



Compliance Statement

The Leumi Group is subject to a wide range of domestic and international laws, ordinances and regulations, including directives issued by the Banking Supervision Department, the Israel Securities Authority and the Antitrust Authority.

Proper Conduct of Banking Business Directive No. 308, "Compliance and the Compliance Function in Banking Corporations", formally defines the compliance function's areas of responsibility at the Group level. The directive outlines the definition of compliance provisions and stipulates that compliance risk stems from laws, regulations, regulatory provisions, internal procedures, conduct rules and Israel Securities Authority's position papers. The directive stipulates that a bank must assess the effectiveness of its compliance risk management, and find means to measure it, with the compliance risk derived, as stated above, from the entire body of laws governing the Bank's activity.

According to the Bank's policy, compliance risk is managed at the Group level. In this context, various steps are taken to supervise and control and foreign offices and subsidiaries in order to monitor compliance issues as a whole and apply the Group's compliance policy. Due to the coronavirus crisis, adjustments are being made to the manner in which compliance risk is managed, while identifying emerging risks characteristic of crisis periods.

Maintaining a fair compliance culture across the entire organization requires an effective control and enforcement framework, which is outlined in work processes and enables the organization to comply with all regulations. To this end, strict compliance and enforcement processes have been established for all workflows and their compliance risks. The purpose of the control and enforcement framework is, among other things, to identify existing and potential gaps and exposures in order to determine whether work processes, procedures, training program and assimilation requirements need revision. The control processes are based, inter alia, on an analysis of the compliance regulations, internal and external audit findings, complaints by the public, legal proceedings against the Bank or other banks that may indicate possible compliance exposures, as well as analysis of trends and events in Israel and around the world.

All Leumi Group employees are responsible for understanding the professional, legal and ethical issues in their field and for the proper conduct this entails. Leumi recruits employees with adequate qualifications and develops supportive automated systems to comply with the changing legal requirements.

Pursuant to the developing trends around the world, the Bank handles a range of compliance issues, including the prohibition on money laundering and on the financing of terrorism and taxation aspects, including FATCA and CRS.

- **Compliance risk, prohibition on money laundering and financing of terrorism**

To effectively manage compliance risk, Leumi has in place a compliance and enforcement array,

headed by the Chief Compliance Officer. The latter is responsible, among other things, for meeting the legal requirements of the prohibition on money laundering and financing of terrorism. The Chief Compliance Officer also serves as the securities law enforcement officer and the responsible officer for FATCA. The Compliance and Enforcement Department reports to the Chief Legal Counsel.

The Department is in regular contact with subsidiaries in Israel and abroad, for the purpose of monitoring the implementation of compliance issues as a whole and implementation of the collective compliance policy.

- **FATCA (Foreign Account Tax Compliance Act), CRS (Common Reporting Standard) and reported funds policy**

On July 14 2016, the Income Tax Ordinance Amendment Law (No. 227), 2016 was published on the implementation of the FATCA agreement between the State of Israel and the United States as well as agreements for information exchange between Israel and other countries, pursuant to the Standard for Automatic Exchange of Financial Account Information published by the OECD. In addition, income tax regulations were published for the implementation of the FATCA agreement and for the implementation of a uniform standard for reporting and due diligence of information regarding financial accounts.

The Bank reports to the Israel Tax Authority according to the provisions of the law on the subject.

The Bank implements a “reported funds” policy while ensuring that no funds managed by the Bank go undeclared to the relevant tax authorities. In this context, various measures were taken to locate and identify the relevant target audiences. If needed, customers are required to provide various statements and approvals

The Bank acts on several levels to ensure the compliance of Leumi Group and individuals therein with the provisions of the law, including: Appointment of a compliance as the party responsible; adoption of appropriate policy and work procedures; development of automated tools supporting the working processes; formulation of training and assimilation, testing, control and operation mechanisms required for complying with the directives and instructing the Group’s subsidiaries on adequate preparations.

As part of the Group’s risk management and compliance policies, several areas of activity have been defined which Leumi aims to avoid. These areas include, among other things, gambling and pornography.