

## Highlights from the Bank's anti-money laundering and terror financing policy

Money laundering and terror financing are cash-intensive financial operations that are performed, *inter alia*, by the exploitation of the banking system. Money laundering and terror financing methods are varied and diverse, and their prevention is no easy task. In light of the risks associated with these activities, such as the undermining of political, economic, and social systems in democratic regimes, and even the risk to human lives, the continuation of the struggle against these activities, by applying all means at our disposal, is of utmost importance.

Financial entities, including banking corporations, are at the forefront of the struggle against these phenomena. Accordingly, Bank Leumi adopted a comprehensive anti-money laundering and terror financing policy and procedures, that are intended to substantiate the identification and familiarization of the Bank with its customers, review the source of the funds of its customers, inquire regularly the nature of the transactions in the accounts of its customers, and track and prevent the use of funds that might be associated with terrorism.

The Bank takes the following actions, among others:

Know Your Customer procedure – banks are obligated to become properly familiar with their customers, service recipients and other entities with which the banks conduct business. In this framework, the bank examines the purpose for opening the account, the nature of the activity that will be performed in the account and its scope, the customer's background, the source of his wealth, his income etc.

This procedure is not specific, and is not performed only when the customer opens an account. This is a process that is performed regularly and continuously (whether by way of face-to-face meetings with the customer and whether by the Bank, without involving the customer; the Bank contacts the customer, when this is necessary), and in particular when the customer performs a significant transaction in the account, in the event of change in the identity of the account holders, and when the customer changes his occupation.

The process is also performed in online accounts, *mutatis mutandis*.

The following are a number of highlights from the Bank's anti-money laundering and terror financing policy:

- The customer provides full information – when opening an account, and when performing a relevant action, the customer is required to answer

the questions asked by the banker, and provide the requested documents. The questions that the banker asks are intended to ensure compliance with the regulatory requirements, and do not mean that he is curious or nosy. We shall remind that the information that is provided is protected under the duty of secrecy imposed on the bank.

- Withholding information – we operate under the assumption that a normative citizen who performs a transaction has no reason to withhold information from the bank with which he works. At the same time, refusal to cooperate or answer questions, and refusal to produce necessary supporting documentation that the banker requests in accordance with the law, gives rise to a concern about the legitimacy of the requested transaction, and might result in a rejection of the request to open an account.
- Managing an account for another – managing an account for another without declaring about this information might be considered a criminal offense. Customers are required to notify the Bank regarding all interested parties in the account (partners, authorized signatories, agents, beneficiaries and holders of controlling interest in the account), even if these are first-degree relatives. If the Bank finds that the account is managed for another/that information regarding all account holders was withheld etc. – the account might be blocked.
- Automatic reports to the Israel Money Laundering and Terror Financing Prohibition Authority – these reports will be transmitted automatically with respect to transactions that exceed the threshold amounts set out in the Anti-Money Laundering Order. Splitting deposit amounts might give rise to a suspicion that the depositing person wishes to bypass the reporting mechanism to the Authority. Courts in Israel ruled that splitting of deposits (an act whose entire purpose is to avoid automated reporting) might be considered a money laundering offense.
- Customers who are politically exposed persons (PEP) – as part of the Know Your Customer procedure, the Bank examines whether the party involved held or holds a senior public office (domestic and foreign) or is related to a senior foreign political figure. This examination is performed at the time the customer opens an account, and even after opening the account, periodically. When dealing with a customer filling a senior public office (or his relative) the Bank will perform a comprehensive inquiry of the source of his wealth and will monitor his account more frequently.

Prohibition on terrorist financing – the bank acts regularly for the purpose of finding terrorist suspects by scanning names and cross-referencing them with lists of declared terrorist organizations. In addition to the need to determine the risk level that the Bank faces, the Bank examines the transactions in the account while using a detailed list of risk characteristics pertaining to the prohibition on terrorist financing.

Keeping documents – the Bank keeps records and documents in accordance with the regulatory requirements. Ordinarily, documents containing instructions regarding the execution of a transaction are kept for a minimum period of 7 years as of the date the transaction is registered in the Bank's records.

Reviewing money laundering and terror financing risks – the Bank performs once a year a review of the effectiveness of its risk management policy.

## Highlights from the Bank's anti-bribery and corruption policy

Bribery offenses, including the giving/receiving of bribes and offenses involving bribery to a foreign public servant, are criminal offenses and original offenses, as meant by this term in the Prohibition on Money Laundering Law.

The Bank places special emphasis on compliance with the relevant domestic and international legislation, and customary rules around the world, in the struggle against bribery and corruption, and practices a group policy of zero-tolerance on the subject.

According to the group's policy, each member in the Leumi group is required to formulate an anti-bribery and corruption plan that is in conformance with the plan that Leumi adopted on the subject and the activities of the company.

The following are a number of highlights on the subject:

- The Bank shall not knowingly engage in a business relationship with any person or legal entity that give or receive any bribe or illegal incentive, for any purpose, directly or by a third party.
- The Bank will proactively map and track customers that are under a high risk of bribery and corruption activities and will conduct strict due diligence reviews of these customers.
- The Bank will not allow knowingly the use of its resources for the purpose of performing any financial activity that is related to acts of bribery and corruption.
- The Bank expects from its employees, business partners and customers to cooperate with the Bank in its struggle to prevent bribery and corruption and help it comply with the legal, ethical and business standards that the bank set for itself.
- Reporting mechanism – in any event of breach or a concern about breach of the Bank's anti-bribery and corruption policy, including in circumstances in which an employee of the Bank knows or suspects that

actions that are performed by another employee of the Bank give rise to a suspicion that they are not in conformance with the Bank's policy, the Bank employee is obligated to report about these actions. The Bank will provide effective protection to each employee of the Bank who acted in good faith for the purpose of disclosing suspected acts of bribery and corruption.

- Political contributions – within the framework of the anti-bribery and corruption due diligence review that is performed, the Bank examines whether the customer or anyone acting on behalf of the customer made contributions to a political party or to a government official or to their election campaign, or to a charity organization that is affiliated or that is managed by any of the aforementioned.
- Associations/nonprofit organization – the Bank conducts a review (in accordance with the bank's procedures and depending on the type of the association and the amounts involved) of the amounts obtained from contributions, the amounts obtained from cash contributions, names of donors, the amounts contributed by a foreign state and more.