

## HDB Compliance/AML Statement

Housing and Development Bank (HDB) enjoys a distinguished reputation among its customers, as well as among local and foreign banks. Maintaining such reputation requires that HDB as well as its employees fully understand and properly apply the laws, regulations and instructions issued by the competent regulators. HDB is subject to periodic inspection by local regulator.

The Compliance function in HDB aims at mitigating potential risks to which the Bank may be exposed in case of the violation or misapplication of such laws, regulations or instructions.

HDB complies with the applicable AML and CFT regulatory controls issued by CBE which generally include adopting KYC procedures, appointing a compliance officer and designating his/her responsibilities and authorities, establishing suspicious transactions reporting procedures, keeping records and documents, setting internal control regulations, and providing the necessary training to all employees.

In light of the FATF recommendations and Egyptian Anti-money Laundering Law No. 80/2002 and its amendments, HDB's BoD approved and adopted an AML and CFT program. The main objective of such program is to consolidate and disseminate the AML Internal Control regulations to be applied at the H.O. and all branches. This program includes, without limitation:

### Policies and Procedures:

- Maintaining documented policies and procedures approved by senior management and consistent with both international and local applicable AML, CTF and sanctions regulations and requirements to reasonably prevent, detect and report;
- Maintaining proper Anti Bribery and Corruption "ABC" policies and procedures formulated as per ABC regulations and requirements to reasonably prevent, detect and report bribery and corruption;
- Enhancing and updating policies and procedures regularly;

### KYC, CDD & EDD:

- Know-Your-Customer standards including a Customer Identification Program and Customer Due Diligence procedures reasonably designed to identify and verify all customers and, where applicable, beneficial owners, source of funds and the nature and intended purpose of the business relationship, to the extent warranted by the risk of money laundering or terrorist financing or as required by regulation;
- Classifying customer risk rate as per product/service usage, geography, business type/industry, legal entity type and adverse information;
- Determining high-risk profile customers including correspondent banking and private banking customers and those who are assessed to be politically exposed persons and evaluating accompanied risks by applying proper enhanced due diligence procedures;
- Setting periodic time frame and triggers upon which customers' KYC renewal process to be performed;
- Identifying and assessing money-laundering risks in connection with all services and products offered;

- Prohibiting establishing or maintaining relationships with:
  - Unlicensed banks and/or NBFIs and other entities that provide services to them;
  - Shell banks or with banks which provide correspondence services to shell banks;
  - Opening anonymous or numbered bank accounts;
  - Opening payable through accounts or nested accounts;

#### Screening and Sanctions:

- Maintaining automated screening system uploaded with all international sanction lists as well as CBE and HBD internal lists;
- Prohibiting dealing with listed individuals/entities as per any international and/or local sanction program;
- Screening against PEPs either foreign and/or local including the family and close associates as well as adverse media and information;
- Prohibiting opening and keeping accounts for section 311 designated entities;

#### Monitoring and reporting:

- Maintaining automated monitoring system imbedded with scenarios designed to identify potential suspicious activity/transaction;
- Adopting policies, procedures and processes to review and escalate alerts arising from the monitoring of customer's activity/transaction;
- Reporting suspicious money laundering transactions to FIU according to the applicable laws in this regard;
- Define the process where appropriate for terminating existing customer relationships due to financial risk crime;

#### Record and documentation retention:

- Keeping records and documents of opening accounts and bank transactions according to the set retention periods that comply with the applicable laws;

#### Training and awareness:

- HDB is ensuring that appropriate personal are well & adequately trained in all applicable aspects of the AML compliance program including policies, procedures & processes;
- Training programs are tailored in accordance to the staff/line of business, specific responsibilities;
- HDB maintain a full training program including AML/KYC for new staff given to them just after joining the institution during staff orientation;
- HDB Compliance staff member within HO & subsidiaries receive periodic training to put them at the front line of latest technique in the domain;
- Board & senior management are fully aware & understand the importance of AML Compliance program regulatory requirement, the ramifications of non-compliance & the risks posed to the bank.

- HDB board of directors & senior management are periodically acquainted of changes & new developments in the AML Compliance program along with their full responsibility to approve related policies, procedures after needed discussions with the Compliance officer;

Audit and Controls:

- HDB is relying on independent audit and compliance testing functions to review and assess for compliance with the AML Program and applicable laws;
- Conducting ongoing both offsite and onsite self-assessment and evaluation of compliance activities among HDB's branches and units;
- Setting internal control regulations to be continuously enhanced;