



TURKIYE HALK BANKASI A.S.

**COMPLIANCE POLICY ON ANTI-MONEY LAUNDERING AND
COMBATING THE FINANCING OF TERRORISM**

COMPLIANCE DEPARTMENT

Document No: Y28-1124-4.0.0

27.04.2021

HALKBANK	COMPLIANCE POLICY ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM
	COMPLIANCE DEPARTMENT

CONTEXT

A. DEFINITIONS	1
B. ABBREVIATIONS	4
C. OBJECTIVE.....	5
D. SCOPE	5
E. LEGAL BASIS	5
F. COMPLIANCE PROGRAM	6
G. RISK MANAGEMENT.....	7
H. MONITORING AND CONTROL	10
I. INTERNAL AUDIT	11
J. TRAINING	12
K. MISCELLANEOUS	13
L. COMPLIANCE PROCESS AND RESPONSIBILITIES	13
M. ENFORCEMENT	13

TURKIYE HALK BANKASI A.S.
ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM
COMPLIANCE POLICY

Turkiye Halk Bankası A.S. acts in full compliance with the national and international laws and other legal regulations in respect of Anti-Money Laundering & Countering the Financing of Terrorism (AML/CFT), Countering the Proliferation of Weapons of Mass Destruction (WMD), prevention of bribing and corruption as well as Sanctions Programs, considering the damage caused by these efforts in social life, within the framework of social responsibility and, attaches great importance to this struggle.

A. DEFINITIONS

Auditor: Tax Inspectors, Treasury and Finance Specialists employed at FIU of Turkey (MASAK), Customs and Trade Inspectors, Sworn-in Bank Auditors, Treasury Comptrollers, Insurance Supervisory Experts and Actuaries, Banking Regulation and Supervision Agency Experts, Capital Markets Board Experts and the Central Bank Auditors and Experts.

Asset: Any kind of movable or immovable, tangible or intangible goods or rights which have monetary value, and any kind of legal documents or instruments certifying rights on them.

Beneficial Owner: Beneficial owner means natural person(s) who ultimately control(s) or own(s) natural person who carry out a transaction within an obliged party, or the natural persons, legal persons or unincorporated organizations on whose behalf a transaction is being conducted within an obliged party.

Bribery: Offering, promising, giving, soliciting, and accepting of an advantage as an inducement for an action that is illegal, unethical or breach of trust.

Compliance Officer: The officer who is employed for the purpose of ensuring the compliance with obligations established through the Law No. 5549 on Prevention of Laundering Proceeds of Crime or the legislation issued on the basis of the Law and who is entrusted with the required authority.

Compliance Program: All of the measures which is to be established for the prevention of proceeds of crime and financing of terrorism.

Compliance Unit: The department comprises of personnel directly attached to the Compliance Officer and responsible for the execution of the compliance program. (This function is performed by the Compliance Department at Turkiye Halk Bankasi AS)

Corruption: Committing intentionally the promise, offering or giving, to a public official, directly or indirectly, of an undue advantage, for the official himself or herself or another person or entity, in order that the official act or refrain from acting in the exercise of his or her official duties; or the solicitation or acceptance by a public official, directly or indirectly, of an undue advantage, for the official himself or herself or another person or entity, in order that the official act or refrain from acting in the exercise of his or her official duties

Customer Profile: Entire information (profile) consisting of information such as occupation, commercial activities, business background, financial status, source of funds, preferred banking products and services of customer who conducts transactions at the Bank.

Deputy Compliance Officer: The officer to whom the compliance officer may delegate his/her duties and responsibilities entirely or partially by a clear statement in writing, who is meeting the requirements and qualifications for being a Compliance Officer, and assigned exclusively as the personnel of the institution by Board of Directors or authorized Board Members to report to the Compliance Officer.

Executive Management: The General Manager and Deputy General Managers of the Bank, the Managers of units working under Internal Systems, as well as managers of units other than consultancy units carrying out duties in a position that is equivalent to, or higher than deputy general manager position in terms of authorities and duties, even if they are employed for different positions.

Financial Action Task Force (FATF): An organization established under OECD by G-7 countries in 1989 to take measures to improve national legal systems on prevention of money laundering and financing of terrorism, strengthens the financial system in harmonization of legislations, and ensures constant cooperation between member countries.

Financial Crimes Investigation Board (MASAK): The Board that carries out its activities under the Ministry of Finance, developing policies, making regulations, gathering and analyzing intelligence, and conducting investigations and examinations with a view to preventing and identifying laundering offenses, and that is tasked with and authorized to submit the obtained information and results to the competent authorities.

Financial Institution: Banks, organizations authorized to issue deposit or credit cards out of banks, authorized firms specified in the exchange legislation, finance and factoring companies, capital market intermediary institutions and portfolio management companies, payment or electronic money organizations, insurance, reinsurance and pension funds and insurance and reinsurance brokers, leasing companies, organizations to ensure clearing and maintenance based on the capital market legislation, Post and Telegraph Organization A.S. limited with banking activities.

Freezing of Assets: Removal or restriction of the power of disposition over the asset for the purpose of preventing obliteration, consumption, conversion, transfer, assignation, conveyance and other dispositional actions of the asset.

Fund: Money or property, right, claims of every kind whether movable or immovable, tangible or intangible which could be represented by money and all kinds of documents representing them.

Group: Turkiye Halk Bankasi A.S. and the domestic and foreign subsidiaries under the parent company Turkiye Halk Bankasi AS, which are affiliated with the same financial group and are operating as separate legal entities.

Group Compliance Policy: Common compliance policy established to implement global standards to combat against ML/FT in every country in which the Group operates.

International Sanctions: Decisions and regulations issued by international authorities regarding the countries, individuals, organizations or vessels which are subject to sanctions due to laundering proceeds of crime, terrorist activities or anti-democratic practices.

Laundering Offense: Within the scope of the crimes regulated in Article 282 of the Turkish Penal Code dated 26/09/2004 and numbered 5237, move the assets resulting from a crime with a limit of imprisonment of six months or more abroad or subjecting it to various processes in order to hide their illegitimate source or to give the impression that obtained from legal activities.

Money Laundering (ML): Money laundering, in simple terms, refers to all kinds of transactions carried out in order to introduce illicit proceeds into the economic system by disguising their origins to leave

HALKBANK	COMPLIANCE POLICY ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM
	COMPLIANCE DEPARTMENT

the impression of that they are obtained in a legitimate way. Money laundering typically includes three stages:

- **Placement** is the first stage and refers to the physical disposal of cash proceeds derived from illegal activity by placing the funds into the financial system.
- **Layering** is the second stage, which is the process of the separation of illicit proceeds from their source as much as possible by using different techniques to create complex layers of financial transactions.
- **Integration** is the third stage in which laundered funds are introduced into the legitimate economy, appearing to have originated from a legitimate source.

Nested Account Activities: The use of a bank's correspondent relationship by a number of underlying banks or financial institutions through their relationships with the correspondent bank's direct customer.

Payable-Through Accounts: The type of account that is opened in a financial institution located in Turkey within the scope of correspondent relationship by a financial institution located abroad, and that enables customers of the foreign financial institution to draw cheques.

Permanent Business Relationship: A business relationship that is established between obliged parties and their customers through services such as opening an account, lending loan, issuing credit cards, safe-deposit boxes, financing, factoring or financial leasing, life insurance and individual pension, and that is permanent due to its characteristics.

Politically Exposed Persons (PEPs): Persons with significant public duties and positions, such as presidents, heads of the governments, senior judicial and government officials, military officers, senior executives of public organizations.

Proceeds of Crime (Dirty Money): money or assets gained illegally and/or resulting from unpaid tax. (Asset value arising from a crime requires at least six-month prison sentence or more in national legislation)

Risk: The possibility of financial loss or loss of dignity among our bank or employees due to use of services for the purpose of ML/FT or not complying completely with the obligations established through the Law or Regulations and Communiqués issued in accordance with the Law.

Risky Countries: The countries that do not have sufficient laws and regulations on prevention of money laundering and financing of terrorism, which do not cooperate on combating these offences or are considered risky countries by competent international organizations.

Sanctioned Persons and Organizations: Persons and organizations in the ML/TF sanction lists issued by international organizations, such as UNSC Consolidated List, sanction lists published by OFAC, EU Consolidated List of Financial Sanctions, UK Consolidated List of Financial Sanction Targets.

Shell Bank: A bank that does not exist physically in any country, does not hire full-time employees, and is not subject to the supervision and permission of an official authority in terms of banking transactions and notes.

Suspicious Transaction Report (STR): A report submitted by branches and departments to Compliance Department informing of suspicious customers or transactions.

Terrorist Financing (TF): Providing or collecting funds for a terrorist or terrorist organizations, even without being associated with a certain act, knowingly and willingly that it will be used in whole or in part for the commission of terrorist crimes.

HALKBANK	COMPLIANCE POLICY ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM
	COMPLIANCE DEPARTMENT

Top Management: Board of Directors and executive management of the Bank.

UK Economic and Finance Ministry (HM Treasury): The responsible ministry in UK to improve and execute the government’s economic and finance policy under control of government expenditures. Office of Financial Sanctions Implementation (OFSI) operating under HM Treasury guides the public in understanding and implement sanctions properly.

US Department of the Treasury Office of Foreign Assets Control (OFAC): The organization operating under US Department of the Treasury to implement economical and commercial sanctions based on the foreign policy and national security objectives of the United States against countries, regimes, groups that are associated with terrorism, international drug traffickers, persons, institutions and organizations participating in dissemination of weapons of mass destruction, and other threatening activities.

Weapons of Mass Destruction: Nuclear, chemical and biological weapons causing mass deaths compared to conventional weapons, huge property losses and environmental and health problems for many years.

Wire Transfer: Any transaction carried out on behalf of an originator through a financial institution by electronic means with a view to making an amount of funds available to a beneficiary person at a beneficiary financial institution, irrespective of whether the originator and the beneficiary are the same person.

B. ABBREVIATIONS

AML/CFT: Anti-money laundering and combating financing of terrorism (financing of proliferation of weapons of mass destruction, crimes such as bribery/corruption are also covered)

EU: European Union

FATF: Financial Action Task Force

MASAK: Financial Crimes Investigation Board

OFAC: US Treasury Department Office of Foreign Assets Control

RoM: Regulations on Measures Regarding Prevention of Laundering Proceeds of Crime and Financing of Terrorism

UN: United Nations

HALKBANK	COMPLIANCE POLICY ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM
	COMPLIANCE DEPARTMENT

C. OBJECTIVE

The main objective of this Policy is to protect the national and international reputation of our Bank by ensuring/observing the compliance with the legal obligations and international sanction rules regarding money laundering, financing of terrorism/proliferation of weapons of mass destruction and prevention of bribery and corruption; to create strategies to reduce the risk that may be exposed by evaluating customers, transactions and services with a risk-based approach; to determine internal controls and measures, operating rules and responsibilities, and increase awareness of our Bank's employees on these issues accordingly.

The standards set forth in this policy (together with the standards in Group Compliance Policy) include the minimum requirements set by the applicable legislation, aim to protect our Bank, its employees and customers from being abused in terms of money laundering and terrorist financing. Our Board of Directors is ultimately responsible for ensuring the fulfilment of Bank's obligations regarding AML/CFT within the scope of the Law on the Prevention of Laundering Proceeds of Crime No.5549.

D. SCOPE

Our AML/CFT policy covers all domestic and foreign branches, representative offices provided that it complies with the legislation of the country, other offices and service units and, Head Office departments and other similar units such as agencies and commercial representatives.

E. LEGAL BASIS

The Law No. 5549 on Prevention of Laundering Proceeds of Crime, the Law No. 6415 on the Prevention of the Financing of Terrorism, the Law No. 7262 on Prevention of the Financing of Weapons of Mass Destruction and the Regulations and Communiqués drawn up on the basis of these laws constitute the legal basis of our Bank's policy on AML/CFT. Besides national regulations, our Bank also considers the recommendations, principles, standards and guidelines provided by international regulatory bodies and organizations as long as they are not incompatible with the national regulations.

Financial Crimes Investigation Board (MASAK) carries out the task of determining the strategy for combating money laundering and the financing of terrorism, establishing the policies and legislation to be implemented. .

Financial Action Task Force (FATF), which was founded in 1989 within the body of OECD, aims to develop national legal systems in combating against money laundering, harmonizing legislation, strengthen the role of financial systems and establish a constant cooperation between member countries. Recommendations of FATF are obligatory for the member countries including Turkey, which became a member of FATF in 1991.

Pursuant to the Article 282 of the Turkish Criminal Law No. 5237, proceeds of crime is defined as any form of assets acquired from the crimes that require punishment of minimum 6 months of imprisonment.

HALKBANK	COMPLIANCE POLICY ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM
	COMPLIANCE DEPARTMENT

Laundering offence is any transaction performed to move the assets abroad that are related to crimes regulated in Article 282 of the Turkish Criminal Law No.5237, or to disguise their origins or to leave the impression of that they are obtained in a legitimate way.

Through “The Law No.6415 on the Prevention of the Financing of Terrorism” within the scope of effective fight against terrorism and financing of terrorism; the principles and procedures have been determined for implementing the “International Convention for the Suppression of Financing of Terrorism” dated 1999 and the United Nations Security Council Resolutions related to combating terrorism and the financing of terrorism, for establishing financing of terrorism offence, and for freezing of asset with the aim of preventing financing of terrorism.

With Law No. 7262 on Prevention of Financing of Weapons of Mass Destruction, it is aimed to implement measures regarding nuclear weapons, ballistic missile programs or other weapons of mass destruction prohibited by United Nations Security Council Resolutions. Likewise Law No. 6415, procedures and principles regarding freezing of assets have been determined in order to prevent financing of weapons of mass destruction.

F. COMPLIANCE PROGRAM

Halkbank established a compliance program, which includes measures to prevent money laundering and financing of terrorism in order to comply with national legislation and international standards and to perform control activities in this context.

The compliance program covers the following measures:

- Establishing Bank policies and procedures on AML/CFT,
- Carrying out risk management activities within scope of AML/CFT to define, rate, monitor, assess and reduce the risks, which the Bank may be exposed to
- Carrying out risk-based monitoring and controlling activities, convenient to the Bank’s size of business enterprise, business volume and the nature of the transactions it conducts,
- Assigning Compliance Officer, Deputy Compliance Officer and establishing the Compliance Unit
- Carrying out training activities within the scope of AML/CFT legislation
- Carrying out internal audit activities whether the Bank’s AML/CFT policies and procedures based on the Compliance Program are implemented, or not.

Risk management, monitoring and controlling activities are conducted by the Compliance Officer / Deputy Compliance Officer / Compliance Department.

Training activities are performed under the supervision and coordination of the Compliance Officer.

Internal audit activities are carried out by Board of Inspectors.

Risk management and control processes in the compliance program are performed by considering **the three lines of defense** by providing coordination between duties / responsibilities. The three lines of defense consists of three stages that play an active role in risk management.

The units and departments which undertake risks and make decisions, are placed in the first line. Units and departments in this line are responsible for proper system development, process management and implementation of these systems and processes in accordance with policies and procedures established

HALKBANK	COMPLIANCE POLICY ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM
	COMPLIANCE DEPARTMENT

by the Compliance Department. Understanding, evaluating and controlling the business activities of our customers and the scope of business relationship with our Bank are among the duties of the units/departments placed at this stage as per “Know Your Customer (KYC)” Policy.

Internal Systems Group Management is placed in the second line of defense, within the framework of assigned duties and responsibilities. Compliance Department that is within the body of the Internal Systems Group, is responsible for establishing policies and procedures with a risk-based approach, managing the ML/FT risks that the group may be exposed to, conducting monitoring and control activities and coordinating training activities. Compliance Department is provided sufficient human resources and technological tools in order to fulfill these functions, by considering the number of customers, number of personnel, transaction volume and product / service diversity.

The third line of defense is the internal audit activity that checks whether the first and second lines of defense are meeting the risk management and control objectives.

Procedures and methods regarding risk management, monitoring and control, internal audit and training activities and all measures and operating rules are regulated in the Implementation Directive on AML/CFT.

Necessary information is given to the personnel regarding the Bank and Group Policies.

Risk monitoring and evaluation results are reported to the Board of Directors and the Board Members/Committee to whom the Board of Directors has delegated its authority.

Our bank’s compliance policies and procedures are submitted for the approval of the Board of Directors by reviewing at least once a year in the scope of legislative changes or in terms of a risk-based perspective.

G. RISK MANAGEMENT

The purpose of the risk management is to ensure that necessary measures are taken to identify, rate, assess, and reduce risks associated with money laundering and terrorist financing that the bank may be exposed.

The Bank re-evaluates and updates the risk management policy by considering the recommendations, principles, standards and guidelines found out by national legislation and international organizations based on evolving conditions. Activities performed in this context are regularly reported to the Board of Directors and the Audit Committee.

Risk management also comprises internal measures and process rules on customer identification and establishes a customer acceptance policy in order to comply with the “**Know Your Customer**” principle in national and international regulations on AML/CFT.

The principles on customer identification specified in the third chapter of the RoM are mentioned in the Implementation Directive on AML/CFT.

Risk Areas: Four risk areas are determined based on the risk-based approach: customer risk, product/service risk, industry risk and country/region risk.

Abuse of our Bank by customer or persons acting on behalf of or for the account of customer for the purpose of money laundering or terrorist financing refers to **Customer Risk**.

Non-face-to-face transactions, cash transactions that are difficult to trace, new products to be offered using developing technologies involve **Product and Service Risk** due to their inherent ML/FT risk.

HALKBANK	COMPLIANCE POLICY ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM
	COMPLIANCE DEPARTMENT

Some industries and business lines pose high ML/FT risks due to excessive use of cash, allowing to disguise the sources of funds easily and difficulty to trace such funds, concealing activities' real purposes, thus, customers operating in such high-risk industries constitute **Industry Risk**.

Transactions and customers related to the countries that do not possess adequate regulations on AML/CFT and do not cooperate on combating against these crimes, are accepted risky by international organizations (FATF, UN, OFAC, EU, HM Treasury), are connected to drug production-distribution routes (grey areas), in which crimes like smuggling, terrorism, bribery and corruption widely seen or which are called tax heaven/cross border centers (off-shore) in terms of nationality, country of birth, country of residence, place of establishment, ownership structure, authorized persons, transaction parties pose **Country/Regional Risks**.

Risk Assessment: Our Bank assesses customers, products/services, industries, and countries/regions that are in the scope of Bank's business activities and rates them in the risk categories listed below:

- Prohibited / Unacceptable
- High Risk
- Standard Risk

Natural or legal persons listed in **the prohibited/unacceptable risk category** are not accepted as customers and transactions related with them are not executed. The transactions of current customers whose risk category turns to prohibited/unacceptable, are refused. Bank also initiates customer relationship termination process.

Enhanced procedures are applied to the **high-risk** customers and transactions.

Standard procedures are applied for **standard-risk** customers and transactions.

Customer Identification and Verification: Our Bank is obliged to know natural and legal persons in terms of social, financial and personal information. Therefore, necessary measures for obtaining relevant information and verifying them through all kinds of documents. It is not considered sufficient to obtain the relevant documents once from customers with whom a continuous business relationship is established. Customers are monitored depending on their risk categories, their transactions are checked and changes are taken into consideration.

- Customer accounts have to be opened in the actual name-last name or title of the customer. A customer cannot be accepted under a different name, an anonymous name or a nickname.
- In cases where identification cannot be made or sufficient information cannot be obtained about the purpose of the business relationship; Customer acceptance cannot be made and the requested transaction cannot be performed.
- Legal entities whose ownership structure is inexplicably complex and beneficial owner(s) cannot be identified are not accepted as customers.
- In the context of the necessity of customer relations to be based on mutual information exchange, trust and openness, individuals and entities that avoid filling in introductory information forms or provide misleading and unconfirmed information are not considered as customers.
- Customer relationship cannot be established with persons included in the UNSC Consolidated Sanctions List, the sanction lists published by OFAC, the EU Consolidated Financial Sanctions List, the United Kingdom's Consolidated Financial Sanctions Targets list, sanction lists published by internationally accepted authorities, and the black lists published by national authorities.

HALKBANK	COMPLIANCE POLICY ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM
	COMPLIANCE DEPARTMENT

- Persons and entities that controls persons and entities listed in the previous paragraph directly or indirectly, acts on behalf of their names or acts for the benefit of them or gathers/provides all kinds of funds for them, are evaluated in the same scope.
- The names and surnames/titles of the customers are scanned from globally accepted PEP lists. In the event of a match, necessary measures are taken against PEPs.
- Requests of third parties to open accounts on behalf of one or more persons (excluding those under guardianship and custody, or minors) are not fulfilled, unless the customer submits relevant legal documents are explains purpose and necessity of opening such an account.
- If any suspicion, information or documentation is figured out as a result of an assessment, suggesting that the assets of a person or entity are not legally acquired, then business relationship cannot be established with related parties, and assurances or guarantees of them cannot be accepted.
- If there are any doubts about the adequacy and accuracy of existing customer information or if the identification and verification procedure cannot be completed, the customer relationship is terminated.

Definition of Beneficial Owner: Natural person(s) performing transactions at the Bank, natural person on behalf of whom the transaction is conducted, natural person(s) who ultimately control(s) or own(s) legal entities or unincorporated organizations/sole proprietorships are defined as beneficial owners. Accordingly, the Bank takes necessary measures to detect whether acted on behalf of someone's account/name and identify beneficial owners of transactions.

In establishing a customer relationship with legal entities, the Bank identifies natural person partners of the legal entity with a share ratio of ten percent or more for the identification of the beneficial owner(s).

In case it is suspected that the natural person shareholder of the legal entity holding a ten percent or more shares is not the beneficial owner or if the natural person having shares in this percentage does not exist, necessary measures are taken to reveal the natural person(s) who ultimately control the legal entity. The natural person(s) identified are considered to be the beneficial owner. When the beneficial owner is not identified the natural person or persons who are in the highest executive positions registered in the trade registry are considered the beneficial owners.

Necessary measures are taken to detect the natural person or persons who ultimately control the unincorporated organizations. When the beneficial owners cannot be identified, natural person or persons who are in the highest executive positions are considered the beneficial owners.

Transactions Requiring Special Attention: The Bank pays special attention to complex and unusual large transactions and the ones which have no apparent reasonable legitimate and economic purpose, to take necessary measures in order to obtain adequate information on the purpose of the requested transaction, and to keep the information, documents and records.

Monitoring The Customer Profile and The Transactions: Bank monitors permanently the transactions conducted by the customers whether they are in compliance with the information regarding the customer's profession, commercial activities, business history, financial status, risk profile and sources of funds within the scope of permanent business relationships and keep up-to-date information, documents and records regarding the customer. If executed transactions are not compatible with the declared purpose of the business relationship and customer profile, then the business relationship is re-evaluated. Accounts are constantly monitored whether they are used by the person who opened the account.

HALKBANK	COMPLIANCE POLICY ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM
	COMPLIANCE DEPARTMENT

Taking Measures Against Technological Risks: Bank pays special attention to complex and unusually large transactions and transactions that do not have a reasonable legal and economic purpose in sight, and takes necessary measures to obtain sufficient information about the purpose of the requested transaction and to retain the information, documents and records obtained.

Correspondent Relationship: Bank applies enhanced procedures in establishing and maintaining relationship with correspondent banks. Banking relationships cannot be initiated with the shell banks or other banks serving for shell banks. In addition, payable through account and nested account services are not provided.

Wire Transfers: Necessary measures are taken to mitigate risks in wire transfers which enables the cross border or domestic transfer of risky funds.

Mandatory information of the originator and receiver is included in the cross border and domestic wire transfer messages.

Originator and beneficiary information are obligatory in domestic and cross border wire transfer messages.

Reliable information and documents are obtained from relevant persons in cross border wire transfers related with risky countries and customers.

Simplified Measures: Simplified measures for customer identification and verification can be implemented based on the MASAK General Communique No.5.

Enhanced Measures: One or more of the measures can be applied for high-risk customers and transactions based on RoM, in order to mitigate risks.

H. MONITORING AND CONTROL

It is essential to protect the Bank from ML/FT risks and to continuously monitor whether the Bank's activities are performed in accordance with the Law and the regulations and communiqués issued pursuant to the Law and the policies and procedures of the organization. Monitoring and control activities are performed with a risk-based approach considering the size and transaction volume of the Bank.

Compliance Department is responsible for monitoring activities for this purpose and keep the risk assessment updated. Compliance Department establishes a centralized monitoring and control system in order to find out ML/FT risks and suspicious transactions. The banking transactions, particularly the ones related with high-risk customers or service/products, are monitored based on the specified criteria and scenarios.

Monitoring and control activities include at least;

- Monitoring and control high-risk customers and transactions,
- Monitoring and control transactions with risky countries,
- Monitoring and control complex and unusual transactions,
- Control whether the transactions that exceed a specified threshold amount are compatible with customer profiles using the sampling method,
- Monitoring and control multiple linked transactions that exceed the threshold amount for customer identification,

HALKBANK	COMPLIANCE POLICY ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM
	COMPLIANCE DEPARTMENT

- Completing and updating mandatory information and documents that are subject to record retention and must be kept as hard copy or electronic image and completing mandatory information to be included in wire transfer messages,
- Monitoring transactions continuously whether they comply with the customer profile and source of funds,
- Controlling transactions which are carried out by using systems enabling to conduct non-face-to-face transactions,
- Risk-based controlling services that may become vulnerable to abuse in terms of newly introduced products and technological developments.
- Checking customers and transactions in sanctions lists or blacklists.

Compliance Department can claim all necessary information and documents from all departments at our Bank during the assessment process. Therefore, departments are obliged to present requested information and documents and provide convenience to Compliance Officer/Compliance Department and authorize them to have access.

In case of existence of any information, suspicion or reasonable grounds to suspect that the asset, which is subject to the transactions carried out or attempted to be carried out within or through the Bank, has been acquired through illegal ways or used for illegal purposes and is used, in this scope, for terrorist activities or by terrorist organizations, terrorists or those who finance terrorism, **suspicious transaction report** about the person(s) who executed the transaction must be submitted to MASAK.

Bank cannot disclose any information that the suspicious transaction has been or will be reported to anyone including the parties of the transaction, except for the information provided for the examiners assigned for supervision of obligations and for the courts during trial.

Pursuant to Article 10 of Law No. 5549, the Bank (as a legal entity) and its personnel complying with the obligation of reporting suspicious transaction, cannot be held responsible judicially and criminally in any way.

I. INTERNAL AUDIT

The purpose of internal audit is to provide assurance to the Board of Directors regarding efficiency and sufficiency of whole compliance program. The Bank ensures, annually and on a risk-based approach, examination and controlling of institutional policy and procedures, risk management, monitoring and controlling activities and whether the training activities are sufficient and efficient, sufficiency and efficiency of risk policy of the Bank, whether the transactions are carried out in compliance with Law and regulation and communiques issued in accordance with Law and Bank's policy and procedures.

Within the scope of internal audit activities;

- The deficiencies, mistakes and abuses determined as the result of internal audit, as well as the opinions and proposals for prevention of reappearance of them are reported to the Board of Directors.
- While determining the scope of control, the faults determined during the monitoring and controlling processes and the customers, services and transactions containing risk are included within the scope of control.

HALKBANK	COMPLIANCE POLICY ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM
	COMPLIANCE DEPARTMENT

- While determining the units and transactions to be audited, it is ensured that units and transactions in quantity and quality that can represent all transactions carried out in the Bank are audited.

These activities are executed by Board of Inspectors. Information and statistics about internal audit are reported to MASAK annually.

J. TRAINING

The purpose of the Bank's training policy related with AML/CFT, is ensuring compliance with obligations imposed by Law and the regulation and communiques issued in accordance with Law, creating an institution culture by increasing the sense of responsibility of staff on policy and procedures of institution and on risk-based approach and updating of staff information.

Bank carries out training activities in compliance with business size, business volumes and changing conditions for AML/CFT.

Our Bank's training policy involves training activity processes, personnel who is responsible for conducting activities, determining personnel and trainers to participate in, training of trainers and training methods. Our Bank's training policy is executed based on the annual training plans which are approved by the Board of Directors.

Training programs on AML/CFT are prepared by the Compliance Officer in co-operation with the Halk Academy Department. The training program is conducted efficiently under supervision and coordination of the Compliance Officer.

All newly-hired personnel receive AML/CFT training by a specialized personnel on compliance of the Bank within a maximum of 6 months of the employment date. Training activities are repeated in certain periods in accordance with the size of the institution, business volumes and changing conditions, in a way to include legislative changes and/or according to the results of training measurement and evaluation. Trainings methods like the online trainings are used besides organizing seminars and panels for conducting training activities. Training result are recorded.

Compliance Department and Halk Academy Department determine a sufficient number of trainers on this issue and ensure that they possess required knowledge and proficiency. Trainers are chosen among the trainers who attended MASAK training programs.

Compliance Officer/Compliance Department staff and trainers are encouraged to participate in internal/international training and seminars on professional subjects.

Information and statistics on trainings are reported to MASAK annually.

The Bank's training program at least covers the following subjects;

- Laundering proceeds of crime and terrorist financing,
- The stages, methods of laundering proceeds of crime and case studies on this subject,
- Legislation regarding prevention of laundering proceeds of crime and terrorist financing,
- Risk areas,
- Corporate policy and procedures,
- International regulations on combating laundering and financing of terrorism,
- Principles relating to customer identification and verification,
- Principles relating to suspicious transaction reporting,
- Obligation of retaining and submitting,

HALKBANK	COMPLIANCE POLICY ON ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM
	COMPLIANCE DEPARTMENT

- Obligations on providing information and documents,
- Sanctions to be implemented in violation of obligations.

K. MISCELLANEOUS

Based on Article 6 of the Law on Prevention of Laundering of Proceeds of Crime, our Bank is obligated to report the transactions, to which they are parties or intermediaries, exceeding the amount determined by the Ministry to MASAK.

Based on Article 7 of the Law on Prevention of Laundering of Proceeds of Crime, our Bank is obliged to fully and accurately provide MASAK and examiners with all kinds of information, documents and related records in every type of environment, any kind of information and passwords necessary for accessing to or making these records decipherable, and render necessary convenience.

Bank retains the documents, books and records, identification documents kept in all forms regarding their transactions and obligations related with AML/CFT legislations for ten years starting from the drawn up date, the last record date, the last transaction date respectively and submit them when requested.

L. COMPLIANCE PROCESS AND RESPONSIBILITIES

Turkiye Halk Bankası AS, including all domestic and foreign branches;

- Constitute policies and procedures including necessary national and international regulations on AML/CFT considering Group Compliance Policy.
- Conduct all business and transactions in line with the regulations.
- Conduct internal policy and procedures in line with international obligations, the legislation, and provisions of the Group Compliance Policy and the Bank Compliance Policy.

Turkiye Halk Bankasi AS set the convenient channels to enable personnel to report contradictions in line with “Code of Ethics” and “Anti-Corruption Policy” accepted by the Board of Directors. Furthermore, Bank takes necessary measures to protect the personnel making these notifications regarding the confidentiality of the whistleblower.

Reports on issues related with Group Compliance Policy and the Bank Compliance Policy are prepared and submitted by Compliance Department to the Audit Committee quarterly and at least once a year to the Board of Directors.

M. ENFORCEMENT

- (1) Compliance Policy Regulation was approved based on the Regulation of the Board of Directors No. 13/20 dated 27.04.2021 and enters into force on the date when it is accepted by the Board of Directors.
- (2) The provisions of the Compliance Policy Regulation are executed by Compliance Department on behalf of the Board of Directors.
- (3) Based on the approval of the Compliance Policy Regulation, the Compliance Policy No. 32 dated 02.05.2018, which was accepted with the consent of the Board Members who are responsible for the Compliance Policy, has been annihilated.