

GENERAL

The following information has been prepared to address the many anti-money laundering and terrorist financing questions/questionnaires we receive from organizations with which we have a business relationship in order to provide each institution with a suitably complete response.

Lebanon is a member of the Financial Action Task Force on money laundering ("FATF"). Lebanon is subject to mutual evaluations by FATF.

National Bank of Kuwait (Lebanon) sal, here after referred to as NBKL, has adopted strict procedures for dealing with the topic of anti-money laundering and combating terrorism financing. NBKL is regulated by the Central Bank of Lebanon ("BDL"). NBKL has a dedicated anti-money laundering reporting/compliance officer.

Central Bank of Lebanon has issued comprehensive instructions as well as detailed guidance notes that deal with the issue of anti-money laundering and terrorism financing. These instructions are based on:

- a. Lebanese Law No. 318/April 2001 and Law No. 44/November 2015;
- b. FATF recommendations;
- c. International Monetary Fund's guidance on AML/CFT;

In addition to the above, NBKL has also considered other international guidance on the subject of anti-money laundering and terrorist financing including (but not limited to) Basel Committee publications, United Nations guidance on the suppression of terrorism financing, etc...

The Central Bank of Lebanon's instructions as well as international guidance on anti-money laundering and terrorist financing are considered of extreme importance by NBKL and to this end it has issued, for internal purposes, manuals and has conducted seminars for the implementation by all members of management and staff.

SPECIFIC PROCEDURES WITHIN LEBANON

Know Your Customer Guidelines

NBKL has strict KYC procedures in place. All customers are required to provide valid identity, residential address, in addition to other documentation. Identity and account information is updated and reviewed from time-to-time as required. No anonymous or numbered accounts are permitted. Names of clients, Beneficial Rights Owners, proxies, in addition to Bank's vendors and their ultimate beneficiary owners are scrutinized against the blacklists within the screening system.

No account is opened without the branch AMLO review and approval of the appropriate authority. Furthermore, a bank reference from a well-recognized financial institution is required in order for the account to be opened.

NBKL does not maintain accounts for shell banks or companies (as defined by the US Patriot Act). In addition, any charity or non-governmental organization wishing to open an account must present an approved license from the concerned ministry.

Terrorist Financing Transactions

NBKL downloads designated terrorists (individuals and organizations) that are added by the United Nations and the local Internal Security Forces. NBKL monitors transactions with customers against these lists. In addition, designations by EU, OFAC, Central Bank of England, BIS, etc. are added to our screening system automatically.

All names of existing or new clients, Beneficial Rights Owners, proxies, in addition to Bank's vendors and their ultimate beneficiary owners are scrutinized against the blacklists within the screening system.

All amendments to the listings issued by the Special Investigation Committee (SIC) are reviewed at NBKL and a confirmation of no activity with listed names is returned to SIC.

Unusual Large Transactions

Our internal procedures are designed to highlight unusual and large transactions so that the bank's staff can take the necessary actions to ensure that the transaction is bona fide. Large transactions also require a manager's override before the transaction can be executed. Our systems issues alerts and reports on large, unusual transactions, or on customers that had cumulative transactions exceeding predefined limits.

In addition to the above, where an unusual large transaction is identified, we take the necessary precautions to verify the source of the customer funds. This also applies upon the opening of an account with a new customer.

Money Laundry Reporting Unit

NBKL has a money laundering reporting officer who handles all issues pertaining to the subject. This unit investigates any matter that is suspicious and not cleared by branch or business management and will take whatever follow up action is required.

In accordance with the Lebanese anti-money laundering law, Central Bank of Lebanon instructions and our opening account terms and conditions, NBKL has the right to block customer funds until suspicions are cleared.

Regulatory Reporting Requirements

Any suspected transaction that is unjustified by the bank is forwarded to the Special Investigation Commission (SIC), our local Financial Investigation Unit by filling an electronic STR associated with related documents. The local anti-money laundering law imposes financial penalties and imprisonment for individuals and entities convicted of money laundering or terrorism financing offence.

NBKL asks clients, except from those exempted, to fill and sign a cash transaction slip (CTS), which must include the amount involved and the source of funds, when conducting a cash deposit exceeding 10,000 USD or the equivalent in other currencies, or when carrying out multiple operations involving lower amounts but totaling to more than USD 10,000 or the equivalent.

NBKL has an AML/CFT Committee that authorizes exempted limits for specific clients upon obtaining adequate justifications of type of work and supporting documents. NBKL ensures to make these limits with their supporting documentation available and updated upon the request of auditors, or the Special Investigation Commission / Financial Investigation Unit.

Internal Training Requirements

It is NBKL policy and Central Bank of Lebanon regulation that all bank staff be trained on anti-money laundering procedures. NBKL has detailed training programs for all new recruits as well as regular refreshing trainings and knowledge updates for existing staff on emerging ML/FT trends.

Compliance with Policies and Procedures

A separate Compliance Unit is established to monitor compliance with policies and procedures, including, but not limited to, anti-money laundering and combating terrorist financing procedures. In addition, our internal auditors review money-laundering initiatives on all critical areas at least once per year. NBKL is also subject to regular SIC inspections and annual external auditor reviews, which specifically covers anti-money laundering procedures.

External Auditors

Our external auditors are currently Ernst & Young. In addition to the statutory audit, an A rated audit firm is required to sign off on our internal controls, including money laundering. We have consistently obtained a clean opinion regarding our compliance with money laundering from this internal controls assessment.

Other Information

- For other information concerning NBKL, please refer to website at **NBK Lebanon** and **NBK Group**
- For information concerning Central Bank of Lebanon, please refer to www.bdl.gov.lb
- For information concerning Special Investigation Commission, please refer to www.sic.gov.lb