non-cooperative-jurisdictions/>

³ Restrictions related to payments:

<https://www.cooppank.ee/en/forbidden-payments>

exception for the virtual currencies indicated in points 2.1 and 2.2:

- Investing in virtual currencies via the Bank, provided that the person also makes other settlements in the Bank and the origin of their assets is clear;
- Settlements by virtual currency service providers which are not related to the provision of virtual currency services (e.g. salaries to employees, rental payments, tax settlements, or similar);
- Payment of invoices related to the client's economic activities if the client has agreed with the service provider that invoices are to be paid in a virtual currency (e.g. the Bank's client transfers their funds to a crypto platform for conversion into a virtual currency and payment of invoices).

4. International sanctions and prevention of proliferation of weapons of mass destruction and of terrorist financing

4.1. The Group does not establish business relationships and refuses to perform occasional transactions with persons: on the lists below or owned by or under the control of such persons:

- Consolidated List of EU Sanctions (EU)
- List established with a resolution of the United Nations (UN) Security Council
- Sanctions lists (Specially Designated Nationals (SDN)) managed by the US Office of Foreign Assets Control (OFAC);
- who are Russian or Belarusian citizens who do not have a valid residence permit for a Member State of the European Union, the European Economic Area or Switzerland; or
- in which a share of 50% or more is held or over whose management or supervisory boards actual control is exercised as the chairman by a person who is a Russian or Belarusian citizen who does not have a valid residence permit for a Member State of the European Union, the European Economic Area or Switzerland.

4.2. The Group applies restrictive measures in its activities against countries and persons known or suspected of being used to evade international sanctions.

4.3. The Group does not perform transactions:

- in the case of which it is difficult or impossible to make sure that the performance of the transaction will not violate a financial or other international sanction or in the case of which it is not possible to rule out suspicions of terrorist financing. This also extends to establishing and maintaining client relations;
- involving the transfer of funds to or from Russian or Belarussian banks. This restriction extends to all subsidiaries of Russian and Belarussian banks that may be registered or operate outside of Russia and Belarus;
- initiated within Russian and Belarussian banks or other financial institutions or via the subsidiaries of these banks or financial institutions operating in the EU;
- initiated within companies established outside of Russia or Belarus but of which more than 50% of the owners are from Russia or Belarus;

- initiated within companies established in Russia or Belarus via any other bank or financial institution;
- in regard to which it is ascertained that the final beneficiary of a Russian or Belarussian party in the goods supply chain or otherwise involved in the transaction or of the goods or service is Russian or Belarussian;
- involving, in general, the transfer of funds to Armenian, Azerbaijani, Kazakhstani, Kyrgyzstani, Moldovan, Serbian, Tajikistani, Turkmen and Uzbekistani banks or the acceptance of payments from them; or involving transactions connected to North Korea or Iran.

4.4. In respect to transactions connected to the regions of Crimea, Luhansk, Donetsk, Kherson and Zaporizhia that concern restrictions or prohibitions on goods, services or other activities (such as tourism or investment), the Bank applies enhanced due diligence measures and avoids, inter alia, transactions which, in the Bank's opinion, may be inconsistent with the purpose of the sanctions or in respect of which the Bank suspects the evasion of sanctions.